CLIENT IMPACT ASSESSMENT OF WOMEN'S ENTREPRENEURSHIP DEVELOPMENT PROGRAM IN BANGLADESH*

by:

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November 1996

*This report was prepared as part of the Women's Enterprise Development Project Evaluation for USAID/Dhaka conducted by Chemonics International under the Microserve Project.

WPDATA\REPORTS\3175\3175-045.w61
(10/98)

INTRODUCTION

The Terms of Reference (TOR) for the assessment of WEDP's impact on borrowers posed the following questions:

- Is WEDP reaching the intended people? What are the characteristics of the people the project is serving?

- What are the qualitative and quantitative impacts on the clients and their households?

- What is the likely continued impact over the rest of the project period and beyond?

- To what extent is the project purpose being achieved as envisioned in the design?

- Is the purpose as identified in the design appropriate as a strategy for poverty reduction in Bangladesh?

The methodology suggested in the TOR included individual and focus-group interviews covering 150 clients in four selected WEDP field sites, two in urban or semi-urban areas. This was essentially the methodology the evaluation team followed, although some modification was required to complete the interviews in the 11 days available for field visits. A highly skilled post-graduate in sociology joined the team as an interpreter.[1] She and the consultant conducted two-hour group interviews with a total of 138 borrowers. Groups ranged in size from 6 to 13 client participants. We also visited several enterprises, including those of four borrowers, who did not participate in the group discussions.

General discussions of the WEDP program opened each group session, followed by a series of individually posed questions that solicited data on pre- and post-loan activities, labor times of borrowers, husbands, family members and hired workers, asset acquisition, decision-making, income control, and perceptions of the major effects of the loan. We are very grateful for the patience of all the WEDP clients who so carefully and cheerfully responded to our questions.

Although a great deal was learned from these group interviews, it is important to recognize that the data obtained cannot be considered an impact survey in the normal sense of the term. We interviewed a nonrandom sample of borrowers, we had no data on their pre-loan situations other than that collected in the interviews, and we had no control group to allow us to attribute impacts to the program. Furthermore, lack of time and budget precluded a computerized analysis of the data.

The clients interviewed were selected by extension officers on the basis of two criteria established in advance: representation of extremely poor and moderately poor clients, and representation of first-loan and multiple-loan recipients. We were able to interview 142 clients in 11 days only because we were able to meet with the extension officers of the centers we planned to visit while they were attending a workshop in Dhaka during the first week of our mission. The pre-arrangement of the focus group meetings also allowed us to meet either in the center office or, more

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[1]Syeda Sarah Jesmin.

commonly, in a bedroom or courtyard of a client's home, venues that usually provided the quiet conditions needed for the type of relatively intensive interviews we conducted.

No WEDP staff attended the group interviews, and clients seemed to feel free to express a variety of opinions about the program. However, the need to avoid unwanted intrusions into private matters in the context of group interviews made it imprudent to ask the types of questions about business profits or household income that can be posed in individual interviews.

Our findings are presented in three sections: a socioeconomic profile of clients; an assessment of program impact on employment, income and assets, and women's decision-making and status; clients' loan transaction costs as well as their needs and opinions about the program.

A. Client Profile

A major study of rural poverty in Bangladesh[2] found that more than half the rural population lives under the poverty line, a measure of the income needed to assure adequate nutrition and basic needs. Twenty-two percent of the population lives in extreme poverty, having incomes that cannot assure consumption of 85 percent of caloric needs.

In order to describe the characteristics of the people the project is reaching, we attempted to determine the socioeconomic status of clients according to the categories used in the rural poverty study: extreme poor, moderate poor, and nonpoor or what we refer to here as the modest income group.

With the assistance of WEDP center staff, we developed the following criteria for identifying households as extremely poor: the husband or the client works or recently worked as a day laborer, or the husband has an extremely low-paying occupation such as rickshaw pulling or agricultural tenancy, or the household has no source of income other than the woman's earnings. We classified households as nonpoor if the husband is a skilled worker with a monthly wage or salary, the household has a business that employs several workers, or if mentioned household assets include luxury items such as televisions. The remaining households were classified as moderately poor. The categorization of clients by these criteria, when based on a single group interview, is obviously subject to error. We nonetheless have some confidence in the validity of our findings because the answers to several questions were used to estimate each individual's socioeconomic situation.

A1. Findings

A1a. Socioeconomic Status

Our results suggest that nearly three-quarters of WEDP clients are either moderately or extremely poor. The bottom quarter are probably extremely poor.

Table 1. Borrowers' Socioeconomic Situation

[2]Rahman, H.Z., M. Hossain, and B. Sen, eds., *Dynamics of Rural Poverty in Bangladesh: 1987-1994,* Bangladesh Institute of Development Studies, Dhaka, April 1996.

	Savar Peri-urban	Hathazari Rural	Poba Rural	Munsiganj Peri-urban	Total % No.
Extreme Poor	9 22%	15 47%	9 24%	3 11%	36 26%
Moderate Poor	18 44%	65 47%	17 46%	15 54%	65 47%
Modest Income	14 34%	2 6%	11 30%	10 35%	37 27%

Our rough estimates of clients' socioeconomic status suggest that the program is reaching primarily people in the lower half of the income distribution. Recall that the 1995 rural poverty study found that half the rural population live under the poverty line, whereas probably three-quarters of WEDP clients are from households living in some degree of poverty. However, at least a quarter of WEDP clients probably have household incomes that would place them somewhat above the poverty line.

A random sample survey of 361 WEDP borrowers was conducted by Dr. Syed Hashemi in 1989 as part of an evaluation of an earlier phase of the project.[3] Dr. Hashemi collected income data but considered it too unreliable to report. Our socioeconomic categories are even rougher, but we thought it important to attempt to draw an income profile, even though it is based only on occupations of the clients and their husbands.

About 20 percent of clients said that the income from their businesses is the major source of household income. All of these clients are among those we categorized as extremely poor. Some are abandoned, some widowed, and some have husbands who are day laborers.

A1b. Marital and Educational Status

The overwhelming majority of clients (88 percent) are married. The proportion of widows among the project clients we interviewed is similar to the share of widows in the 1989 survey. Eight percent of our interviewees are widows, whereas the 1989 survey found that 6 percent of clients were widows.

In contrast, the share of divorced or abandoned women in our sample (only 3 percent) is far lower than the 15 percent found in 1989. This may reflect a change in the socioeconomic status of WEDP clients from the extremely poor category (which always includes a high share of divorced and abandoned women) toward the moderately poor.

In 1989, 78 percent of clients were illiterate. Today, we found that only 58 percent are illiterate or only able to sign their names, whereas 31 percent have primary and 11 percent secondary education. One borrower even has a university degree. This increase in the average educational level of borrowers may indicate that current WEDP borrowers include relatively more prosperous clients today than was the case in 1989.

A2. Discussion

[3] Syed M. Hashemi, *Credit for Rural Women: An Evaluation of the Women's Entrepreneurship Development Program,* June 1989. It is important to note that the 1989 sample survey was conducted in four rural centers, whereas our survey covered two rural and two peri-urban centers.

Since 1989, the WEDP program may have shifted its focus slightly away from the extreme poor, especially those without husbands. It may have also started including a larger number of borrowers who are from households somewhat above the poverty line. If this is the case, it may reflect two factors: a very heavy emphasis on repayment rates as the main criterion for borrower approval, and a desire to increase the number of larger loans in the total WEDP portfolio, which is one of the performance criteria of the program.

There also seems to be a strong tension between the desire to achieve high repayment rates and the desire to serve the poor. The driving force in client selection seems to be a preoccupation with the recovery rate. Although this is a totally valid concern, it is being pursued in a manner that is unlikely to reflect a client's willingness and ability to repay, and is highly likely to discourage or exclude potential borrowers from the bottom 20 percent of the income distribution.

Government regulations require each borrower to show an original land or homestead certificate and submit a photocopy which is kept with the loan application. This regulation excludes renters, migrants, and landless women. Our interviewees said that they know several women who would like to borrow from WEDP, but cannot meet the home ownership requirement.

Our data suggest that divorced or abandoned women are being discouraged from seeking WEDP loans by the regulation that requires each female borrower to have a husband's or father's signature on her application form. The contrast between the share of WEDP clients who were divorced or abandoned in 1989 and the far smaller share of divorced clients in our sample suggests that this problem may be more serious today.[4]

The government regulations that exclude important segments of the poor reflect the power of the myth that the extreme poor are less likely to pay back their loans than the moderately poor or the nonpoor. The experience of the many NGOs in Bangladesh that provide credit to destitute women should have dispelled these myths by now, but they remain powerful, especially in government circles.

B. Program Impact Assessment

B1. Enterprise Funding

The borrowers interviewed used their WEDP loans primarily to expand existing businesses (64 percent) and to start new businesses (25 percent). A small number of borrowers used the loans to fund a husband's or son's business in which the client takes no part (9 percent) and a very few used the loan for a nonbusiness-related purpose (2 percent).

Table 2 indicates the types of businesses pursued by the clients we interviewed.

[4]The 1981 Bangladesh Agricultural Sector Review found that 15 percent of rural households were female-headed, whereas 25 percent of landless households were female-headed (Kabeer, 1991).

Table 2: Businesses in the Client Survey

Sector	Number	Percentage	Comment
Cow rearing	26	19%	Mainly part-time
Grocery shop	13	10%	May be family business
Tailoring/embroidery	11	8%	Man's or women's business
Pottery	11	8%	Family or women's business
Poultry rearing	10	7%	Full/part-time women's business
Mat making	9	7%	Hindu women
Rice husking	9	7%	Some extreme poor
Plastic rope making	7	5%	Modern family business
Weaving cotton cloth	6	4%	Women's traditional business
Bamboo products	6	4%	Women's traditional business
Puffed rice (muri) making	5		Some extreme poor
Cloth trading	4		Some extreme poor
Broom making	3		Family or man's business
Rickshaw rental	3		One client to husband
Sweet making	2		
Restaurant	2		Man's or family business
Paper packet making	2		Extreme poor
Fish farming	2		Above poverty line
String making	1		Family business
Fish net making	1		Extreme poor
Trawler boat rental	1		Nonpoor but husband ill
Wholesale rice trade	1		

Women's start-up businesses are often in cow or poultry rearing, rice husking, puffed rice making, or cloth trading. Except for cow rearing, which demands a large initial investment, these start-up businesses are accessible to very poor women. Cow rearing and poultry rearing are especially popular in the peri-urban areas where marketing is easy.

About 20 percent of loans have been used to expand long-standing family businesses, most of which have long been controlled by the client's husband with the client as a major source of labor. Examples are plastic rope making, string making, and broom making. In a few of these family businesses, however, with the encouragement of WEDP staff, the borrower has become a co-manager, taking an ever greater role in decision-making as she gains knowledge about the finances of the business.

Groceries, tailoring, and pottery may either be a family business or an individual woman's business. Weaving, mat making, puffed rice making, and other types of food processing are traditional women's businesses.

Based on a comparison of our sample with overall center data on the types of businesses funded, we feel that our sample fairly accurately reflects the distribution of WEDP loans across enterprises. We may, however, have an over-representation of one or two relatively uncommon activities such as pottery making.

B2. Loan Size

Most first loans are for Tk 3,000-5,000 ($75-125), with increases for second and subsequent loans based on client preferences and staff judgements about the client's ability to repay.

Only a very few loans exceed Tk 10,000 because of the complex and relatively lengthy process needed to approve loans above this size. Several entrepreneurs in rice husking, tailoring, cow rearing, groceries, and plastic rope making find the need to wait two or three months for the approval of a larger loan unacceptable because they cannot afford to be without financing during that long a period. They complain that the effective upper limit of Tk 10,000 is preventing them from expanding their businesses.

B3. Employment Generation

The primary employment effect of WEDP loans is to create or expand part-time and full-time employment for the borrower. Some 28 percent of WEDP borrowers have created new employment for themselves, a few managing to move from impoverished positions as day laborers to stable self-employment. Among the new business operators are women who are supplementing their traditional work as wives and mothers with part-time, income-generating activities such as cow rearing. Others are moving into full-time self-employment as small shopkeepers, tailors, rice huskers, and food processors. The majority of borrowers are expanding already existing enterprises, often moving from part-time to full-time entrepreneurs.

Overall, we found that 60 percent of borrowers are working full time in their businesses, while 31 percent spend about half their time in loan-financed activities. Livestock and poultry rearing are the major part-time businesses. Women in most other businesses commonly reported an eight or more hour workday.

Table 3. Borrower's Time in WEDP-Funded Business

Full Time	Part Time	No Time
60 %	31%	9%

Those women who do not work in the business funded by the WEDP loan have either diverted the loan to a husband's or son's business or, in two cases, have invested in an asset, such as a rickshaw or a boat which they rent out. When the loan goes to a man's business, he normally controls the income, but when the loan is used to acquire an asset, the woman normally receives the income, even if her husband collects the rent.

Husbands work full time in 26 percent of WEDP-funded businesses. Most of these men are managing long-standing family businesses in which the husband has traditionally been the entrepreneur and the wife a source of labor. Under the WEDP program, women are learning about the finances of family enterprises, and some are taking on new roles as business partners with their husbands.

Eighteen percent of husbands work part time in women-controlled businesses or in husband-wife partnerships.

Slightly more than half of clients' husbands either do no work at all in their wives' businesses or spend an average of less than one hour a day on the occasional tasks of input procurement or output marketing.

Table 4. Husband's Time on WEDP-Funded Businesses

Husband's Time	Number	Percent Share
Full Time	31	26
Part Time	21	18
One Hour a Day	33	28
No Time	35	29

The creation of employment for other family members in WEDP-funded enterprises is modest. The number of adult family members working full time in WEDP-funded businesses (17 men and 13 women in our sample) is similar to the number of husbands working full time. Many of these family laborers are concentrated in traditional family businesses.

A few borrowers have adult family members who help out occasionally, but most of women's part-time help comes from their children. Fifty-two children (31 girls and 21 boys) are helping their mothers for one to two hours a day. Two teenaged sons are helping full time.

Only about a quarter of the businesses in our sample employed hired workers. Over half of these are male-controlled. The traditional family businesses have the most hired workers. Plastic rope making, broom making, and restaurants hire mainly men and boys. Groceries and tailoring businesses hire both men and women.

About 40 percent of the businesses that hire workers are women-controlled. Traditional women's pottery making (hand-molded rather than wheel-thrown products), puffed rice (muri) production, bamboo products making, and rice husking all employ workers—mainly women. One woman with a relatively higher income employs several teenaged girls as apprentices in embroidery.

Thirty-eight women and 31 men are currently employed full time in WEDP-funded enterprises. Four women and seven men are also employed part time. However, only 39 percent of these jobs have been created since the first WEDP loan was received.

Table 5. Hired Labor in WEDP Funded Enterprises

	Currently Employed	**Employed Since Loan**
Female Adult, Full Time	38	11
Female Adult, Part Time	4	4
Male Adult, Full Time	31	14
Male Adult, Part Time	7	2
Total Adults	**81**	**31**
Female Child, Full Time	19	19
Female Child, Part Time	1	0

Male Child, Full Time	16	7
Male Child, Part Time	0	0
Total Children	**36**	**26**

The major change in paid employment in WEDP enterprises has been in the employment of children from 7 to 14 years old; 87 percent of currently employed child workers have been hired since the loan was obtained. Of these 19 are girls and 7 are boys. Thirteen of the girls have replaced the daughters of six women potters who can now afford to send their own children to school.

We collected wage information from half of the women who employ hired labor. Wages paid are well below the urban minimum rural wage of Tk 100 a day ($2.50). They are not far, however, from the average rural wage in 1994 which was Tk 42 a day. The highest wages we recorded were for adult males working 10-11 hour days in plastic rope making at Tk 70 a day. Male broom makers are hired at Tk 40-50 a day.

Women workers who produce the plastic string that men then twist into rope are said to work five to six hours a day, but they only make Tk 20, the same wage paid to children 8-12 years of age. Some children and part-time hired workers are paid with food and shelter. In a large "mini garments" enterprise where 20 teenaged girls are hired to do embroidery as apprentices, the pay is Tk 20 a day, while full-time, and fully skilled women workers earn Tk 60 a day.

It is interesting to observe how full-time work at these wage rates compares with the extreme and moderate poverty lines calculated in the 1995 rural poverty study. Households of average size (5.9 members) with incomes under Tk 2,000 a month are in the extreme poor category. A household earning between Tk 2,000 and Tk 3,300 is in the moderately poor category, still unable to provide its members with a nutritionally adequate diet and other basic needs.[5]

A woman with a wage of Tk 20 a day earns only about Tk 500 a month, a mere quarter of the extreme poverty income for the average family. A man working full time at Tk 70 a day, the highest wage we recorded, still cannot bring his household out of extreme poverty.

For the young and the very poor, however, wage work may represent the first step in moving out of poverty. The women and girls hired in businesses such as tailoring and food processing can learn a skill that they may later use for self-employment. The WEDP clients who have managed to do this were very clear that they think self-employment is far better than daily wage work in the informal sector. A few even found it preferable to full-time wage employment in the formal sector.

B4. Income Generation and Asset Acquisition

Although we did not attempt to collect direct data on business or household income, we did ask a general question about the client's perception of the major benefits of her WEDP loan. In responding to that question, about a third of the borrowers said that they had expanded their businesses. A similar number said that their household income had increased. About 20 percent of

[5] I have taken the 1994 per capita poverty lines, multiplied them by the average household size, and adjusted them for inflation over the past two years.

borrowers, all of whom we categorized as extremely poor, indicated that their business incomes are the major source of their household incomes.

Indirect evidence of increases in business and household income improvement was also obtained from data on assets purchased either with the loan or with the profits of the business. Table 6 lists the business assets acquired by the 142 clients interviewed.

Table 7 lists the household assets spontaneously mentioned by borrowers as major benefits associated with the WEDP loan. We assume that these were acquired mainly with income generated by the WEDP-funded enterprise, although some may have been purchased, at least in part, with proceeds from the loan. This seemed to be the case in one or two instances of repeat loan recipients. The reader should also note that we did not have a systematic question about household assets, so Table 7 may greatly underestimate the effect of the loan on household asset acquisition.

Table 6. Business Assets Acquired Since Receiving Loan

Business Assets	Number
Cows	40
Poultry	10
Goats	1
Sewing Machine	7
New Shop or Shop Improvement	4
Machine for Plastic Rope Making	3
Rickshaw	3
Large Pots for Puffed Rice Production	1
Trawler Boat Engine	1
Rice-Husking Equipment	1

Table 7. Household Assets Acquired Since Receiving Loan

Household Assets	Number Reporting
New House	2
House Improvement or New Roof	9
Electricity for House	2
Land	6
Refrigerator	1
TV or VCR	4
Electric Fan	3
Bed	1
Bicycle for Husband	1
Gold Jewelry	1

One borrower actually acquired land in her own name. Most of the women who listed household assets purchased from business incomes were repeat loan recipients.

B5. Decision Making and Entrepreneurship

To investigate women's roles in decision-making, we asked the following questions: who made the decision to seek the loan; who decides how much raw material to obtain; who decides who will work on the enterprise; who decides the sales price; who is the manager of business finances; and who controls the business income.

The results indicate that there has been significant progress in the development of women's entrepreneurship since the 1989 client survey. At that time, Professor Hashemi found that only 13 percent of borrowers were the sole managers of their enterprises. Today 37 percent say that they are managing their businesses entirely on their own.

In 1989, 28 percent of WEDP borrowers managed their businesses jointly with their husbands, 33 percent were involved only as workers, and 26 percent were not involved at all.[6] Today 24 percent are joint managers, 33 percent are merely working in enterprises managed by their husbands or sons, and only 8 percent of borrowers are not involved in the business at all. (In the latter cases the loan was either diverted to a husband's or son's business or used for a nonbusiness-related expenditure.)

These findings on business management mirror the answers to our question on who decided to seek the loan. Twenty-six percent of the interviewees said that they had decided to seek the loan, 39 percent said the decision was made jointly with the husband, and 35 percent reported that the husband had requested them to seek the WEDP loan.

Table 8. Decision-Making and Entrepreneurship

	Decision to Seek Loan	Manages Business	Controls Income
Client	26%	37%	58%
Joint	39%	22%	14%
Husband or Son	35%	41%	28%

Control over business income seems to be more fully in women's hands. Our estimates in Table 8 come from answers to our direct question, "Who controls the income from your business?" We also considered a woman "in control" of her business income when she said that she receives it from the buyer of her products or from her husband or son after he sold her output. Fifty-eight percent of clients reported that they alone control business income, 14 percent said that they control the income jointly with their husbands, and 28 percent said that their husbands or sons control the income and only give them the money for the loan instalments.

B6. Women's Status

Most women reported that the fact that she had received a loan, irrespective of its use, gave her a better status simply because she was bringing something of clear value to the household. "My husband treats me better now," was a remark we heard often.

[6]Curiously, the 1992 WEDP Project Paper cites a completely different (and far more optimistic) set of figures on decision making for 1989 (p. 27), but does not cite the source of its data.

Many women who work in male-controlled family enterprises felt that they had gained in status after the WEDP officers had encouraged them to learn about the financing of the family business. This knowledge was experienced as an increase in power. As one woman remarked, "Now we know as much about the business as our husbands. They can't fool us any more." Another women went even further, "Now we can talk to our husbands as equals."

Among the women in nonpoor or moderately poor households, improved status was experienced as an increase in financial independence and a new ability to influence decision-making on household expenditures. "I don't have to ask my husband if I want to buy something" is a remark we heard several times.

Women of all socioeconomic situations reported that they had taken on the educational expenses of their children, particularly of their daughters. Among those women we classified as extremely poor, a significant number reported that they were now able to put their children in school and to feed them better.

Several of the poorer women reported with some pride that they make a major contribution to household income. Indeed, some provide nearly all the earnings in their households.

Other women improved their status in the household by setting their husbands up in business: one by buying her husband a rickshaw so that he did not have to rent one, and another by helping her husband establish a restaurant.

Women's status in the community has also improved. One woman said that she had suffered from lack of respect as a day laborer, but had gained a good deal of respect as a successfully self-employed puffed rice maker.

Several women mentioned that they were more respected in their communities because they no longer had to borrow from neighbors. One said that because people realized that she now had her own source of income, she could more easily borrow from neighbors if she had an emergency.

B7. Client Evaluation of the Loan's Primary Impact

To conclude our interviews, we asked each individual what she can do now that she could not do before receiving the loan and what she considers the main benefit of the loan. We present a selection of the most frequent answers grouped according to three categories: impact of the loan on the enterprise, the household, on indebtedness and ability to save.

B7a. Impact on the Enterprise

- I was able to start my own business;
- I went from being a day laborer to being self-employed;
- I now have my own raw materials; I no longer have to give half my output to the person who supplied my raw materials;

I no longer have to pay 10 percent interest per month to money lenders to finance my cloth trading business;

I don't have to borrow from neighbors to buy raw materials;

I was able to revive a business I had closed due to lack of capital; and

I now have my own assets: cow, goat, poultry, and rickshaw (and even, for one woman, land in her own name).

B7b. Impact on the Household

Our household income has increased;

I was in poverty; now I'm a bit better;

I can support my family since my husband left me;

My husband is ill, but now I can support the family;

We have better food and better clothing;

There were quarrels when the family was in need. This has been reduced;

I am now able to send my children to school;

I can now pay for the children's educational expenses without arguing with my husband;

I have engaged a tutor to help my children with their school work (this is especially significant for illiterate parents); and

We had to pay major medical expenses for our son, but the loan allowed us to keep our business operating.

B7c. Impact on Indebtedness and Saving

The loan allowed me to pay off a long-standing family debt;

I don't have to borrow from neighbors any more;

Because people know that I am earning, I can borrow if I'm in need;

I have my own savings now; and

I have saved Tk 20,000-30,000 since getting my first loan.

B8. Discussion

In order to indicate what impacts should be expected from a micro-credit program such as WEDP, we reviewed some of the more rigorous impact studies of similar micro-credit programs in Bangladesh.[7] These studies indicate that we should expect only modest increases in income for poor clients taking their first loan, but somewhat larger increases with subsequent loans.

BRAC achieved only a 1 percent increase in borrower household income for first loans and a 6 percent increase for third loans. The Thana Rural Development Extension Project (TRDEP), a government program that serves moderately poor and nonpoor households, reported a 16 percent increase in income with the first loan and a 23 percent increase with the third loan.[8]

Although we do not have direct evidence on the income impacts of WEDP loans, nor any comparative data for a control group, we do have comparisons among borrowers from different socioeconomic strata on post-loan asset acquisition and perceived benefits of the loan. Like the more rigorous studies, our data indicate that the larger increases in household income were concentrated among the nonpoor and the moderately poor who had received repeat loans.

In contrast, very poor first-time loan recipients tended to report that they felt little, if any, gain. They were, however, hopeful of earning better incomes after their initial loans were repaid. This was especially true of first-time borrowers who had acquired business assets that would permit them to retain more of their earnings after the loan was repaid. And, in fact, very poor repeat loan recipients often indicated that their incomes had increased significantly during the second and third loans.

On the issue of employment generation, much of the literature suggests that although micro-credit programs are successful in creating new employment for the borrower and his or her immediate family, little should be expected in the generation of nonfamily employment. A study of BRAC found that 0.8 jobs had been created per enterprise since the receipt of the first loan, whereas the TRDEP loan program, which serves clients in a somewhat higher income bracket, had a job creation ratio of only 0.1 jobs per enterprise.[9] This suggests that focusing loans on relatively more prosperous clients may not be a particularly viable strategy for employment creation.

Our results show 0.4 jobs created per current enterprise, less than BRAC but more than TRDEP. Our result may not be strictly comparable, however, since we did not have a random sample. Because wage employment in our sample was concentrated in only a few types of business, we may have over-sampled certain employment creating family businesses such as pottery and plastic rope making. Much of the child labor we found was in women's pottery making.

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[7] The studies reviewed are listed in the references.

[8] Montgomery *et al*., 1995.

[9] *Ibid*.

These considerations should be kept in mind when considering how WEDP should focus its loan strategy. Our interpretation would suggest that WEDP can do the best job in employment creation and in poverty reduction by continuing to concentrate on helping poor women move into self-employment. The creation of new businesses by formerly unemployed women (28 percent of WEDP borrowers) as well as the facilitation of business expansion and business stabilization for the majority of borrowers represents, in our opinion, a substantial contribution to both employment generation and improved security for the poor.

This is not to argue that WEDP should give up its goal of increasing its effective loan size or that it should not offer credit to women from households above the poverty line. We are rather arguing that WEDP should concentrate on the development of poor women's entrepreneurship skills and on funding poor women's self-managed businesses. As poor women learn better business management and as they prove their creditworthiness, many of them will gradually move into the larger loan categories. Some may also then begin employing others.

WEDP's impact on women's ability to use loans to create their own businesses and to manage them independently has been significant. As pointed out in our findings on decision-making, about 40 percent of borrowers are making all their own business decisions, compared with only 13 percent in 1989. As WEDP continues to provide advice and training in business management to its clients, we can expect that the share of borrowers who are becoming full-fledged entrepreneurs will continue to increase.

C. Client Interaction with WEDP: Needs and Opinions

C1. Relations with WEDP Staff

The WEDP loan program is highly appreciated by it's clients. Women regularly and spontaneously said WEDP staff are extremely honest, helpful, and genuinely concerned about their welfare.

Many women said that they had received important business advice from WEDP staff. This included advice on how to manage inputs and marketing, how to increase output and productivity, and how to figure out how much the client is actually earning for the amount of time she is putting in. Women in family businesses have become aware of how much everyone in the business is earning for the household. These are all important elements in an emerging sense of entrepreneurship.

C2. Client Transaction Costs

To assess the nature of the transaction costs in both money and time that clients are paying to become WEDP borrowers, we posed group questions asking respondents to describe the sequence of their interactions with the program. We learned that most clients first heard of the WEDP program by word of mouth. After they went to the WEDP office to inquire about the program, WEDP officers visited them in their homes and suggested that they form a group of prospective borrowers who met the WEDP eligibility criteria.

After groups were formed, the prospective borrowers began the twice monthly WEDP meetings and the compulsory Tk 10 per meeting savings program. During the subsequent two to three-month period, borrowers attended a five-day management training program at the WEDP offices.

During the management training, motivational lectures are presented by headquarters staff and government officials; a lecture on business management is given by the local BSCIC official; and WEDP center officers discuss the practical aspects of enterprise management, simple financial accounting, marketing, and the operation of the WEDP program. Resource persons from social welfare, health, and education departments also discuss family planning, child care, health, education, and adult literacy.

Most borrowers reported finding this training helpful, but a few thought it took up too much time. Some women entrepreneurs with established businesses have actually declined a WEDP loan because they could not take the time for this training. Rural borrowers who live far from the center also find it difficult to attend this training, so some extension officers have taken the training to the clients' villages.

The application process includes a number of regulations that usually require a husband's participation, particularly producing a land certificate and obtaining the signatures of local officials on documents attesting to the client's character and residence in the area. A minority of our interviewees managed to get these signatures on their own. A few were forced to pay more than the customary Tk 10 fee to various "assistants" of the officials. Some had to make multiple visits to the official's office or home.

Filling out the loan application form, which asks for projections of monthly revenues, costs, gross margins, loan repayments, and net income, must be done with the assistance of WEDP officers. More problematic is the task of filling out the extremely complex baseline socioeconomic survey (the "Client Profile"), which is currently administered for every loan application. Many women are not able to provide all the details asked for in the "client profile": for example, ages, educational levels, immunization history, main occupations, and part-time occupations of all household members; the values of a wide range of family assets; all sources and amounts of household income; and several categories of monthly expenditures. WEDP officers have not been trained in how to interpret or administer this questionnaire, and each loan officer has to translate it from English into Bangla each time it is used.[10] Any one of these factors would compromise the reliability and comparability of the data it produces. It nonetheless costs at least two hours of each client's time for each loan application, not to mention the same number of hours it takes a WEDP loan officer to help fill out the form.

Although we consider the sum of all these transaction costs to be quite heavy, we heard few complaints from the borrowers. They were not greatly concerned about the time required to apply for a loan, because they consider the WEDP system of bi-monthly group meetings for repayment to be far less "costly" than the weekly meetings required by most other micro-credit

[10] The baseline survey's client profile and it's problems are discussed in Section V of the main body of the evaluation.

programs in Bangladesh. WEDP borrowers all expressed a strong dislike of long weekly meetings.

C3. Interest Rate

The main concern WEDP borrowers expressed was about the high interest rate on WEDP loans. This issue was raised by the borrowers in every interview. Some suggested that unless the interest rate is reduced, they may not borrow again. Most, however, felt that they would bear the interest rate, if need be, to avoid the heavy time costs required by other micro-lending programs. The loss of several hours a week of potential labor time is perceived as a heavier cost than paying a flat 16 percent interest rate. Still, most clients complain that WEDP's interest rate is "too high." This issue on the level of interest rate is, however, also connected to the required up-front savings deposit of 5 percent of the loan, which some clients also complain about. The issues on interest rate are more fully discussed in the main body of the report.

C4. Size of Loans

The size of loans is also an important area of client concern. Effectively, the upper limit on almost all current loans is Tk 10,000, primarily because loans above this size cannot be authorized at the center level. Many clients feel that the requirement for obtaining BSCIC and headquarters approval for loans over Tk 10,000 takes more time than they can afford to be without credit and, therefore, constitutes a serious constraint on their ability to expand their businesses.

C5. The Twice-Monthly Loan Repayment System

A small number of borrowers expressed their preference for a monthly repayment system, especially those who had borrowed under the previous bank-based WEDP program in which monthly repayment was the norm. Most, however, were happy with the 15-day installment system.

C6. Grace Period

A significant number of borrowers want a 30-day delay before their first loan installment is due. One woman remarked, "We don't even have time to invest our money before the first installment must be paid." A few felt the need for a longer grace period, especially those in poultry rearing and other activities that require a period of time before the initial investment can begin producing an income. These women found it very difficult to pay their initial loan installments. Some had to invest less than they would have liked simply to have money on hand for repayments. Others had to borrow from husbands or neighbors.

Some businesses also have serious seasonal problems. Revenues often decline in the rainy season, especially for businesses such as rice husking that require good weather. Clients would like to have the possibility of reducing loan installment payments during the rainy season and then making up the shortfall later in the year.

C7. Compulsory Savings

Borrowers were mixed in their reactions to the compulsory 5 percent savings requirement upon receipt of the loan. Most simply took the 5 percent out of the loan proceeds or borrowed the "savings" money from husbands and immediately repaid it with the loan proceeds. The effect, in any case, was to reduce the amount available for investment. Some found this burdensome, others were happy to be forced to save. Those with considerable financial experience remarked that they were paying 16 percent interest on the 5 percent "saved" but would receive at most 5 percent interest when the savings are returned at the end of the loan period.

C8. Desire for a Voluntary Savings System

In some of the interviews we inquired about clients' possible interest in a voluntary savings system in which WEDP would collect an individual's savings whenever she wanted to make a deposit, and would also provide the possibility for each individual to have access to her savings whenever she wished. This was of interest to a large number of clients because very few, with the exception of a group of weavers, have access to bank accounts. A few women participate in traditional rotating savings and credit schemes, but most simply keep their savings in cash.

D. Summary

D1. Is WEDP Reaching the Intended People? What Are the Characteristics of the People the Project Is Serving?

The Project Paper is not clear about the socioeconomic characteristics of the target group, suggesting only that borrowers should be "women who have significant roles in their businesses" (p. 27).[11] Poverty reduction is also cited a goal in several project documents.

We assume that the project intends to target primarily women entrepreneurs from the 50 percent of the population that is below the poverty line. However, because the Project Paper urges the expansion of so-called "growth-facilitating loans" of Tk 10,000-60,000, and because we doubt that women from households with annual incomes below the poverty line (Tk 40,000 for a family of six) can manage loans of over Tk 20-30,000, we assume that the project also intends to reach some households that are of modest income but above the poverty line.

In fact, this is what we found. About 25 percent of borrowers appear to be extremely poor, 50 percent moderately poor, and 25 percent somewhat above the poverty line. Fifty-eight percent are illiterate, but more than 10 percent have some secondary education or even higher education. The educational level of clients is far higher today than in 1989 when the evaluation survey found that 78 percent of clients were illiterate. This change undoubtedly reflects the higher

[11] The only statement in the Project Paper about the income levels of the intended clients is contained in a statement describing "growth-facilitating lending." Here it is asserted that a loan ceiling of Tk 60,000 ($1,500) is "low enough to assure that only those in the poorest 20 percent of the population would borrow" (p. 16). While this statement suggests that the target group is the poorest 20 percent of the population, its assertion that women borrowers from this type of household can afford to take loans up to $1,500 is highly unreasonable. The 1995 rural poverty study found that 22 percent of the rural population have annual household incomes below $554 and that 52 percent have incomes below $950. Clearly, no woman could take the risk of repaying a loan that was even near, much less over, the annual income of her entire household.

educational level of peri-urban clients, but it may also reflect a shift in clients from the very poor to the nonpoor and moderately poor.

There may also have been a shift in the share of unmarried women being served by the program. The 1989 survey found 15 percent of clients were divorced or abandoned, but we found less than 3 percent. This implies that a large group of women who are likely to be very poor are not being served to the extent that they were in 1989.

D2. What Are the Qualitative and Quantitative Impacts on the Clients and their Households?

WEDP has had a positive impact on both women's enterprise and household incomes. About 20 percent of the borrowers interviewed said that their earnings now make a major contribution to household income. Many reported that there is less tension in their households because there is less financial strife, better food, and a greater ability to meet their children's educational expenses.

Several women said that they no longer need to borrow from neighbors or money-lenders to finance their businesses or to meet household expenses. A few have been able to increase their personal savings. In fact, for many of them, the savings facility offered by WEDP has enabled them to start a savings deposit account that continuously grows with the regular bi-weekly deposit of Tk 10.

WEDP's most significant impact in employment creation has been the creation or expansion of borrowers' own self-employment. Twenty-five percent of borrowers used their loans to create new employment for themselves, while 64 percent reported expanding their businesses. Sixty percent of borrowers work full time in their business. Thirty-one percent work part time. Only 9 percent diverted their loans to a husband's or a son's business in which the client takes no part.

Employment creation for family members has been modest, but a few women now employ their siblings. Most get only part-time help from husbands, often only a few hours a week. Children also help out a few hours a week.

Paid employment creation for nonfamily members has also been modest. We found 0.4 paid jobs created per current borrower since the receipt of the first loan. This figure is higher than that achieved in the TRDEP micro-credit scheme, but lower than that reported for BRAC. Nearly half of the hired workers are children aged 8 to 14.

WEDP has had a major positive impact on women's entrepreneurship and decision-making abilities. Well over a third of WEDP borrowers manage their businesses entirely on their own and another 22 percent manage their businesses jointly with their husbands. An even larger group, 58 percent of respondents, report that they alone control the income from their businesses. Nearly all clients reported that their status in their households has improved since they began taking WEDP loans. Many also cited an improved status in the community.

D3. What Is the Likely Continued Impact of the WEDP Program Over the Rest of the Project Period and Beyond?

We expect that current clients will continue to benefit from the program as they have in the past. There are, however, several factors constraining the efficient expansion of the program.

First, certain regulations are preventing the program from reaching a significant share of very poor women, a category of borrower who is likely to be highly motivated to repay her loan promptly so that she can maintain her access to the credit she so desperately needs. The regulation requiring that borrowers produce a certificate proving ownership of their homes keeps out poor women migrants and renters. The regulation requiring the signature of a male guardian on the loan application form discourages or excludes divorced or abandoned women.

Second, the low limit on the loan size that can be approved by extension officers at the center is preventing the program from assisting successful women entrepreneurs with proven credit-worthiness from expanding their businesses.

Third, other forms of excessive paperwork required for each loan application, such as translating and filling out the long baseline survey questionnaire which contains unnecessarily complex questions that most clients are incapable of answering, are restraining the efficiency of the center staff. The loan application form could also be simplified. (See the main body of the report for a more complete discussion and for recommendations.)

D4. To What Extent Is the Project Purpose Being Achieved As Envisioned in the Design?

The project purpose is to increase women's participation in and benefits from viable businesses in the informal sector. This purpose is being achieved for current clients. In our opinion, however, it can be achieved more efficiently and for far more clients.

The best center personnel are making impressive efforts to assist clients in obtaining both knowledge and practical experience in improved business management and accounting practices. If all centers are to regularly assist clients with the development their entrepreneurship skills, headquarters needs to develop methods by which center staff can freely exchange ideas about practical methods for meeting the training needs of different types of clients.

This type of client "training" does not take place in formal lectures, but in one-to-one discussions between staff members and borrowers about business financing, goals, and practices. Center staff, however, cannot be expected to simply "know" how to assist all types of clients in all types of businesses. They can, however, learn from each others' experiences and from the experiences of other micro-credit programs, especially if they feel free to discuss the problems they are having in assisting different types of clients.

If WEDP chooses to increase its effective focus on women's entrepreneurship, we recommend that it begin to develop a series of problem-solving workshops for the extension officers, assistant extension officers, and field assistants from three or four centers in a particular region. These workshops could be led by a team of experienced extension officers who have proven abilities in assisting clients develop entrepreneurship skills. In order to facilitate the exchange of experiences and an open discussion of problems during these workshops, headquarters personnel must assure center staff that they will not be judged negatively or penalized in any way if they openly discuss the problems they are having.

D5. Is the Purpose As Identified in the Design Appropriate As a Strategy for Poverty Reduction in Bangladesh?

The purpose is appropriate as a strategy for poverty reduction as long as the WEDP program continues to focus on identifying potential women entrepreneurs from among the poor, including the extremely poor. The need to expand the program and the desire to promote larger loans should not be allowed to foster a refocusing of the program on the nonpoor.

Our data on the level of wages generated in WEDP-funded businesses, even in the larger family businesses that hired adults as well as teenagers and children, showed that even two adults working at the average wage of about Tk 40 ($1.00) a day could barely bring the average-sized family up to the level of extreme poverty, that is, an income that could provide only 85 percent of family members' caloric needs. Thus, relying on employment generation from the larger loans granted to nonpoor clients as a poverty-alleviating strategy may be far less effective than focusing on assisting extremely poor women create employment for themselves.

Although very poor women will need to start with quite small loans, for example, Tk 3,000-4,000, they can be helped to expand their businesses. Those who succeed, including the moderately poor who may start with larger loans, should be the major target for larger loans. Loans above Tk 10,000, for example, should be granted primarily to current borrowers who have already proved their creditworthiness with the program.

The impact assessment found that some 20 percent of borrowers, all of whom we classified as extremely poor, are now making a major contribution to their households' incomes. Moderately poor women also reported significant improvements in their abilities to educate their children and to feed them more nutritious food as major benefits of their WEDP loans. Overall, we feel that the evidence points to a significant achievement in poverty reduction, especially for repeat loan recipients.

The loan recovery rate under WEDP's new direct lending program approaches 100 percent for the extreme poor, moderate poor, and nonpoor borrower alike. This level of recovery reflects the close rapport developed by WEDP staff with the borrowers, one of the major, if not the major, strengths of the program.

We are confident that as WEDP makes the institutional changes necessary to increase its efficiency, it can both expand its services to many more poor women and cover its own administrative expenses without sacrificing either its purpose of increasing women's entrepreneurship skills and benefits from managing viable businesses in the informal sector or its considerable achievements to date in alleviating poverty.

E. Recommendations

If WEDP wants to build on its strengths and to build up its market niche in assisting poor women to develop entrepreneurship skills and to start and expand women-controlled businesses, we feel that the following steps will be necessary:

1. Improve the ability to serve more poor women whom the center staff and the members of their loan group judge creditworthy by changing the formal loan eligibility requirements. Specifically, WEDP should consider:

   # Dropping the requirement that clients have a land certificate proving that they own a home;

   # Dropping the requirement that the signatures of local officials be obtained; and

   # Dropping the requirement that a single woman have the signature of a male guardian or guarantor.

2. Increase its portfolio of larger loans by:

   # Authorizing extension officers at the centers that have remarkable performance to approve loans of up to Tk 20,000 or Tk 25,000;

   # Authorizing extension officers to grant grace periods to borrowers in businesses which require a gestation period before the investment produces income; and

   # Extending the great majority of larger loans to current women clients who are poor, but have proven entrepreneurial capacities, creditworthiness, and an interest in expanding their businesses or creating new businesses.

3. Support the ability of center staff to foster women's entrepreneurship by:

   # Providing additional practical training to all center staff, including field assistants, on how to help borrowers develop business management and accounting skills; and

   # Providing for regular meetings of center staff at regional workshops for the informal discussion of problems encountered in assisting clients with business management and entrepreneurship skills.