Giving Women Credit: The Strengths and Limitations of Credit as a Tool for Alleviating Poverty

MARGUERITE BERGER*
American University, Washington, DC

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

1. INTRODUCTION

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

Recognizing the importance of the informal sector for the livelihoods of poor women, donor agencies have sought to assist women who operate informal microbusinesses. This move is part of a broader trend in development assistance toward providing direct support to the “smallest economic activities of the poor.”1 In the past 10 years such efforts have focused more and more on credit. Numerous programs have been developed to provide the poor and the smallest businesses with access to this “missing ingredient.” The Badan Kredit Kecamatan in Indonesia, the Fundacion Carvajal in Colombia, Accion Comunitaria in Peru, FEDECRECREDITO in El Salvador, the Self-Employed Women’s Association (SEWA) and Working Women’s Forum in India, and the Grameen Bank in Bangladesh, are longstanding examples of programs that have given hundreds of thousands of poor women and men in developing regions their first institutional commercial loans.

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

More importantly, the preference for direct credit programs has developed despite little evidence of the net impact of these programs on poverty. Even those credit models that are

*Many thanks are due to Caren Grown for her substantive contribution and patient assistance in preparation of this paper. Special thanks also to Jennifer Sebstad, Katherine McKee, Mayra Buvinic, and ICRW for ideas and inspiration.
successful in providing financial services to poor women must be assessed in terms of their ability to improve women’s livelihoods. Specifically, we need to know what potential different credit models have for making significant progress toward eliminating or reducing poverty.

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

Studies of women-specific credit projects, largely carried out by the implementing organizations themselves, have generally found positive economic and social benefits, and have shown credit programs to be superior to other income-generating interventions for women. In addition to stabilizing income or generating additional income, these credit projects have contributed to improving women’s self-esteem and status within the household. They have also demonstrated that women borrowers are reliable and have high repayment rates. However, few evaluations have looked at differences in participation, let alone impact, for male and female borrowers. Sex-disaggregated impact data are generally unavailable on the larger-scale government and private sector lending experience in developing countries (which are primarily targeted to larger businesses), although some of these programs have reported on women’s participation.

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

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

2. PROFILE OF CREDIT MODELS

(a) Goals of credit programs

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

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

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

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

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

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

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

Organization and group formation. IFAD argues that "it is easier to promote organization and mobilization of the poor within the framework of a credit project than in many types of projects." In this way, the poor can "end existing exploitative relationships and also make their collective voice heard in community affairs and politics." Participation of women. "One of the most important advantages of credit projects over others is the ability to reach out easily to groups of women, helping them to develop and sustain viable economic activities." 9

(b) Typology of credit programs

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

(i) Commercial bank schemes

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

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

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

(ii) Intermediary programs

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

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

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

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

(iii) Parallel programs

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

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

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

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

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

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

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

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

These features of women's informal sector activities are reflected in borrower characteristics in microenterprise programs. The average number of employees in women-owned businesses borrowing from a microenterprise program in Quito, Ecuador, was only one, as compared to two for men's businesses. Among borrowers from a small business loan program in Peru, 29 percent of the women borrowers were involved in commerce and 30 percent in sewing; only 5 percent of the men borrowers were in commerce and 21 percent in sewing/tailoring. Further, women's business assets were only half the level of men's. In a loan program for women in rural Bangladesh 25 percent of the loans were for traditional rice husking and 24 percent were for handicrafts, both activities that yield extremely low incomes.

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

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

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

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

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

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

(b) Constraints to women's access to credit

(i) Formal credit

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

The characteristics of formal bank credit are often inappropriate for the needs of women microentrepreneurs, so women do not even attempt to borrow from these institutions. In some cases, formal banking procedures or regulations, such as requiring a woman to have her husband or another male relative cosign for a loan, discourage women from applying for loans from formal lenders.35 In other cases, the factors that limit access to formal financial institutions affect women because they tend to be small borrowers. Interest rate ceilings prevent banks from lending to small borrowers, because they cannot cover the high transactions costs (e.g., the paperwork and staff time required to process loan applications) associated with making many small loans. The borrower's transactions costs often represent a greater proportion of borrowing costs than does interest on small loans. The borrower's transactions costs include transportation, the effort (in terms of lost time or income) required to complete the credit transaction, special fees (such as stamps), and bribes. Most of these negatively affect a potential borrower's demand for credit, regardless of gender. However, because of their multiple work obligations in the household and the marketplace, women experience greater opportunity costs to their forgone labor.

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

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

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

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

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

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

(ii) Informal credit

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

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

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

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

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

(iii) Microenterprise credit programs

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

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

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

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

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

(a) Minimalist credit vs. credit plus

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

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

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

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

Training activities can also place an undue burden on women borrowers. Given their responsibilities for both home and market work, women face formidable time constraints to participation in training programs. The addition of training activities that do not provide women with immediate, tangible benefits will raise the time costs of participating in the credit program and may reduce women's demand for credit from the project. The training that is targeted to women is often inappropriate to their economic roles.\footnote{49}

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

(b) Subsidies and sustainability

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

For the most part, microbusiness credit programs of all types have exhibited relatively low rates of arrearage and default. Some quantitative evidence indicates that poor women tend to be more responsible about loan repayment than men. While arrearage is higher than commercial banks could tolerate, only in problem programs does it exceed 5 to 10 percent of the value of loans outstanding.\footnote{50} But, in some cases, inadequate systems for classifying overdue payments underestimate the true arrearage costs.\footnote{51} And some institutions have encountered problems with repeat borrowers, both women and men. As borrowers take larger loans over time, repayment rates drop.\footnote{52}

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

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

Second, part of the problem with attaining self-sufficiency may be that the amounts of money initially invested in these projects do not allow them to reach a scale of operation that would make them viable. Another issue is that NGO programs are compared with state banks and other financial institutions receiving low-cost funds and other subsidies through government programs designed to increase the supply of credit to formal businesses or to particular sectors of the economy. A further problem is the lack of institutional development of many of the young organizations undertaking new credit projects. Qualified staff are hard to find; in addition, the legal structure of the organization may be ill-suited to running lending operations. Nevertheless, some microenterprise programs are relatively successful in economic terms.
Those that are close to self-sufficiency generally started out simply, targeting a particular activity or sector (see Tendler, this volume). Diversification has come, if at all, only when they mastered their first activity. This seems to be a formula that argues for a minimalist approach to credit.

(c) Graduation

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

At present there is little incentive for graduation — whether for the bank, the borrower, or the NGO. Unless banks change their procedures, lending to the poor will continue to be costly. In addition, graduating their most successful clients may be a losing proposition for the NGOs; they would be left with the clients who are least attractive to the banks precisely because they are costly to work with. Thus, the goals of sustainability and graduation are contradictory for NGO parallel credit programs. As an alternative, intermediary programs or institutions might play a direct brokering role: bundling together loan applications to present to the banks or on-lending borrowed funds to microentrepreneurs for a fee.\(^{52}\)

(d) Business start-ups

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

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

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

(e) Role of government policy

Until recently, government policies toward microenterprise development have received little attention. There is scant experience with policy changes specifically targeted to the sector, making assessment difficult. Where pricing and regulatory changes have occurred, few studies have differentiated their effects on borrowers' access to credit or their impact by size of firm. Certainly none has looked at these questions from a gender-disaggregated perspective. Despite changes in recent years, pricing, licensing, infrastructure, education, and trade policies in most developing countries still favor large, formal sector businesses. They neglect labor-intensive, small-scale informal sector activities, because the resources required to take advantage of these policies and programs put the opportunities beyond the reach of producers in the sector. Instead, policy should aim at creating a level playing field on which small and microenterprises can compete. Macroeconomic and regulatory policies could be designed to complement direct interventions on behalf of microenterprises. In turn, there is evidence that support for microenterprises will have a positive impact on macroeconomic goals, such as increased economic growth and reduced reliance on imports.\(^{36}\)
(i) Deregulation of the financial sector

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

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

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

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

(ii) Legal reform

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

(iii) Institution building

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

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

5. CONCLUSIONS AND FURTHER RECOMMENDATIONS

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

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

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

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

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

(a) Evaluation

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

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

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

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

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

(b) Complementing credit

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

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

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

NOTES

3. See, for example, Tendler (1983).
6. See, for example, Reichmann (1984); Berger (1985); Tendler (1987).

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


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


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

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

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


30. Sally Yudelman, personal communication.


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


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


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

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

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

45. Otero (1986).

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


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

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

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


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

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


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

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


61. de Soto (1986).

APPENDIX. FEATURES OF CREDIT PROGRAMS THAT ENHANCE WOMEN'S PARTICIPATION

<table>
<thead>
<tr>
<th>Project Feature and Recommended Approach</th>
<th>Rationale for Recommendation</th>
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<tr>
<td><strong>Baseline Data:</strong> Use sex-disaggregated data</td>
<td>Enables programs to reach a greater number of women and to track the differential performance of women clients in credit programs</td>
</tr>
<tr>
<td><strong>Implementing Agency:</strong> Provide technical assistance to the implementing agency in the area of increasing women's participation</td>
<td>Many technically competent implementing agencies have little or no experience in increasing women's level of participation</td>
</tr>
<tr>
<td><strong>Advertising:</strong> Promote the project through women's organizations and maternal/child health clinics, and by word of mouth through informal channels</td>
<td>Many community organizations which disseminate information about sources of credit and application procedures are male organizations</td>
</tr>
<tr>
<td><strong>Guarantees/Collateral:</strong> Use the business's track record and potential for increased production; use a low minimum savings requirement; establish an internal guarantee fund, funded by borrowers' commissions and the lending institution; use a solidarity group credit component; use the incentive of future access to credit as a guarantee; use the borrower's reputation in the community</td>
<td>Women often lack title to houses, land, businesses, or other property</td>
</tr>
<tr>
<td><strong>Training:</strong> If training is required before loans, schedule sessions at times and locations convenient to women; establish referral services to vocational education programs in the community</td>
<td>Women are more often deficient in accounting and managerial skills, and they have limited time available for training</td>
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<tr>
<td><strong>Technical Assistance:</strong> Offer technical assistance in the loan application process; assist borrowers to form their own associations to increase their leverage to institutions and resources such as raw materials</td>
<td>Women more often require assistance in filling out applications, due to high illiteracy rates; they predominate in low-paying activities</td>
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<tr>
<td><strong>Transactions Costs for Borrowers:</strong> Make application forms short; administer loan program in a decentralized setting, near women's businesses or homes, possibly through mobile vans or neighborhood offices</td>
<td>Transaction time is too cumbersome for women borrowers, who must take time away from their businesses and household activities to carry out transactions</td>
</tr>
<tr>
<td><strong>Loan Approval and Disbursement Process:</strong> Allow program staff to approve loans as well as make recommendations; make the local bank responsible for loan disbursement, releasing staff time</td>
<td>The nature of women's businesses demands working capital on a frequent basis with rapid disbursement</td>
</tr>
<tr>
<td><strong>Type of Loans:</strong> Make loans available for working capital as well as fixed capital; through incentives in loan terms, encourage women to move into new, more productive activities</td>
<td>Women predominate in commerce and services, rather than manufacturing, and therefore need working capital</td>
</tr>
<tr>
<td><strong>Interest Rates:</strong> Set at or above market rates to avoid decapitalizing loan fund</td>
<td>Often, women's only option is much higher interest rates to moneylenders</td>
</tr>
<tr>
<td><strong>Repayment Terms:</strong> Keep loan terms short and flexible</td>
<td>Default rates are often lower if small borrowers are given the option of repaying the loan in frequent small payments or in fewer large payments</td>
</tr>
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</table>

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