

Enterprising Women and Village Banking in Urban Paraguay:
Current impacts and future implications for social change

By

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Abstract

This thesis examines Fundación Paraguaya's *Comité de Mujeres Emprendedoras* (village banking) program and analyzes its potential as a tool for poverty alleviation, female empowerment and social change in Paraguay. The data for this thesis was collected over a three month period in 2007, and is based on interviews and file data from clients of the CME program. The research focuses on clients' work histories, their roles as micro-entrepreneurs and caregivers, and their experiences within the CME program. This thesis argues that in order to comprehend the significance of village banking in Paraguay, one must take into consideration the importance of self-employment for women who balance family and work, as well as the impact of capital and non-financial services. Although the CME program appears to be contributing to poverty alleviation and empowerment in Paraguay, this thesis contends that by adopting a more gender-oriented approach, and incorporating aspects of the "feminist empowerment paradigm," Fundación Paraguaya could create a more complete development tool, thereby increasing the potential benefits to women and promoting greater social change.

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Directory of Terms and Acronyms

Terms:

almacén/despensa: small grocery-type store selling a variety of food and household items

asesor/a: loan officer/advisor working for Fundación Paraguaya's microfinance program

cantina/copetín: small businesses, usually selling food items as well as alcoholic beverages

carpeta: Fundación Paraguaya's files for individual microfinance clients and CMEs

Doña: a courtesy title before a woman's name in Spanish; equivalent of Madam or Ms.

empleada: (female) domestic servant in Paraguay

Fundación Paraguaya: The Paraguayan Foundation of Cooperation and Development

guaraní: Paraguayan currency

Informconf: Paraguayan company dedicated to collecting and listing confidential information of individuals concerning loan histories, previous employment, delinquent accounts, judgments for payment

kuña guapa: hardworking woman/women; *kuña* means 'woman' in the Guaraní language, and *guapa* is an adjective in Spanish that, in Paraguay, means 'hard working'

merienda: a snack, usually eaten in the late afternoon between lunch and dinner

ñandutí: a type of traditional artisan lace from Paraguay

Secretaría de la Mujer: Paraguayan Ministry for Women

remedio yuyo: herbal remedies that are usually sold fresh to mix with food or drink

Acronyms:

CGAP: Consultative Group to Assist the Poor

CME: Comité de Mujeres Emprendedoras (Comitee of Enterprising Women Program)

DGEEC: Dirección General de Estadística, Encuestas, y Censos (Paraguayan General Office of Statistics, Surveys and Censes)

FINCA: The Foundation for International Community Assistance

GAD: Gender and Development

IMF: International Monetary Fund

MFI: microfinance institution

UNCDF: United Nations Capital Development Fund

UNDP: United Nations Development Program

UNIFEM: United Nations Development Fund for Women

USAID: United States Agency for International Development

WEDTF: Women's Entrepreneurship Development Trust Fund

Chapter 1: Introduction

Microfinance in general, and the village banking model in particular, has become prominent over the last two decades in the discourse on sustainable development, poverty alleviation, and female empowerment. To better understand microfinance's potential for addressing these issues, this thesis will examine Fundación Paraguaya's village banking program entitled *Comité de Mujeres Emprendedoras*, or Committees of Enterprising Women Program (referred to hereafter as simply CME), to comprehend the significance of village banking in Paraguay. It will argue that one must consider the importance of self-employment for women who balance family and work, the potential of the non-financial services that village banking provides, and the possibilities that village banking may have for strengthening the position of women as informal workers.

Microfinance Overview

Despite the current interest in the topic of microfinance in Latin America, the literature on village banking, in particular, is still relatively small and, in the case of Paraguay, does not yet exist. James C. Brau and Gary M. Woller note that, "Throughout history, people in need of financial services, who lack the opportunity or ability to enter the formal financial markets, have designed microsaving and microcredit programs..." but only over the last four decades have there been real efforts to "formalize these processes and services through the creation of microfinance institutions" (4). Beginning in the 1970s, new thinking began to question "the established wisdom of 'bigger is better' for business, acknowledging the useful role that informal enterprise played (and still plays) in generating income and employment for the poor" (Berger et al. 9). As a result, some of the most well-known microfinance institutions (MFIs), such as the Grameen

Bank and the Foundation for International Community Assistance (FINCA), began operating toward the end of the 20th century. As microfinance has grown and diversified over the course of the last two decades, female clients have come to be of particular interest as targets of these programs. The reasons for this will be examined in more detail in a review of the literature, in *chapter three*.

Particular lending methodologies are chosen based upon the specific needs of the target client group, local conditions, and program goals; no two programs are exactly alike (Brandt et al. 2). Despite the diversity, however, “microfinance programs can be divided into two general categories: individual lending programs and group (or peer) lending programs” (2). The two types of micro-lending, and the differences between them, will be discussed in the following section.

Individual Lending

Micro-loans, administered at the individual level, are done through an approach associated with formal banking institutions. In other words, credit is administered to clients based on a combination of credit history, references, the type and viability of business venture, the guarantees of collateral and, in some cases, the presence of a guarantor (Brandt et al. 2; Trezza 24). In this model, MFIs evaluate the debt capacity and cash flow of potential clients, though the procedure tends to be less formal and precise than with commercial banks (Trezza 25). Instead, the responsibility falls on the credit officers to become “experts on the local territory,” paying visits to their clients and conducting informal interviews in order to become familiar with their clients situation, and monitor loan use and business growth (25).

Silvia Trezza notes that this type of loan is especially appropriate for the urban context, and that the primary advantage of this method lies in the “flexibility of the supplied amounts and [that] the payment schedule [is] adapted to the actual needs of the client” (25). However, individual micro-lending is limited in terms of reaching the poorest clients, who are often excluded because they lack collateral. Therefore, individual micro-lending is better suited for projects that aim to reduce financial exclusion in areas with more advanced economies (25).

Group Lending

The group lending model is one in which loans are administered to a group of borrowers, rather than an individual. Since failure to repay at the individual level affects the groups’ ability to receive future loans, clients are inclined to self-monitor other members to insure repayment at the institutional level. Because group members guarantee the repayment of each others’ loans, peer pressure and collective responsibility replace the need for physical collateral, making credit accessible to the poorer sectors of society, particularly women. Although all group lending models share these basic characteristics, it is important to note that there are two principal methodologies within the group model: solidarity groups and community-based organizations (village banks) (Trezza 25). Brandt et al. point out that distinction between these two approaches, “has to do with the desired future relationship between the lending body and the borrower group” (5). Now I will explore, in more detail, the differences between these two methodologies, focusing particularly on village banking, as it is the basis for Fundación Paraguaya’s *Comité de Mujeres Emprendedoras* (CME) program.

Solidarity Groups

According to ACCION International's definition, solidarity lending is a "Lending mechanism which allows a group of individuals...to provide collateral or loan guarantee through a group repayment pledge..." (www.accion.org). Although these groups maintain a constant relationship with the MFI, they do not develop a self-management capability, as does a village bank (Trezza 2). In addition, solidarity groups tend to be smaller than, village banks usually comprised of three to ten members, depending on the program.

One of the most famous models of solidarity group lending, and a pioneer in modern microfinance, is the Grameen Bank, established by Muhammad Yunus. The Grameen Bank started in Bangladesh "as an experimental project in 1976 and turned into a formal financial institution in 1983..." and since has experienced remarkable growth (Wahid 2). This model consists of a bank being set up with a "field manager," in addition to a number of other bank workers, who cover an area of about 15 to 22 villages (Hassan 208). Bank workers familiarize themselves with the villages and culture, identify potential clients, and explain the purpose, function, and operation of the bank (208). Generally, each group consists of five members who borrow in stages, during which payment with interest must be received in full, before the remaining group members are eligible for their loans.

Village Banking

The village banking model is attributed to John Hatch, founder of The Foundation for International Community Assistance (FINCA) in 1984 (Brau and Woller 5). Like the Grameen Bank model, village banking aims to serve a poor, predominantly female, clientele but differs in size and management style. Village banks are comprised of larger

groups than in the case of solidarity groups, usually between 15-30 people (Hassan 209; Brau and Woller 6). The group then independently manages the loan and distributes it among members, which makes it an independent institution in the medium term (Trezza 26). Unlike smaller solidarity groups, village banks are responsible for leadership, bylaws, record keeping, managing funds, and supervising the loans (www.accion.org).

Village bank loans are administered in cycles at the group level, and then distributed amongst all group members. Typically, an individual will be granted anywhere from US\$50 and US\$1,000 per cycle, depending on a number of factors. The loans are renewable, depending on repayment behavior, and savings accrued during the previous cycle. Brau and Woller note that,

FINCA operates under the assumption that the Village Banking method is unique in that it gives the borrowers both the responsibility and autonomy to run their banks. Loans are extended at a non-subsidized, market rate of interest.... Loans rotate among each community and group members are encouraged to cooperate and promote other group member microenterprises instead of competing against them. Thus, the Village Banking method is designed to promote community and individual development. (6)

Despite the fact that village banking is one of the most widely used models in microfinance, according to Marguerite Berger it is less common in Latin America than in other parts of the world. She notes that although, “Latin American microfinance serves a broad range of customers....Particular methodologies that rely on the homogeneity of borrowers, such as village banking, are not as prevalent in Latin America as in other regions...” (Berger et al. 14). In fact, of the approximately 4.5 million microfinance clients in Latin America, only 10 percent are served by village banking, and about half of

these are customers of a Mexican “Comportamos” program (14). Despite the fact that village banking is less popular than some other forms of microfinance, Berger et al. point out that successful models do exist in Latin America and that village banks are particularly important in rural areas of the region (14).

Methodology

Fundación Paraguaya’s CME program is one example of village banking taking place in urban Latin America and will be discussed in greater detail in *chapter four*. This thesis will review the demographic profiles, employment histories, current work experiences, and attitudes toward micro-entrepreneurship of Fundación Paraguaya’s CME participants. Field research for this project was done from June 2007, to September 2007, in cooperation with Fundación Paraguaya’s CME programs in Asunción and Ciudad del Este, Paraguay’s two largest urban centers. Eight weeks were spent in Asunción, and two weeks in Ciudad del Este. The significant disparity in time spent in the two cities was due to both logistical and practical concerns. Although my research was conducted in cooperation with Fundación Paraguaya’s offices in both cities, this project is independent of any of the institution’s own research projects or agendas.

The research, itself, was done in two parts. I first extracted quantitative data regarding socio-demographic and participation information from *carpetas*, or files, that Fundación Paraguaya keeps for every CME, in both Ciudad del Este and Asunción. These files are all hand recorded, primarily by CME *asesores*, or loan advisors/officers, and as of September 2007, exist exclusively in paper format. Due to the fact that information contained in the files is not currently organized in an electronic database, collective analysis of the data is extremely difficult. This makes the sample that was used

for this thesis even more useful for structuring an informed profile of CME clients.

Carpeta data was extracted by hand, and was done exclusively by the author.

Data taken from Fundación Paraguaya files includes place of birth, age, marital status, number of children and dependents, education, occupation/business activity, amount of spent working and place of each business activity, weekly business earnings and household income, weekly household expenses, housing status, group participation, limited information regarding credit histories,¹ and past employment. All data are recorded anonymously; client entries have been assigned a number, based on the order in which they were recorded, and the CME group to which they belong.

Although the quantitative data obtained is important for creating a demographic profile of participants, qualitative data from interviews is richer and gives us a better understanding of women's work histories, their roles as workers, both inside and out of the home, and their experiences with the village banking program. Over the course of study, sixty-six voluntary interviews with active CME participants were carried out exclusively by the author.² Twenty-six of these were conducted in Ciudad del Este, and forty were conducted in Asunción. All results were recorded by hand, and in order to keep responses confidential, no names were recorded. Instead, pseudonyms have been given to clients whose responses are quoted in *chapter five*.

The interviews consisted of forty questions and covered five basic areas of interest: demographic profiles, past work histories, information on current entrepreneurial activities, labor and responsibilities in the home, and experiences with, and attitudes

¹ Information on CME participants' credit histories (provided by *Informconf*) were used only as a measure the number of clients who previously had access to loans, from where they received these loans, and how many with flawed credit history were allowed to enter a group. No loan amounts, dates, nor financial institutions or individuals owed money were recorded.

² See *Appendix* for a list of interview questions in both Spanish and English.

toward the CME program. Interviews were carried out by the author at both Fundación Paraguaya's offices and at weekly CME meetings. Women were selected at random, on a volunteer basis. Although all interviewees were asked the same set of questions, interviews were intended to be open-ended in that women were encouraged to expand on their answers as much as they wished. Interviews typically lasted 20-30 minutes, but this varied depending on the length of clients' answers. While not every respondent answered all of the given questions, for the purpose of calculating percentages, figures are based on the number of participants who answered a particular question, which may not necessarily be the total number of interviewees.

This thesis is divided into the following sections: This *introduction* provides an overview of microfinance and details the methodology used for this thesis.

Chapter two, "The Paraguayan Context: Urbanization, Economy and Labor as it Relates to Women," provides an overview of urbanization and economic history in Paraguay, and describes Paraguay's two largest cities, Asunción and Ciudad del Este. In addition, this chapter looks at women's role in the Paraguayan labor force over time, and includes a discussion of the informal sector, particularly as it relates to women. *Chapter three*, "Literature Review," is an overview of the literature regarding women and microfinance. This chapter focuses on the motives for targeting women in microfinance programs and discusses the various arguments surrounding these motivations. In *chapter four*, "Fundación Paraguaya and the Comité de Mujeres Emprendedoras (village banking) program," a description of Fundación Paraguaya is provided, and the specifics of the CME program are discussed.

Chapter five, “Analysis of the Data,” is divided into two parts. Part one uses Fundación Paraguay’s file data to compare the demographic characteristics of CME clients in Asunción and Ciudad del Este to those of the overall urban female population. In addition, current micro-entrepreneurial activities and program retention rates are discussed. Part two provides more detailed, qualitative data taken from interviews with CME clients in both cities. This section looks at these women’s work histories, current employment activities, responsibility for domestic labor, and their experiences within the CME program.

Finally, *chapter six*, “Conclusion,” provides a summary of the findings discussed in *chapter five*, and examines the case of village banking in Paraguay in light of what we know about clients’ realities in urban Paraguay. Here, concerns from critics of village banking are addressed, and recommendations are provided regarding the ways in which Fundación Paraguay could become a more complete development tool and better address women’s needs.

Chapter 2: The Paraguayan Context: Urbanization, Economy and Labor as it Relates to Women

Urban Paraguay

A discussion of urban growth in Paraguay is an important part of this thesis for two reasons. First, Paraguay's urban growth is closely tied to factors that affect unemployment and the expansion of the informal sector, especially as it concerns women. Both are essential to understanding the context in which the CME program operates, since women have higher rates of unemployment and are more likely to be employed informally. In addition, because this research deals with CMEs in Paraguay's two largest urban centers, it is helpful to have an understanding of the setting in which village banking unfolds, especially considering the very different histories and function of the two cities.

Only over the last two decades has Paraguay become urbanized. According to 2002 census data collected by Paraguay's General Office of Statistics, Surveys and Censes (*Dirección General de Estadística, Encuestas y Censos*, or DGEEC), 56.7% of the population resides in urban areas, concentrated in two geographic locations: Greater Asunción,³ and the Metropolitan Area of Ciudad del Este⁴ ("Atlas Censal" 20). Although these two metropolitan areas are Paraguay's largest cities, they have very different histories and functions. They are the oldest and newest of Paraguay's major cities, respectively.

³ Greater Asunción includes the national capital of Asunción as well as the surrounding municipalities of Lambaré, Villa Elisa, Mariano Roque Alonzo, San Lorenzo, Luque, Fernando de la Mora, and Nemby.

⁴ The Metropolitan Area of Ciudad del Este includes the departmental capital of Ciudad del Este as well as the municipalities of Hernandarias and Presidente Franco (DGEEC, "Población en el Paraguay").

While the majority of Paraguayans now reside in urban areas, Paraguay remains one of the least urbanized countries in South America.⁵ Despite an upsurge in migration to urban areas between 1938-41, largely as a result of the Chaco War, urban growth remained slow for most of the 20th century (Birch 221). The phenomenon of urban dominance is so recent, in fact, that as late as 1983 Fran Gillespie declared that, “unlike all other Latin American republics (save Haiti), Paraguay seems to have largely escaped the ubiquitous phenomenon of urbanization” (355). Not until 1992 did national census figures report an (albeit slim) urban majority, with 50.3% of the population living in cities,⁶ up from 42.7% in 1982, and 37.4% in 1972 (DGEEC, “Atlas Censal” 20). This marked increase can be attributed to several factors, particularly the expansion of the eastern frontier region⁷ during the second half of the 20th century.

Expanding the eastern frontier was the result of national policy designed to diversify Paraguay’s political and economic relationships, as well as to “develop” this predominantly rural, and largely uninhibited region of Paraguay.⁸ Roads, bridges, and other infrastructure projects opened the eastern frontier for internal migration to both domestic and foreign interests. Over time, competing claims for the region’s resources would provoke serious conflicts among businessmen, *campesinos*,⁹ indigenous groups, and local and national authorities over access and land use (Vázquez 61).

⁵ According to urbanization figures from 2000, Paraguay had the lowest percentage (55.99%) of the population living in urban areas in all of South America (Cerrutti and Bertocello 5).

⁶ Percent figure calculated by the author based on figures provided by the Paraguayan General Office of Statistics, Surveys and Censuses’ Atlas Censal del Paraguay, 2002.

⁷ Though the definition is not concrete, the eastern frontier region is most often thought of as the “actual departments of Alto Parana, Itapúa, Canindeyú, and some zones of Amambay, Caaguazú, Caazapá, and San Pedro that were occupied systematically only beginning in the 1960s” (Vasquez 52).

⁸ For further reading on political shift in Paraguay over the 20th century see: Birch, “Pendulum Politics,” 1992.

⁹ The word *campesino*, in Spanish, refers to a rural farm worker.

The opening of the eastern frontier created a new growth pole which offered opportunities for employment. A growing number of construction projects associated with the frontier expansion created jobs for both laborers and professionals, drawing people from rural areas as well as other urban areas. These projects included an international *Puente de la Amistad*, or “Friendship Bridge,” the Itaipú Dam, as well as basic road and building infrastructure. Although these infrastructure projects employed a large work force, the demand for labor was not sustainable. Upon completion, many laborers were left to look for other work. They often found it in Ciudad de Este’s rapidly emerging commercial center, which contributed to an overall growth in Paraguay’s tertiary,¹⁰ or commercial and service, sector.

Recently, the activities of foreign interests and wealthy land holders in the eastern frontier have led to a sharp rise in the mechanized agricultural production of export crops, such as soybeans. The push to convert more and more land to the production of these crops has created competition between small and wealthy land holders, and decreased the need for manual labor in the agricultural sector. Both of these are factors that continue to drive *campesinos* from their land, either out of necessity or by force, contributing to Paraguay’s transformation to a predominantly urban nation.

According to Serafini Geoghegan, one of the most important economic transitions that Paraguay has undergone since the colonial era was its transformation from an “eminently agricultural economy, to one with characteristics of urbanized countries, that is with a great participation in the tertiary sector” (107). For a population now struggling to maintain a living on traditional agricultural production, migration to the city for

¹⁰ The DGEEC defines the “tertiary sector” as: electricity, water, commerce, transport, and financial and personal and public services.

employment in the informal sector was one alternative. In this way, we begin to see how Paraguay's urban shift is closely related to the transition of the labor force from the agricultural, to the commercial and service sector.

Asunción

Historically, rural-urban migration in Paraguay meant a move from the *minifundia*¹¹ to the capital city. Founded in 1537, the capital city of Paraguay, Asunción (officially Nuestra Señora de la Asunción), was one of the first Spanish settlements in the Rio de la Plata Basin. It is one of the oldest colonial cities in South America, and was established as a military fort and strategic lodging point on the Spanish trading route between Peru and the Rio de la Plata (Laterza Rivarola 56). Although Asunción served as the provincial center for the region, growth of the city began to slow during the beginning of the 17th century, as Buenos Aires grew in importance as a port city (Laterza Rivarola 56;100). Laterza Rivola notes that when Buenos Aires was granted its own government in 1620, the “Gigantic Province” became divided, and Paraguay became “isolated and forgotten” (100).

Unlike other Latin American cities that developed around manufacturing and commerce, Asunción's productive activities were based in the primary sector. This was one of the factors contributing to Paraguay maintaining “its rural character until the 20th century...” (Laterza Rivarola 103). Mabel Causarano and Beatriz Chase point out that, with the growth of the commercial and service sector, and the rise of the informal sector beginning in the 1980s, the city's atmosphere began “changing dramatically” (180). They note that these changes affected the downtown area in general, and *Calle Palma*, or Palma Street, in particular (180). Since the 19th century, *Calle Palma* has been one of the

¹¹ A small plot of land farmed by *campesinos*, generally for subsistence agriculture.

most important in the capital city, serving as a place where administrative, financial and commercial activities are concentrated (180). However, in the late 20th century the street's character, as well as that of the downtown area, began changing for several reasons. For example, a "fragmentation" in commerce created a division of [commercial] space, in order to make way for small business selling a variety imported items (180). In addition, the "invasion" of informal merchants onto sidewalks, combined with increased traffic congestion, made it difficult for pedestrians to move through downtown (180).

Causarano and Chase point out that since its founding, Asunción has "monopolized its function as the centralized seat of administrative, political, economic and cultural activities, and [until more recently] was the only notable concentrated urban center [in Paraguay]" (13). Despite Asunción's traditional role as Paraguay's most important urban center, a new urban growth pole has emerged over the last several decades. Located on the eastern border with Brazil, Ciudad del Este has become the second largest, and one of the most influential cities in Paraguay, and is unique from Asunción in both character and function.

Ciudad del Este

Ciudad del Este, by contrast, was founded in 1957 as Ciudad Puerto Presidente Stroessner¹² and was one of the first official settlements to be established in the expanding eastern frontier region. As Fabricio Vázquez points out, "The foundation of Puerto Presidente Stroessner on the banks of the Paraná River...marked the strategic interest on the part of the state in the active occupation of the periphery territory" (52).

¹² When it was founded, the city was named after Paraguay's then dictator Alfredo Stroessner. Upon Stroessner's deposition in 1989, the city's name was changed to Ciudad del Este, or "City of the East."

Since its foundation fifty years ago, Ciudad del Este has grown to be not only the second largest urban area in Paraguay, but one of the most important as well. The extensive transformation that the city has undergone, over a relatively short period of time, can be attributed to a number of factors. One important consideration is the city's geographic location in relationship to Argentina, Brazil and the Paraná River; its proximity to the tri-border area and a major waterway make it unique compared with other urban areas in Paraguay. Another principal factor in its expansion is the string of infrastructure projects carried out in and around the city during the mid-to-late 20th century. These projects were linked to Ciudad del Este's geographic location and aided in its integration into the rest of Paraguay, as well as to the international sphere. Also worth mentioning, is the impact that government sponsored colonization programs and the expansion of large scale agriculture, have had in contributing to Ciudad del Este's status as an urban growth pole.

High levels of employment in the 1970s, thanks in large part to the economic boom created by infrastructure construction, as well as the availability of consumer credit and a favorable exchange rate, led to a rapid expansion of commercial activity in the area (Baer and Birch, "International Economic Relations" 607). This was an important contributing factor in the accelerated conversion of Ciudad del Este from a small urban area in the periphery, into a place of economic and political importance (Vázquez 53).

In addition to favorable conditions for the creation of a commercial infrastructure in Paraguay, there were other factors that helped spur trade in the area. Due to import substitution policies in Argentina and Brazil, many consumers from those countries began traveling to Paraguay in order to purchase imported goods at cheaper prices. This

led to a “boom” in hotels, motels, restaurants and new casinos in Ciudad del Este (Vázquez 29). The opportunity for arbitrage also became a factor spurring trade. Given that Brazil and Argentina experienced periodic bouts of inflation, and Paraguay maintained a fixed exchange rate from 1961-1980, “whenever the neighbour’s currency became overvalued, Paraguay’s...exports would become more competitive, and [shopping] tourism from Argentina and/or Brazil would increase” (Baer and Birch “Expansion of the Economic Frontier” 791).

As commerce in Ciudad del Este grew, so did the city’s population. People from all over the world responded to entrepreneurial opportunities the commercial sector had to offer. Consequently, the city began to experience a significant influx of immigrants in the 1970s and 80s, many looking to invest in commercial endeavors. As a result, Ciudad del Este’s population grew 8.9% between 1972-82, and 7.9% from 1982-92 (DGEEC, “Atlas Censal” 146). However, the city’s population growth slowed to 5.2% between 1992 and 2002 (146).

The phenomenon of immigration has been one of the most influential in the city’s transformation, and has created a development pole with features unique to that of the rest of Paraguay (Núñez de Báez 17). As Guillermina Núñez de Báez points out, the growth of Ciudad del Este’s commercial sector “has given way to an ethnic complexity, thus you can see Paraguayans, Arabs, Chinese, Koreans, Japanese, [and] Europeans...offering new articles that condense the science, art, technology and the mercantilist imagination of the East and West” (336). Due to its physical proximity to Brazil, as well as a high percentage of that country’s clientele in the commercial sector, Brazilian cultural influences can be seen throughout the city.

Paraguay's Economic and Labor History

Over the course of history, Paraguay has undergone a series of dramatic ups and downs in terms of economic development. One thing that has remained constant, however, is the economic importance of the agricultural sector. Serafini Geoghegan points out that, although the primary sector¹³ has lost relative importance in the productive structure, it remains a “fundamental pillar of the Paraguayan economy” (107).

In the absence of “reasonable amounts of gold or other precious metals” and considering its geographic remoteness from Buenos Aires, “conquistadores turned to agriculture to guarantee their subsistence and made use of local Indian labour to clear the land and plant crops” (Baer and Birch, “Expansion of the Economic Frontier” 784-5). The rural lifestyle that developed not only had an impact on the cultural development of the country, but also began a tradition of organized agriculture in Paraguay.

After earning its independence from Spain in 1811, the country “entered into a 26-year period of near autarchy under its first president Gaspar R. de Francia, who severed relations with nearly all foreign countries,” concentrating instead on developing local resources (Baer and Birch, “Expansion of the Economic Frontier” 785). Following Francia’s death, the administrations of Carlos A. Lopez, and his son Francisco S. Lopez, reopened the doors to foreign trade, while protecting the national agricultural sector (785). During this time, the country’s economy was based largely on subsistence agriculture coupled with the export of a few cash crops such as Paraguayan tea (yerba mate), cotton, and tobacco. In terms of labor, both men and women played a significant role, largely shaped by their “gender-specific insertion into the system” (Potthast 45). For example, while men worked in the export and market sectors in yerba production and in

¹³ The DGEEC defines the “Primary Sector” as: agriculture, ranching, forestry, fishing and hunting activities.

transportation of cash crops, women were responsible for cultivation of subsistence crops like manioc, corn, and beans (45).

The Paraguayan economy experienced economic growth until the onset of the Triple Alliance War, in which Paraguay fought against the allied forces of Argentina, Brazil and Uruguay from 1864 to 1870 (Baer and Birch, "Expansion of the Economic Frontier" 785). Due to the magnitude of the enemy, Paraguay was forced to send nearly all of its males, both young and old, to fight, leaving women to take over production roles to keep the country afloat. As Idalia Flores G. de Zarza points out, in the face of war Paraguayan women "were converted into farmers, merchants, nurses, combatants..." ("La Mujer: Tomo I" 135).

By the end of the war, Paraguay had suffered immense casualties and lost over 60% of its pre-war population to battle and disease (Whigham 179). Due to the decimation of the male population, women came to make up the majority of the labor force. As borders reopened following the war, rural women were again able to return to their land to work their fields. Those working as vendors in urban Paraguay returned to the streets and women, "came to dominate the markets and streets of Asunción and other towns even more than they had before the war" (Potthast 57).

In terms of its economy, Paraguay was left with large amounts of debt and few resources to stimulate economic growth. Therefore, large tracts of publicly owned land were sold in order to help pay off the national debt. This marked the beginning of the *latifundio*¹⁴ system in Paraguay, and an increase of foreign participation in the economy.

Just over 60 years later, Paraguay again found itself involved in international conflict, this time with Bolivia in the Chaco War. Much like before, men were sent off to

¹⁴ Large, privately owned estates

fight, and women were left to maintain the country. They did so by putting great effort into the care of troops, and by laboring in workshops to provide products like shoes, clothing and leather goods for both the military and domestic consumption (Flores G. de Zarza, “La Mujer: Tomo 2” 70). In fact, women not only supplied the army and civilian populations with food, but actually increased agricultural exports during these years (70).

Baer and Birch point out that physical infrastructure was left intact, but that the Chaco war was costly in human and political terms (“Expansion of the Economic Frontier” 785). Differing views on the handling of economic affairs created political turmoil that continued until 1954 when General Alfredo Stroessner came to power by a military coup (785). With the aid of an IMF¹⁵ mission during the second half of the decade, the Stroessner regime was able to bring inflation under control, and basic physical infrastructure began to expand gradually due to ample foreign aid (785). Although women now made up a majority of the overall population, in terms of the labor force, they composed a much smaller percentage than men, despite their historical roles as workers. For instance, although women made up 51.1% of the national population in 1950, they accounted for just 22.9% of the work force (Brizuela de Ramírez 108).

The 1960s were characterized by expansion in the agricultural sector and relative economic stability. Agriculture accounted for almost 39% of GDP and employed 55% of the economic active population (785). Baer and Birch note that, of the less than 6,000 agricultural establishments in 1963, 85% were individually owned, 63% had 2-4 employees, and almost 70% had no mechanical power (785). This is important, particularly when considering the changing trends in the sector over the following decade.

¹⁵ International Monetary Fund

The 1970s brought “historic highs” in terms of economic growth rates, spurred by increased activity in the agriculture and construction sectors (Pellegrino 396; Baer and Birch, "Expansion of the Economic Frontier" 786). As mentioned previously, this was linked to an increase in export-oriented, mechanized agriculture, as well as expanding infrastructure in the eastern frontier, particularly the Itaipú Dam. Despite an increase in cotton and soybean production over the following decade, by 350% and 470% respectively, domestic crops grew by only 23% during the same time period (Baer and Birch, "Expansion of the Economic Frontier" 787). In terms of labor, the total percent of the population involved in the agriculture and livestock industry fell from 51% in 1972, to 43.2% in 1982 (Barrios 66). Changes in the rural economy and labor force had a particular impact on women. According to the DGEEC, female labor force participation rates in rural areas fell substantially, dropping to 11.6% by 1982, a 68% decrease from 1962 figures (“Resultados Finales” 40). Although women’s participation rates fell in urban Paraguay during this time, as well, from 31.3% in 1972, to 29.4% in 1982, the decline was far less dramatic than in rural areas (Mires 118).

During the course of the 1980s, Latin America experienced a widespread economic crisis, resulting in a “decline in the standard of living of the middle class and increased levels of poverty and destitution” (Pellegrino 396). Paraguay was no exception to this trend. The completion of the Itaipú Dam in 1982 resulted in a significant decline in the demand for construction labor which, combined with the impact of the world recession, were major contributors to the economic downturn in the 1980s in Paraguay (Baer and Breuer 126). Baer and Breuer point out that, “Once...[the] economy began to

stagnate, old structural problems, ignored during the boom years, resurfaced and threatened to block the further growth and development of the country” (126).

As economic conditions worsened throughout the 1980s, a growing number of women began entering the labor force as a survival strategy. Most of them entered as informal workers in urban areas, either self-employed in the commercial sector or as domestic servants (Mires 119). Although this trend spurred growth in the overall female labor force, it also contributed to a further decline in women’s participation in rural areas (119). Women’s labor force participation in contemporary Paraguay is examined in the following section, paying particular attention to trends in rural and urban areas.

Women and Work in Contemporary Urban Paraguay: The Data

Female Labor Force Participation

Since the 1980s, growth in the female labor force has remained constant, though the rate remains low compared to United States standards.¹⁶ Between 1950 and 2002, the female labor force participation rate grew less than 15% overall, and the DGEEC reports that the female labor force participation rate was 32.1% in 2002 (“Resultados Finales” 40; Brizuela de Ramírez 109). As was discussed previously, women’s labor force participation rates are greater in urban areas. From 1962 to 2002, urban participation rates have been, on average, 9.5% higher than for national figures,¹⁷ and in 2002 the DGEEC reported that urban female labor participation rate at 45.5% (“Resultados Finales” 40; Brizuela de Ramírez 109).

¹⁶ According to 2006 figures, the female labor force participation rate in the U.S. was 59.4% (U.S. Census Bureau, “Statistical Abstract”).

¹⁷ This figure was calculated by the author based on data from Table 2.

Female Participation by Employment Sector

When looking at female employment by sector, we find that the highest rates are in the “tertiary” sector, which employs 79.2% of women workers (see Table 1) (DGEEC, “Resultados Finales” 42). The remaining 20.8% of women workers are divided into three other categories: 11% work in the secondary sector, 5.8% in the Primary sector and 4.0% in “other” ventures (42).

Table 1: Female labor force participation by economic sector expressed as a percent

<u>Economic Sector</u>	<u>Female Labor Force in 2002</u>
Primary	5.8%
Secondary	11.0%
Tertiary	79.2%
Other*	4.0%
Total	100%

Source: Paraguayan National Census of Population and Housing, 2002.

* Includes those looking for first job as well as non-specified activities

When comparing male to female workers in the tertiary sector, women make up a significant part of the labor force, accounting for 48.5%¹⁸ (see Table 2). This is due, in part, to the fact that the tertiary sector has experienced overall growth in terms of labor force participation over the previous decades. Meanwhile, the primary sector has decreased in importance due to the agrarian crisis.

Table 2: Labor force structure by economic sector and sex expressed as a percent

<u>Economic Sector</u>	Primary	Secondary	Tertiary	Other*
<u>Population</u>				
Total	100%	100%	100%	100%
Male	93%	80.4%	51.5%	53.3%
Female	7%	19.6%	48.5%	46.7%

Source: All percentages have been calculated by the author based on data from the Paraguayan National Census of Population and Housing, 2002.

* Includes those looking for first job as well as non-specified activities

¹⁸ Percentage taken from author’s calculations based on data from Paraguayan National Census of Population and Housing 2002.

Informality of Female Employment

Growth in the tertiary sector of the economy has to do, in great part, to the expansion of the informal sector of the economy where women, along with migrants, the young, the old, and the under-qualified, make up a large portion of this labor force (Zarza 35). In fact, one of the most striking trends in female employment, especially when compared to men, is the trend toward the informality of women's work.¹⁹ According to Paraguay's Encuesta Permanente de Hogares, 2003, or Permanent Household Survey, 45.3% of all working women are employed in the informal sector, compared to just 17.6% of men (Ortiz Sandoval 77).

Table 3: Formality of labor force by sex expressed as a percent (2003)

<u>Sex</u>	Male	Female	Total Population
<u>Condition of labor</u>			
Informal	17.6%	45.3%	28.3%
Formal	82.4%	54.7%	71.7%
Total	100%	100%	100%

Source: Paraguay's Permanent Household Survey, 2003 (Published in Ortiz Sandoval pp. 77).

Migration, in conjunction with economic hardships, has been a key determinant in the formation of the informal sector in Paraguay (Masi 12). High growth of urban areas provoked "a rise in the labor force, impossible for an economy based in agriculture and re-exportation to absorb, creating growing levels of under-employment and informal employment" (12). The expansion of this sector is important because, since its rise in the 1980s, the informal sector has come to play a "fundamental role" in Paraguay's economy,

¹⁹ According to the Encuesta Permanente de Hogares, informal workers are defined as: all workers 10 years and older who are self-employed, working for family members but who are not remunerated, and workers or bosses in businesses with five or less employees; this excludes workers in the public sector, workers within the home, those in the primary sector, and "directors", professionals, technicians and those in related fields.

and has particular relevance in regard to micro-entrepreneurship and women in the labor force (Robles 129).

The Informal Sector

“Informal employment and the related concept of the informal sector are relatively new concepts in labour force statistics” (Chen et al. 38). While it is a heterogeneous, and very diverse category, for the purpose of this analysis, following Masi (2001), I will define the informal sector in Paraguay as being, “comprised of self-employed workers, employers running businesses with five or fewer employees, employees of said businesses, and non-remunerated family members,” as well as domestic servants, and micro-entrepreneurs²⁰ (8). Masi notes that, “the majority of informal workers in Paraguay are non-professional, self-employed workers and employees of micro-enterprises, [who are] involved in commercial and service activities, are located in the most densely populated urban areas, have a primary education, [and earn] salaries equal to, or less than, minimum wage...” (1).

Rossana Galli and David Kucera point out that, because employment in this sector characterized by poor working conditions and low labor standards, there is a growing concern for the increasing share of informal employment in Latin America (809).

Despite the fact that informal employment is on the rise in Latin America, it appears that contributing factors in the case of Paraguay are unique. Masi argues that,

Contrary to the majority of [other] countries in the region,
the causes for deteriorating employment and the rise of

²⁰ Although there is not a singular definition of “microenterprise”, in a report by the Inter-American Development Bank, Bass et al point out that microenterprises generally share the following characteristics: they are run by their owners, depend on family labor, employ fewer than 10 workers, and have limited access to the formal financial sector and business assistance services (2).

informal employment in Paraguay cannot be found in the diminution of the state nor in the process of accelerated industrialization...rather it originates from the deterioration of income levels in the rural sector as a consequence of, for example, the drastic decrease in the cultivation of cotton (intensive in *campesino* labor), lack of diversification of other crops for small-and medium-scale production, a rise in extensive crops...[and] as a result of a large dynamism in import and re-exportation. (8)

As we saw before, women's entrance into the informal sector had a great deal to do with the economic crisis of the 1980s. Olga Zarza points out that, as part of a survival strategy developed in response to the economic crisis, families turned to financial contributions from the "secondary labor force," made up principally of women (39). These women took "traditionally female," informal jobs in commerce and personal services; they worked as self-employed merchants and domestic servants, among other things (39). The 5.5% jump in female labor force participation rates from 1982 to 1992 may reflect, in part, the entrance of informally employed women into the labor force, in response to economic hardships.

Historically, women have played an important and unique role in Paraguay's economic history. However, their insertion into the labor market has "been, and in great part still is, interpreted according to culturally defined criteria" and as a consequence, "the value and compensation for their occupational efforts have been influenced as much by economic factors (the market) as by non-economic factors (social relations between sexes)" (Heikel 267).

In addition, a large number of informally employed women often find themselves in a position of economic subordination, compared to formal workers. Chen et al. note

that, in contrast to those working with the formal economy, informal workers have less access to basic infrastructure and social services, financial, physical and other productive assets, have few rights and benefits of employment, and face greater exclusion from state, market and political institutions (10). In addition, informal female workers appear to fare worse than their male counterparts in the same sector. For example, some common characteristics of microenterprises run by women in Latin America are that:

They are generally smaller than enterprises owned by men ...[women] more commonly operate one-person businesses with few assets and scant access to modern technology and credit...[their microenterprises] are predominantly in the lower productivity and lower-incomes echelons of the sector, and they tend to grow more unevenly than men's businesses. (Restrepo Chebair and Reichmann 5)

It is within this context that microfinance comes into play. Microfinance programs seek to help micro-entrepreneurs strengthen their businesses, by providing credit opportunities (and in some cases non-credit services, as well) for which they might not otherwise be eligible. While the effectiveness of microfinance programs is widely debated, this paper will argue that any assessment should be done on a case-by-case basis, taking into consideration a number of factors, such as the goals of the program, the needs of the clientele, and the wider national context in which the program operates.

Chapter 3: Literature Review

Over the past two decades, microfinance has become an important part of the discourse on issues such as development, poverty alleviation, empowerment and gender equality, and has attracted both praise and criticism. International aid donors and other development experts have focused on microfinance as a strategy for reaching women and including them in the development process (Cheston and Kuhn 6). This is particularly true of group lending²¹ because, as Linda Mayoux notes, “most microfinance programs targeting women are group-based” (“Women’s Empowerment through Sustainable Micro-Finance” 18). This may explain why research dealing with women’s participation in microfinance generally focuses on examples of group lending, and why there is little distinction between this and individual lending models, as it relates to women.

In addition, there is little distinction in the literature between women participating in solidarity groups and those in village banks. Instead, the two lending methodologies are generally lumped together as “group lending” practices. Because it is difficult to separate village banking from a larger discussion of women and microfinance, which generally deals with group lending, this review the literature will focus on women and microfinance, in general. Although work pertaining to Latin America specifically is limited, I will incorporate specific examples from the region, in hopes of highlighting the existing work from the area.

The literature dealing with women and microfinance is filled with discussion of the motives for targeting women in these programs. Although there are many different

²¹ Both village banks and solidarity groups fit into the category of group lending but in the case of village banking, groups are larger and are self-governing. These differences will be discussed at greater length in the chapter on microfinance.

rationales for prioritizing women's access to microfinance services, they all relate to the ways in which different actors may benefit from this relationship. Generally, there are three groups considered to be potential beneficiaries: microfinance institutions (MFIs), society as a whole (via poverty alleviation), and the women themselves (via empowerment).

Linda Mayoux notes that, "Increasing evidence of the centrality of gender equality to poverty reduction and women's higher credit repayment rates led to a general consensus on the desirability of targeting women" ("Women's Empowerment through Sustainable Micro-finance" 1). This idea reflects what Beatriz Armendáriz de Aghion and Jonathan Morduch call the "dual objectives" of serving women: maintaining a high repayment rate and meeting social goals (180). The idea that microfinance can benefit all parties involved (women, society and MFIs) is central to the arguments advocating women's participation in microfinance programs. I will begin with a discussion about the potential benefits to MFIs.

Risk Mitigation

From the perspective of an MFI, women are targeted because they are considered to be preferred borrowers. From a standpoint of efficiency and sustainability, proponents cite women's strong repayment records and cooperativeness (Cheston and Kuhn 9). In their 1995 study, Shahidur R. Khandker et al found that, women are more likely to properly use bank loans, and are better credit risks than their male counterparts, which reduces the default cost of lending (12; 37). Similarly, Rosintan D. M. Panjaitan-Drioadisuryo and Kathleen Cloud note that, "More than twenty years of experience have shown that gender affects the likelihood of loan repayment...[and] it is increasingly clear

that women are good credit risks, often better than men in the same programs” (771). These findings have, no doubt, helped to create what can be described as a “collective wisdom” that women’s repayment rates are far superior to those of men (Cheston and Kuhn 9).

In addition to high repayment rates, Armendáriz de Aghion and Morduch note that there are three other factors which make it advantageous for banks to lend to women: poverty, labor mobility and risk. They point out that women make up the majority of the world’s poor and, “Under the standard neoclassical assumptions about the production function, if women have less access to capital than men, returns to capital for women should therefore be higher than for men” (189). Secondly, they note that women tend to have less labor mobility than men, and therefore can be monitored at a lower cost, because they can be more closely observed by their peer borrowers (189). Finally, they note that, because women have less mobility and are more fearful about social sanctions, they tend to be more conservative than men in their choice of investment projects, and are therefore seen as less risky borrowers (189).

Although this may be true, there are many who assert their skepticism about targeting women for profitability. For example, Aminur Rahman concludes that, “If the aspirations for financial sustainability and the objective of serving poor women are contradictory, it is likely the latter will be sacrificed, especially when the donor and international development community’s attitude and support reward the former” (79). Linda Mayoux also questions what she labels as the “financial self-sustainability paradigm.” She points out that, “Some argue strongly that current models of micro-finance, where the overriding concern is financial sustainability, divert resources from

other, more effective strategies for empowerment and/or poverty alleviation” (“Women’s Empowerment Versus Sustainability?” 245). Since increasing empowerment requires changes at many levels, it can likely increase expenditures and may generate conflict, particularly among programs working to minimize costs (256-7). In addition, Mayoux reminds us that, achieving financial sustainability can, itself, be a costly affair because setting up financially sustainable systems may require diverting considerable resources from the “institutional and capacity-building of staff and client organizations” (257).

Mayoux argues that, although there are “inherent tensions between [women’s] empowerment and the many policies currently implemented to increase short-term financial sustainability,” evidence indicates that ignoring empowerment concerns, in addition to negatively impacting women, “may prejudice financial sustainability itself” (“Women’s Empowerment Versus Sustainability?” 245-7). She claims that this is based on the underlying assumption that development costs can be passed onto clients, which itself, is rooted in the further assumption that these clients are willing and able to put forth the time, skills, and resources needed to access these loans (257). In fact, some programs now face serious difficulties expanding, and have high drop-out rates because women appear to be unwilling to shoulder the burden of debt (257).

Instead, Mayoux advocates for a more “strategic approach to empowerment...coupled with a wider and more flexible approach to sustainability” (“Women’s Empowerment Versus Sustainability?” 245-7). She notes that empowerment can also have potential contributions, in terms of sustainability. For example, economic empowerment can decrease loan default rates because women are better able to repay (261). In addition, increased well-being will allow more women the skills, time and

resources to contribute to their groups and the program (261). Finally, social and political empowerment enables women to be more active in their involvement (261).

Poverty Alleviation

A second motivation for targeting women is that doing so will contribute to poverty alleviation, thus improving family welfare and benefiting society as a whole. This is particularly important because women are considered to be “disproportionately represented among the world’s poorest people,” and because “they have been shown to spend more of their income on their households” (Cheston and Kuhn 8).

For example, FINCA International reports that, “[village banking] clients greatly expand - even double - family food purchases with income generated by their first loan,” and that, “A World Bank study of three microfinance programs found that five percent of clients graduated out of poverty each year, as a result of participating in the programs” (FINCA, www.villagebanking.org). Panjaitan-Drioadisuryo and Cloud saw similar results in their 1999 study of women in Indonesia, concluding that a combination of credit and training has enabled poor women to earn income, and “thus to raise their household income above the official poverty level” (778). Finally, in their research of village banking programs in Central America, Shon R. Hiatt and Warner P. Woodworth found that, “Microcredit appears to improve the lives of those who are poor by increasing their buying and investing capability, thus lifting them onto a higher economic plane. (476). Hiatt and Woodworth note that village banking suggests, “That the poor do, in fact, labor to survive; that a key problem in explaining their poverty is a lack of working capital; and that empowered by microloans, many are able to improve their quality of

life,” helping to dispel the “widely held stereotypes about the global poor” which blame them for their own poverty (476-7).

In addition, the idea that women invest more heavily in family welfare than men, is widely accepted. In a 2001 report by the UNCDF,²² Rani Deshpanda claims that,

Women’s success benefits more than one person. Several institutions confirmed the well-documented fact that women are more likely than men to spend their profits on household and family needs. Assisting women, therefore generates a multiplier effect that enlarges the impact of the institutions’ activities. (qtd. in Cheston and Kuhn 8)

Cheston and Kuhn also cite statistics from the Women’s Entrepreneurship Development Trust Fund (WEDTF) in Tanzania, who report that, “fifty-five percent of women’s increased income is used to purchase household items, 18 percent goes for school, and 15 percent is spent on clothing” (8). Thus, because lending to women is perceived to produce greater social and economic impacts, they are attractive targets, especially to MFIs with social objectives (Armendáriz de Aghion and Morduch 190).

When looking at household impacts, the factors that are generally taken into consideration are nutrition, health, and education. In terms of health impacts to women and families, Littlefield et al. note that,

Households of microfinance clients appear to have better nutrition, health practices, and health outcomes than comparable non-client households. Larger and more stable incomes generally lead to better nutrition, living conditions, and preventive health care. Increased earnings and financial management options also allow clients to treat health

²² United Nations Capital Development Fund

problems promptly rather than waiting for conditions to deteriorate. (4)

For example, in their study on Bangladesh, Mark M. Pitt et al. report that giving credit to women has a great and statistically significant impact on health measures of children, but that in the case of male borrowers, there was not statistically significant impact (113). In addition, Barbara MckNelly and Christopher Dunford find that in Ghana, Freedom from Hunger clients “had better breastfeeding practices, and their one-year-old children were healthier than non-client children in terms of weight-for-age and height-for-age” (qtd. in Littlefield et al. 4). In addition, they found that these clients demonstrated significant positive changes in several other health practices, as well (4).

Two studies carried out in Latin America show that, although microfinance programs can help to improve nutrition and healthcare, the inclusion of an educational component to such programs is essential. For example, in his research on Project Hope’s “health banks”²³ in Honduras and Ecuador, Stephen C. Smith concludes that while net benefits are possible, empirical testing is necessary to assess this, and that health care practices do not automatically improve with greater wealth. MckNelly and Dunford found similar results in Bolivia, in their study of CRECER’s Credit with Education (village banking) Program. They find that children’s weight-for-age was positively associated with the quality of the program’s educational services, supporting the idea that without improvement in caregiver practices, income increases and empowerment, alone, are unlikely to produce noticeable improvement in children’s nutritional status (104).

Education is another area in which microfinance participation has been seen to have positive impacts. Elizabeth Littlefield et al. cite Helen Todd’s 1996 study of

²³ Village banks providing “tie-ins” like education and healthcare

Grameen Bank clients, which suggests much higher levels of schooling for Grameen children than for children of non-members (3). In addition, Todd's findings are "substantiated in the World Bank study in 1998, which found higher levels of schooling for children of all credit program participants and statistically significant higher rates of schooling for girls in Grameen" (qtd. in Littlefield et al. 3).

Despite these findings, results can vary on a case-by-case basis, and in some instances, the impact can differ for male and female children. For example, Monique Cohen and Carolyn Barnes report that, although women's participation in Zimbabwe's Zambucko group microfinance program had an impact on schooling for boys age 6-16 years, it did not suggest "a significant relationship between participation...and the schooling of girls aged 6 to 16" (85). The study further notes that, a decline in rates of schooling for these girls may be a factor of them dropping out to work in their mother's micro-enterprises (85). Martha A. Chen and Donald Snodgrass report similar findings on women's participation in the SEWA Bank in Ahmedabad, India, noting that,

While school enrollment...is gradually increasing [overall], the relationship to participation in SEWA appears to be relatively weak where the education of girls is concerned. There is more indication that borrowing from SEWA increases enrollment ratios for boys, especially at the secondary level." (88)

Not all agree, however, that poverty alleviation can be achieved through microfinance. Susan Feiner and Drucilla Barker argue that, "Microcredit programs do nothing to change the structural conditions that create poverty," and instead reinforce the "individualistic myths of wealth and poverty" ("Microcredit and Women's Poverty"). They point out that the evidence about microfinance is mixed, at best, and that, while at

the individual level, many poor women and their families have been helped through microcredit, there is little evidence that microcredit has had any impact on poverty rates in developing countries (“Liberating Economics” 125). S. White echoes this criticism, noting that, “Credit and income-generating programs frame the problem of poverty as a temporary, and easily remedied, cash-flow problem, instead of one which bears on relations of inequality and their institutionalization in broader economic policy” (qtd. in Goetz and Sen Gupta 61).

Empowerment

Finally, one of the most important and widely debated arguments for targeting women is the belief that microfinance benefits clients by “empowering” them. Chesten and Kuhn note that, “one of the often articulated rationales for supporting microfinance and the targeting of women by microfinance programs is that microfinance is an effective means for empowering women. By putting financial resources in the hands of women...institutions help level the playing field and promote gender equality” (11).

In order to understand this argument, it is necessary to understand what is meant by empowerment. Mayoux defines women’s empowerment as, “the participatory process through which women, who are currently most discriminated against, achieve gender equality and equity” (“Women’s Empowerment thorough Sustainable Microfinance” 13). She points out that empowerment is, “a multidimensional and interlinked process of change in power relations,” which operates, “in different spheres of life (e.g. economic, social, political) and at different levels (e.g. individual, household, community, market, and institutional)” (“Micro-finance and the empowerment of women” 18). Although many recognize that microfinance can be a tool for the empowerment of men as well,

focusing on women is seen as particularly important for several reasons. For example, Cheston and Kuhn note that the UNDP²⁴ found a strong correlation between its gender empowerment measure and gender-related development figures, and the Human Development Index, and that there is a growing body of evidence that improving gender equality is a critical component of development strategy (7).

While no one disputes the merit of empowerment, within the literature there are many different theories and ideas about its relationship to microfinance, and the different implications microfinance has for women's lives. Armendáriz de Aghion and Morduch point out some of the more common arguments advocating microfinance as an empowerment tool. They note that, "microfinance can increase women's bargaining power within the household...and [therefore they] enjoy greater control over household decisions and resources" (191). In addition, these authors mention that some see group lending, in particular, as instrumental in the empowerment process. This is because the act of peer monitoring may provide women protection within the household, since peer borrowers provide a type of third party scrutiny to violent acts and abuses by men (191).

Another way in which microfinance is seen to have an empowering affect is that it allows women to invest in a work activity that allows for women to have greater flexibility. In their research of micro-entrepreneurs in four different Latin American countries,²⁵ Eliana Restrepo Chebair and Rebecca Reichmann found that one of the deciding factors influencing a woman's decision to become a micro-entrepreneur was that, "it is a lifestyle that allows for individual autonomy and independence, carrying both risks and rewards" and that, "For any woman who juggles domestic and employment

²⁴ United Nations Development Program

²⁵ Restrepo Chebair and Reichmann's research is based on case studies from Bolivia, Brazil, Colombia, and Guatemala.

responsibilities, autonomy is indispensable to meet her greatest challenge -- effective time management” (17).

MFI often cite research that supports the assumption that empowerment is an inherent outcome of the microfinance process. For example, one study that is often cited as evidence of empowerment through microfinance is that of Syed M. Hashemi, Sidney Ruth Schuler and Ann P. Riley. The authors conducted research on women participating in two programs in rural Bangladesh: the Grameen Bank and the Bangladesh Rural Advancement Committee (BRAC). They measured empowerment by creating,

a composite empowerment indicator based on eight components: mobility, economic security, ability to make small purchases, ability to make larger purchases, involvement in major household decisions, relative freedom from domination within the family, political and legal awareness, and involvement in political campaigning and protests...A woman was considered empowered on the composite indicator if she scored as empowered on five of eight of the subcomponents. (qtd. in Goldberg 37)

Hashemi, Schuler and Riley conclude, that members of the Grameen Bank were seven and a half times as empowered, and BRAC members were four and a half times as empowered [than non-members], and that even non-members living in these villages were more empowered (qtd. in Goldberg 38). In a report done for the Grameen Foundation, Marge Magner references similar studies, (Khandker and Osman 1996; S.R. Khandker 2005) and concludes that, “These studies and numerous others indicate that microfinance can improve overall income, increase decision-making power, and provide general self-empowerment” (9).

On the other side of the debate, is the argument that microfinance not only fails to provide an empowering environment, but in some cases, can actually exacerbate inequalities and other problems that women face. Katherine N. Rankin found that solidarity lending in Nepal actually reinforced existing gender and other social hierarchies, rather than reducing them (3). For example, Rankin notes that, “women have been shown to self-select for group members with significant assets – such as husbands with income – thus concentrating microfinance services among those with access to other forms of capital and excluding ‘the poorest of the poor’”(16). In terms of gender mobilization, she found that, “Groups also tend to self-select for members with identical caste and ethnic identities, mitigating possibilities for gender solidarity across other socio-cultural difference” (16).

Katie Wright-Revolledo found similar results in Cajamarca, Peru. Like Rankin, her research found that, “Instead of being used as a vehicle for overcoming structural inequality, microfinance groups were seen to reinforce existing hierarchies and inequalities” within the community (107). In the Peruvian case, Wright-Revolledo’s research suggests that the existing social structures influence the way in which group microfinance programs operate (107). According to interviews, participants claimed that directive members of their groups took advantage of them. Moreover, they also felt that they could not denounce their behavior, for fear of losing other benefits of program participation, and disrupting social relations within the community (98).

Additional criticism comes from Anne Marie Goetz and Rina Sen Gupta, who question the contribution of credit to women’s empowerment. Instead, they argue that economic empowerment is not a straightforward process. They point out that, “male

control of women's loans can postpone the appearance of the positive social externalities" and "gendered power relations within the household affect the distribution and use of cash resources, and may undermine women's capacity to retain control over the way a loan is invested, or profits used" (61). Some factors that Goetz and Sen Gupta have identified as influential in determining loan control are: marital status, the nature of investment activities, size of loan, and years of membership.

They found that women who were widowed, separated or divorced were "more likely to retain full control over loan use," although some female heads of household were still expected to give their loans to other male family members (50). In terms of income-generating activities, women who were involved in traditionally female work were more likely to retain control over their loans than those who depended on men's contributions to their activity (50). They also note that loan size correlates broadly with loss of direct loan control to men. One explanation may be that women's investment activities are "too small to absorb larger cash inputs," and that it may be a "more rational household decision to invest a larger loan in a...higher yielding male investment activity" (51). Another explanation for this, "may inhere in the gendered nature of rights over particular kinds of resources" (51). Finally, they note that, to a certain extent, time spent in the program correlates to loan control. They state that, "high degrees of loan control [are] evident in credit societies with three to five years of institutional life, with degrees of loan control increasing steadily with each year of...membership up to that point," but diminishing thereafter (52).

Barker and Feiner also voice their skepticism, noting that "the evidence on microcredit and women's empowerment is ambiguous" and that, "Access to credit is not

the sole determinant of women's power and autonomy" ("Microcredit and Women's Poverty"). They argue that credit can increase the burden on women of having to carry out both market and household labor, and can increase household conflict when men retain control over loan use ("Microcredit and Women's Poverty"). Furthermore, they note that "group pressure over repayment in Grameen's loan circles can just as easily create conflict among women as build solidarity" ("Microcredit and Women's Poverty").

Mayoux echoes these criticisms, but takes a more balanced approach to the relationship between women and microfinance. Like these critics, she argues that "benefits [of microfinance] cannot be assumed and even financially sustainable micro-finance, if it is gender blind, may seriously disempower women and increase gender inequality" ("Women's Empowerment through Sustainable Micro-finance" 2). However, while microfinance programs are no "magic bullet," Mayoux believes they have the potential to make significant contributions to gender equality, pro-poor development, and to strengthening civil society (1). Rather than simply advocating or denouncing microfinance, she argues that creating a positive outcome depends on the way in which MFIs implement their programs, and the amount of emphasis that they put specifically on women's empowerment. Mayoux identifies three paradigms regarding micro-finance and gender.

First, is the "financial self-sustainability paradigm." This is the paradigm which is dominant for most donor agencies, and is promoted in publications by USAID²⁶, the World Bank, UNDP, CGAP²⁷ and the Micro-credit Summit Campaign (Mayoux, "Women's Empowerment through Sustainable Micro-finance" 2). It focuses on reaching

²⁶ United States Agency for International Development

²⁷ Consultative Group to Assist the Poor

financial sustainability and targets women “on the grounds of high female repayment rates and contribution of women’s economic activity to economic growth,” and assumes that increasing women’s access to micro-finance services will automatically lead to empowerment (Mayoux, “Micro-finance and the empowerment of women” 5). Because Fundación Paraguaya has already achieved financial sustainability, this thesis will not assess the CME program in terms sustainability.

The second is the “poverty alleviation paradigm.” Here, the aim is to reduce poverty among the poorest, increase well-being, and promote community development. This paradigm advocates targeting women on the grounds that there are high levels of female poverty, and because women are largely responsible for household well-being (Mayoux, “Micro-finance and the empowerment of women” 5). Here, poverty alleviation and women’s empowerment are “seen as two sides of the same coin,” and that increasing women’s access to micro-finance, along with other interventions, will increase income, and automatically translate into improved well-being for women and changes in gender inequality (5-7). Mayoux argues that according to these paradigms empowerment is often assumed to be an inherent outcome of microfinance, and therefore “in practice [empowerment] becomes subsumed in, and marginalised by concerns of financial sustainability and/or poverty alleviation” (“Women’s Empowerment through Sustainable Micro-finance” 7). As we will see in the conclusion, in addition to adhering the financial sustainability model, Fundación Paraguaya’ CME program primarily focuses the poverty alleviation, rather than on gender or empowerment.

The third paradigm, which Mayoux advocates, is the “feminist empowerment paradigm.” In this paradigm, “the underlying concerns are gender equality²⁸ and women’s human rights,” and the paradigm considers that “women’s empowerment requires fundamental change in the macro-level development agenda as well as explicit support for women to challenge gender subordination at the micro-level” (Mayoux, “Micro-finance and the empowerment of women” 6-7). Here, microfinance is seen as an “entry point in the context of a wider strategy for women’s economic and socio-political empowerment,” and the focus remains on gender awareness and feminist organization (7). She notes that within this paradigm the definition of sustainability is the “development of self-sustaining participatory women’s organizations linked to a wider women’s movement for the transformation of gender relations,” and that participation is, “an end in itself to enable women to articulate their collective interests and organize for change in gender relations (6).

She argues that by paying attention to gender issues, specifically, and focusing on strategies to positively empower women and transform gender relations, microfinance programs can prove beneficial for women and be an effective empowerment tool. However, she warns that if these issues are ignored, programs can have the opposite effect on women. This thesis will examine the Paraguayan CME program according to the two latter (poverty alleviation and feminist empowerment) paradigms, arguing that, although clients are experiencing some aspects of poverty alleviation and empowerment,

²⁸ Mayoux points out that, “the term equality is used here, not in the sense of sameness but of equality of choice and opportunity. It is used in preference to the term ‘equity’ which became hijacked by the conservative right to justify existing gender differences and divisions” (“Micro-finance and the empowerment of women” 7).

in order for the program to become a wider development tool it will need to address gender and empowerment, and adopt aspects of the “feminist empowerment paradigm.”

Mayoux points out that, “there has been no systematic cross-cultural or inter-organizational comparison of relative gender impacts of different models or strategies of micro-finance” and that, in the case of Latin America, most studies “where there is any consideration of gender at all, confine themselves to questions of access or more rarely to the activities in which women are involved” (“Women’s Empowerment through Sustainable Micro-finance” 8). Considering that there is still relatively little research in this area, this thesis may serve as an important addition to the understanding of village banking and its relationship to women in Latin America. In particular, it examines the impact of village banking on its female participants, in terms of both its ability to alleviate poverty, and tendency to promote empowerment in the community. In addition to furthering the understanding at the regional level, this thesis also serves as a unique example of research on village banking and women working in the informal sector in Paraguay.

Chapter 4: Fundación Paraguaya and the Comité de Mujeres Emprendedoras (village banking) Program

The *Fundación Paraguaya de Cooperación y Desarrollo* (The Paraguayan Foundation of Cooperation and Development), more commonly referred to as simply Fundación Paraguaya, was founded in 1985 in Asunción, Paraguay as a “non-profit, civil association” with the objective to:

Implement projects and programs that promote the economic and social development...; to foster employment for the classes in most need...to obtain permanent and honest means of employment that elevate their standard of living and contribute to their economic and social integration into the community; to serve as a mode of...communication between the business management community...and those of fewer resources...in order to...provide economic and technical assistance; to facilitate the transference of technology in all of its forms for appropriate insertion and economic and social integration; to provide technical assistance...to strengthen institutions of the private sector and promote the creation of entrepreneurial associations and develop new cooperation methodologies with less favored groups, putting an emphasis on economic growth and on microenterprises.²⁹

(Fundación Paraguaya, “Acta Constitutiva” 1)

Since its establishment in 1985, it has expanded its program over a large portion of Paraguay, and now operates out of 18 regional offices. These offices serve a total of 136

²⁹ All translations of Fundación Paraguaya documents have been done by the author, unless otherwise indicated.

towns and cities throughout the country, making it the largest Non-Governmental Organization (NGO) in Paraguay (Fundación Paraguaya, “Memoria y Balance” 3; 6).

In order to achieve its objectives of creating employment through the promotion of entrepreneurship, and to integrate society and community, Fundación Paraguaya has created a model that integrates three separate, but interrelated programs: microfinance, the Junior Achievement (youth business education) program, and the self-sustainable San Francisco Agricultural School (Fundación Paraguaya, “Memoria y Balance” 3). The Foundation makes a point of noting that, despite the three programs functioning separately in terms of budget and financing, they are still “strongly integrated at an operational level in that each program enriches, and is enriched by, the other two” and that “this synergy gives ‘added value’ to each of the three programs and is the guiding force behind the institution’s ‘business model’” (3-4).

Fundación Paraguaya’s Microfinance Program

Microfinance is Fundación Paraguaya’s oldest program, and has the objective of “promoting the development of micro and small businesses and people of scarce resources through the creation, amplification, and strengthening of sustainable credit, training and counseling services” (Fundación Paraguaya, “Memoria y Balance” 8). The Foundation points out that the introduction of microfinance to Paraguay has “awakened the interest of the private sector,” demonstrating that it is possible to finance microenterprises, while having recuperation rates higher than the market average (9). The latter has helped make the Foundation’s microfinance component “self-sufficient and profitable in financial terms...” (Fundación Paraguaya, “What We Do?”). As of mid-2006, Fundación Paraguaya reported having a total of 12,844 clients in its microfinance

program (Accion International, “Evaluación del Desempeño Social” 1). Of these clients, 79% live in urban areas, 62% are women, 28% have a primary school education, and 66% a secondary school education, and 24% fall under the poverty line³⁰ (16).

In order to better understand the program, it is important to look at the two key ways that Fundación Paraguaya’s microfinance services differ from those of other banks and market lenders in Paraguay. First, the Foundation concentrates on administering small loans to “the smallest scale micro-entrepreneurs and entrepreneurs...that are generally excluded from other lending institutions” (Fundación Paraguaya, “Memoria y Balance” 10). While the average size loan of the competition is around \$600, that of Fundación Paraguaya is \$450 (10). The second way in which Fundación Paraguaya differs from mainstream competitors is that, in addition to credit, it is also provides “a wide range of educational, managerial and community development services to clients, their families and communities” (10).

The Foundation positions itself as a development organization, as well as being a financial entity. Thus, in addition to this helping Fundación Paraguaya achieve a wide range of social objectives, it also offers them “a competitive advantage over its primary financial competitors” (Fundación Paraguaya, “Memoria y Balance” 10). Accion International notes that, “despite the fact that the competition has a more extended supply of generic products and services, it has been observed that Fundación Paraguaya currently offers diverse credit products that allow it to serve distinct needs and market niches...” (“Evaluación del Desempeño Social” 9). Currently, Fundación Paraguaya offers six different microfinance products, which offer loans in varying amounts, utilize

³⁰ In their study, Accion International points out that: “This means that they fall below the Poverty Line for their corresponding place of residence (Asunción, urban, or rural areas) and that their incomes are less than the cost of a standard food basket (“Evaluación del Desempeño Social” 16).

distinct terms for repayment, and are tailored to different clientele. They include: credit for micro and small businesses, agricultural and livestock credit, consumer credit, credit for community projects, second tier credits, and village banking, via the *Comité de Mujeres Emprendedoras* (CME) program (Fundación Paraguaya, “Memoria y Balance” 11). The latter is the focus of this research, and will be the only product discussed at greater length.

Fundación Paraguaya may, in some cases, have a competitive advantage in terms of interest rates, as well. In an evaluative study done by Accion International, it was determined that, in terms of interest rates, Fundación Paraguaya generally offered lower interest rates than large lenders, such as Atlas, Interfisca, and El Comercio, but higher ones than other direct competitors like Visión and Financiera Familiar (“Evaluación del Desempeño Social” 9). In an effort to offer competitive rates the Foundation revises and adjusts its interest rates each month in accordance with the usury rate dictated by Paraguay’s Central Bank (10).

In order to address some common concerns associated with microfinance, and to protect the rights of their clients, Fundación Paraguaya’s microfinance program, together with the members of the Accion International Network, have adopted “beneficiary protection principals” which were agreed upon at the 7th Inter-American Microenterprise Forum in 2004 (www.funcacionparaguaya.org.py). This entails a commitment to respect the following principals: quality and timely service, transparent and fair prices to clientele, helping clients avoid indebtedness, appropriate collection practices, client information privacy, ethical behavior of employees, avoiding conflicts of interest, providing feedback mechanisms to establish communication channels with clients, and

the integration of pro-consumer policies through training of employees and clients (www.funcionparaguaya.org.py).

Committee of Enterprising Women Program (village banking)

In 2005, Fundación Paraguaya initiated its *Comité de Mujeres Emprendedoras*, or Committee of Enterprising Women (CME) program, based on village banking methodologies detailed earlier in this paper. CME targets women of scarce resources, of varying ages, who are involved in income generating activities, or who plan to initiate one with their loan. As of 2006, 46% of CME clients fell under the poverty line, which is nearly double the overall rate of Fundación Paraguaya's clientele (Accion International, "Evaluación del Desempeño Social" 16-17). Since launching the program in 2005, Fundación Paraguaya reports that it has served over 6,700 such women, and fostered the formation of over 400 groups in 35 towns and cities throughout Paraguay ("Informe Final" 9). As of 2006, CME clients made up 19% of Fundación Paraguaya's total active clientele, a testament to the program's growth since its establishment in 2005 (Accion International, "Evaluación del Desempeño Social" 17).

As is the case with the microfinance program in general, the goal of the CME project is to provide its clients access to credit, in order to help them establish and/or grow their businesses. In contrast to Fundación Paraguaya's other products, however, this program's adherence to the village banking model provides additional non-financial services, and is unique in its structure, terms and guidelines. Fundación Paraguaya's specific program objectives for its CME program are as follows:

The formation of solidarity groups of women in order to obtain credit assistance, non-financial services, advising and training; to stimulate feelings of ownership, self-esteem,

unity and commitment to develop their and the community's entrepreneurial capacity; to foster responsible and joint ownership of credit as a tool to better their standard of living and community; and to promote the development of women of scarce resources through the creation, amplification and strengthening of sustainable credit, training and advising services to help alleviate poverty. (Fundación Paraguaya, "Manual del Oficial" 5)

In the following paragraphs, I will detail CME guidelines, services provided, the procedures concerning group formation, and a brief overview of client impact.

CME Guidelines

In comparison to requirements for receiving individual credit, the CME program has fewer pre-requisites, making credit accessible to more clients. There are only three basic requirements for entering into a CME: The client must 1) be 18 years of age or older; 2) already have, or plan to enter into, an income-generating activity; and 3) possess a national identity card (Fundación Paraguaya, "Reglamento de Créditos" 2). In addition, Fundación Paraguaya requires its members to work together as a group, participate in mandatory formation meetings, and be willing to actively participate in group meetings during the cycle (2). At a group level, the Foundation requires that there be a minimum of fifteen members at the beginning of every cycle, and that the clients live in the same neighborhood or area. In the event that members decide to leave the group at the end of a cycle, replacements must be found, if necessary, to keep a minimum group size.

Fundación Paraguaya has guidelines pertaining to group composition, although these may vary somewhat, depending on the regional office, or loan officer. The first guideline states that each member must be involved in their own distinct microenterprise

(Fundación Paraguaya, “Reglamento de Créditos” 2). This guideline was established due to the concern that if too many women were involved in the same business, and that particular business were to face financial crisis, the group would be put in the difficult position of having to cover loan payments for more than one member.

The second guideline states that, within the committee, a maximum of 50% of the members can have familial relation to any other member, and generally all members must reside in separate residences (2). The motive for this guideline is similar to that which was previously stated: if one family member falls into financial hardships or is alienated from the group, other family members will be more likely follow suit.

A third guideline, which seems to be more strictly enforced, is that of limiting the number of members who have negative information regarding their *Informconf*,³¹ or credit report (2). It appears that groups typically do not reach their limit of members with a negative *Informconf* report, but there tend to be at least a few in each group. In order for a woman with a negative credit history to enter a CME, she must first present her case to the group, which then determines whether or not to allow her to enter. Only in cases of extreme indebtedness does Fundación Paraguaya prohibit a woman from entering the program. The very fact that women with negative *Informconf* reports can receive credit, via the CME program, differs significantly from the criteria for taking an individual micro-loan, even from Fundación Paraguaya.

CME Group Formation and Structure

In order to form a CME, there are some basic steps that each group must complete. First and foremost, there needs to be some form of contact between the Foundation and a

³¹ *Informconf* S.A. is a Paraguayan company which is dedicated to collecting and listing confidential information on individuals concerning borrowing histories, previous employment, delinquent accounts, judgments for payment, etc, which functions similarly as a credit report.

potential group of CME participants. This primary step is one that can be accomplished in one of two ways. Fundación Paraguaya could contact the community directly (soliciting the CME program through informative meetings, conducted by an *asesor*, or credit counselor/loan officer) or women, who have heard about the program from neighbors or relatives, could contact the Foundation themselves to set up the initial meeting. Although the former tactic was initially used, it appears that in the case of the offices in Ciudad del Este and Asunción, the latter method is the manner in which most new groups are now formed.

Once contact has been made with a group of interested women, there are four initial meetings that all members of the new group must attend. These are facilitated by the *asesor* assigned to the particular area. The first of the four meetings is an informative meeting, in which the *asesor* provides information on Fundación Paraguaya, the CME program, services that are offered, the basic requirements and guidelines, the significance of village banking, and some statistical information (Fundación Paraguaya, “Reglamento de Créditos” 8). A second meeting aims to initiate the formation of the group, and to establish in the women a “sense of belonging to the group and solidarity toward its other members” (8). During the second meeting, women choose a name for their group and elect its officers who are: the General Director, the Director of Finances (Treasurer), the Director of Social Matters, the Director of Public Relations, and the Training Director. At the third meeting, the CME signs a constitution, discusses scenarios of how the group might deal with unforeseen circumstances, and evaluates and votes on negative cases of *Informconf* (8). The last of the formative meetings is one in which the remaining paperwork is signed, and details are discussed concerning days and times of meetings.

This last meeting is meant to be symbolic, as well. For example, the women have a *merienda*³² in order to celebrate and share something together as a group, and plant a tree or some other plant as a symbol of the group's new life and its future growth.

Services Provided by CMEs

In the case of the CME program, Fundación Paraguaya offers different services, many of which are non-financial. In order to understand how the program works as a whole, it is important to understand how both the credit and non-credit provisions function and complement each other. I will begin with a description of the terms of the credit, itself.

Credit Services

After a CME has been established, it is eligible to take out a loan from Fundación Paraguaya, and usually does so within a week of its fourth formative meeting. In order for a group to take out a loan, all members receiving money must come to their respective regional office as a group, provide their national identification card, and sign individually for the monies they will receive. The act of taking out loans, at the beginning of each cycle, is the only instance in which all group members are required to travel to a regional office.

All CME loans are taken out in the name of the group, rather than in the names of individual members. Therefore, all members are equally responsible for repaying the full amount. Loans are distributed in cycles of 12-16 weeks, depending on the decision of the group, and are to be used exclusively for investment in the women's businesses, rather than consumption.³³ Repayment, which includes interest and obligatory savings, is done

³² *Merienda* refers to a snack, usually eaten in the late afternoon between lunch and dinner.

³³ Some exceptions to this rule were observed during field work and will be discussed later.

on a weekly basis. That is, the group is responsible for collecting re-payments from each member weekly. Then, at least one member is responsible for taking the total sum to the respective office for repayment, on a set day, every week, until the full amount is repaid at the close of the cycle. Payment must be received in full, without any late payments, in order to be eligible for a loan increase for the following cycle. Since all members are held equally accountable for repayment, if one or more members do not, or cannot make a full payment, the group is responsible for making up the difference in order to pay in a timely fashion; otherwise all members are penalized for the following cycle.³⁴ It is in this way, that social pressure and responsibility at the group level replace individual responsibility to Fundación Paraguay.

As previously mentioned, loan amounts are subject to increase, upon timely and full repayment during the previous cycle. In the first cycle, the maximum amount of money that an individual can receive is 300,000 *guaraníes* (gs), roughly equivalent to \$60.00.³⁵ The minimum loan size, in any cycle, is 100,000 gs, or approximately \$20.00. Providing that payments are timely, maximum loan sizes can increase to 500,000gs (100\$) for the second cycle, 800,000gs (150\$) for the third cycle, and so on, until women are eligible for a maximum of 1,600,000gs (320\$), starting at the beginning seventh cycle³⁶ (see Table 4). While cycles are completed as a group, the amount that each member can receive is calculated on an individual basis, depending on the number of cycles for which

³⁴ One exception to this rule is in the event of a client's death, in which case Fundación Paraguaya has the policy of cancelling the credit and assuming the loss (Accion International, "Evaluación de Disempeño" 10).

³⁵ Guaraní is the Paraguayan currency and currently the exchange rate is approximately 4,700 gs to \$1.00 U.S.

³⁶ Although this is Fundación Paraguaya's official policy, there are few groups who have become eligible for these maximum loan amounts. It appears that, as the program progresses, and more women take out loans in excess of 1,000,000gs, there is some discussion about adjusting (i.e. decreasing) the maximum loan amount for the CME program.

that particular person has been a member of the current group. This means that if a group member leaves, then returns to the group, or changes to a different group, they must start over in terms of borrowing limits.

Table 4: CME Credit Cycles and Corresponding Loan Amounts (per individual)

Cycle	Loan Amount
1 st Cycle	100,000-300,000 gs
2 nd Cycle	100,000-500,000 gs
3 rd Cycle	100,000-800,000 gs
4 th Cycle	100,000-1,000,000 gs
5 th Cycle	100,000-1,200,000 gs
6 th Cycle	100,000-1,400,000 gs
7 th Cycle and after	100,000-1,600.000 gs

Source: Reglamento de Créditos; Producto 'Comité de Mujeres Emprendedoras. Fundación Paraguaya.

The interest collected on CME loans, as in the case with all Fundación Paraguaya's micro-credit products, varies slightly from cycle to cycle, and is determined in accordance with monthly rates dictated by Paraguay's Central Bank. However, once an interest rate is determined, that rate remains fixed for the entire cycle. During each cycle, the interest paid to Fundación Paraguaya ranges from approximately around 9-13%, making for an annual percentage rate of approximately 44%.

Savings Services

In addition to the interest charged, during each cycle CME members must also pay another 10% on the sum borrowed, which then goes into a group savings account. Because of this condition of obligatory savings, each cycle clients pay a total of 19-23% in addition to their payment of the principal (10% is deposited into a group savings account, and the remainder is paid to the Foundation as interest). Although Fundación Paraguaya requires mandatory savings, which is calculated into their clients' weekly payments, the money is actually managed by each CME. At the end of each cycle the

group is responsible for providing proof of deposit into a group savings account in the bank or cooperative of their choice.

Fundación Paraguay does not actually offer clients the opportunity to save their money within the institution, because under Paraguayan law an institution must be a classified as a bank in order to offer savings services. In its study, Accion International notes that this limitation “will become stronger as the competition grows in size” (“Evaluación del Desempeño Social” 10). Additionally, Accion found that “clients frequently mentioned their desire to be able to deposit their savings in the Foundation and not with other [financial] entities” (10). Women are not allowed to withdraw from this account until either they leave the group, or the group is terminated. Despite the inconvenience of having to save at different institution, Accion International points out that this may help clients differentiate savings from the cost of the credit itself (10).

Training Services

More than with any of their other credit products, the CME program offers training to its clients and Fundación Paraguaya boasts that it has the “necessary tools to be able to train the members of the committees” (“Manual del Oficial” 8). The training is designed to offer clients, “non-financial services that allow them to develop new attitudes and to confront their commercial activities with better efficiency” (8). Training is based on the methodology of the Junior Achievement program, and is provided by *asesores* to CMEs once per cycle during their regularly scheduled weekly meeting. A training session usually lasts 45 minutes to one hour and has set themes relative to the particular cycle of the group.

In sum, CMEs are village banks, made up by a minimum of fifteen, self-selected women living in close proximity to each other. Loans are taken out by the group as whole, over a three to four month period, and each member is allowed to receive anywhere from \$20 to \$320, depending on her individual repayment history, group repayment history, and time in the CME program. Women are required to save 10% of their loan, but must do so in a separate financial institution. In addition, these women receive limited training as part of the program. The following chapter will examine the demographic characteristics, and experiences of CME clients from Asunción and Ciudad del Este, Paraguay.

Chapter 5: Analysis of the Data

Part I: Demographics of CME participants compared to national census data

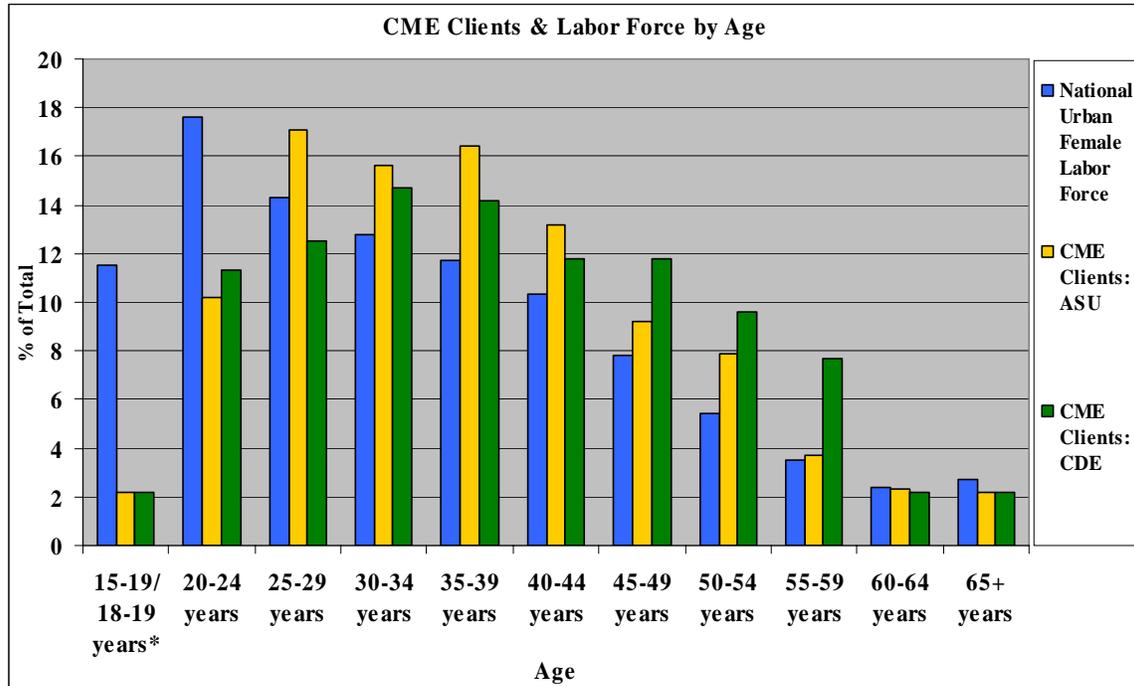
In order to better understand the women participating in Fundación Paraguaya's CME program, this section compares their demographic characteristics with those of the overall female population living in urban Paraguay. Data for this section are taken from Fundación Paraguaya's *carpetas*, or files, of forty-one different CMEs, with a total of 1045 individual clients. This includes data on 622 clients from 25 different CMEs in Asunción, and 423 clients from 16 different CMEs in Ciudad del Este.³⁷ The CME data will then be compared to that from the 2002 national census for women living in urban Paraguay.

Age

Compared to national figures on women working in urban Paraguay, the CME program is made up of a greater share of older women (see Chart 1). Overall, in urban Paraguay, the female labor force is predominantly made up of individuals 20-24 years of age. However, in the case of CME participants, the largest proportion of clients is between the ages of 35 and 39 years. In fact, national figures only report a higher percentage of participants, compared to CME figures, for the oldest and youngest workers. In addition, CME clients from Ciudad del Este are, on average, older than their counterparts in Asunción. As can be seen in Chart 1, there is a great proportion of women 24-44 years old in Asunción, and a greater proportion of women age 45-59 in Ciudad del Este.

³⁷ The amount of data taken from each city is roughly proportional to the ratio of CME clients in Asunción vs. Ciudad del Este; as of August 31, 2007, the Asunción & Ciudad del Este offices reported having 1278 and 613 CME clients, respectively.

Chart 1: Total National Urban Female Labor Force & CME Clients by Age



Source: National figures are calculated by the author based on data from the Paraguayan National Census of Population and Housing, 2002 and only those women 15 years of age or older who are participating in the urban labor force were considered. CME figures are calculated by the author based on Fundación Paraguaya’s *carpeta* (file) data of CMEs in Asunción & Ciudad del Este.

* Although CME data contain a category of women 18-19 years of age, national figures for 18 & 19 year-olds are only reported within the age group of 15-19 years, and therefore national figures will vary from CME figures accordingly.

Marital Status

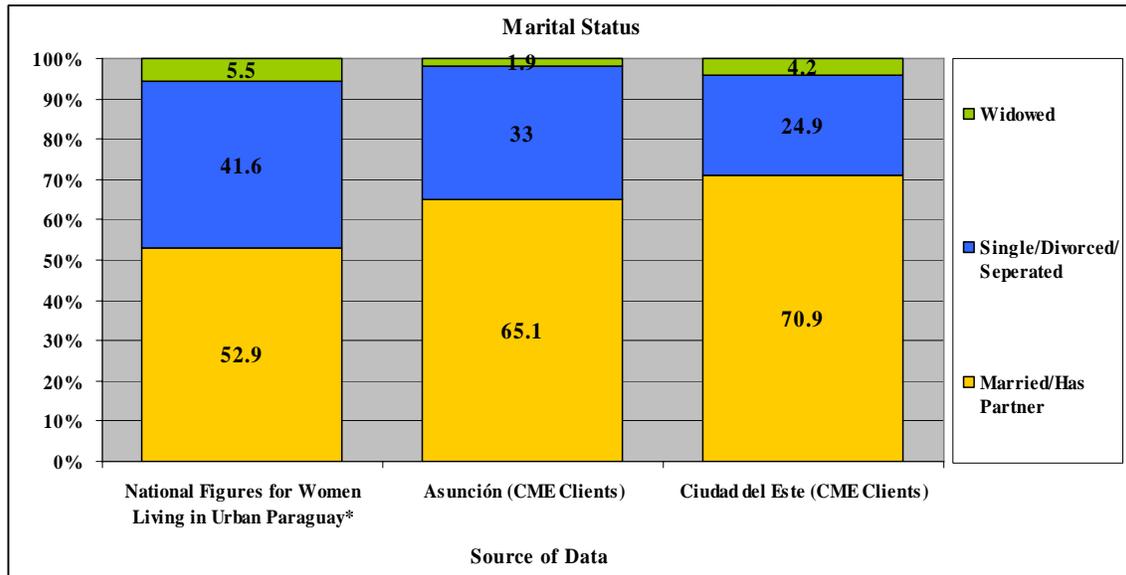
In terms of marital status,³⁸ it appears that CME clients are more likely to be married or living with a partner than the overall female population living in urban Paraguay³⁹ (see Chart 2). This is likely due to the fact that CME clients tend to be older than the national sample, and the addition of women 15, 16, and 17 years of age in the national sample causes figures to be more disparate. In addition, Ciudad del Este reports having the highest percentage of women who have a spouse, and the lowest percentage

³⁸ Here, the term marital status refers to the household situation (single vs. dual headed household), rather than their legal status as married or single.

³⁹ These figures include *all* women 20 years of age and older living in urban Paraguay, not just those within the labor force.

who are single. Although it is not possible to determine the reason for this difference, interview data for Ciudad del Este reveals the same pattern when compared to the sample from Asunción.

Chart 2: Marital Status of the National Urban Female Population vs. CME Clients



Source: National figures are calculated by the author based on data from the Paraguayan National Census of Population and Housing, 2002 and only those women 15 years of age or older who are participating in the urban labor force were considered. CME figures are calculated by the author based on Fundación Paraguaya’s *carpeta* (file) data of CMEs in Asunción & Ciudad del Este.

* Although CME data contain a category of women 18-19 years of age, national figures for 18 & 19 year-olds are only reported within the age group of 15-19 years, and therefore national figures will vary from CME figures accordingly.

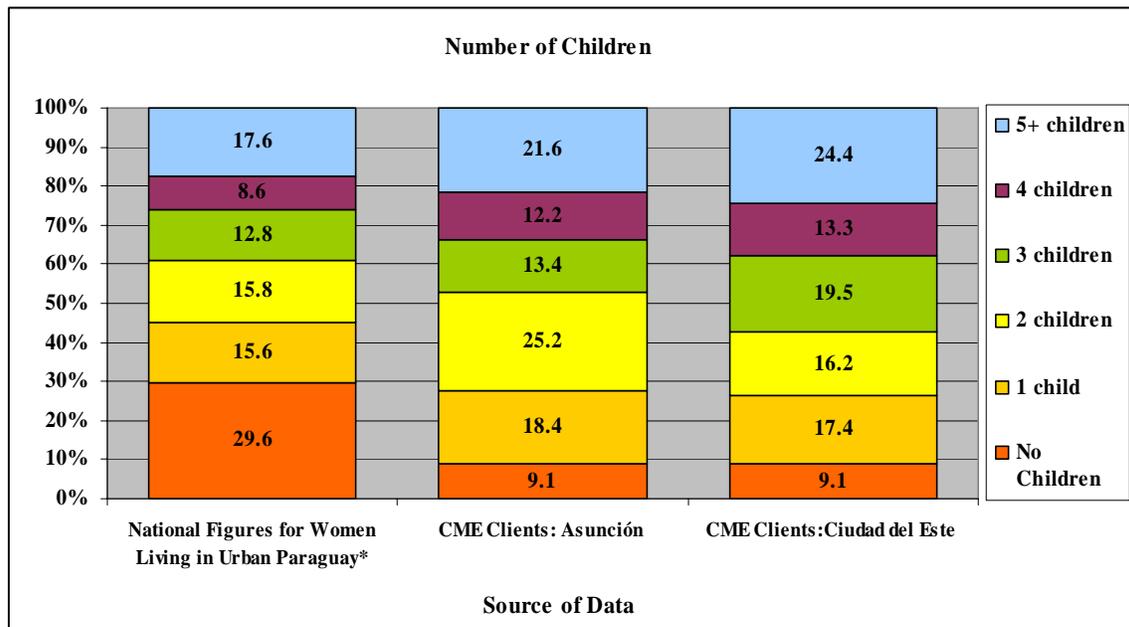
Children

As for the number of children, figures for CME clients differ from census figures in that CME women tend to have more children than the national female urban population.⁴⁰ As can be seen in Chart 3, in the case of CME clients the percentage is higher in every category. On the other hand, census figures reveal that there are some 20% more women living in urban Paraguay with no children, compared to CME clients. The difference between national figures and CME women is, again, due to the fact that

⁴⁰ These figures include *all* women 20 years of age and older living in urban Paraguay, not just those within the labor force.

national data includes women from ages 15-17, who are less likely to have children. Looking only at women 20 years of age or older, national figures become much more consistent with CME data. Comparing CME clients in both cities, women from Ciudad del Este tend have more children than their counterparts in Asunción. This is likely due to the fact that women from the Ciudad del Este sample are also older, on average.

Chart 3: Number of Children of the National Urban Female Population vs. CME Clients



Source: National figures are calculated by the author based on data from the [Paraguayan National Census of Population and Housing, 2002](#) and only those women 15 years of age or older who are participating in the urban labor force were considered. CME figures are calculated by the author based on Fundación Paraguaya’s *carpeta* (file) data of CMEs in Asunción & Ciudad del Este.

* Although CME data contain a category of women 18-19 years of age, national figures for 18 & 19 year-olds are only reported within the age group of 15-19 years, and therefore national figures will vary from CME figures accordingly.

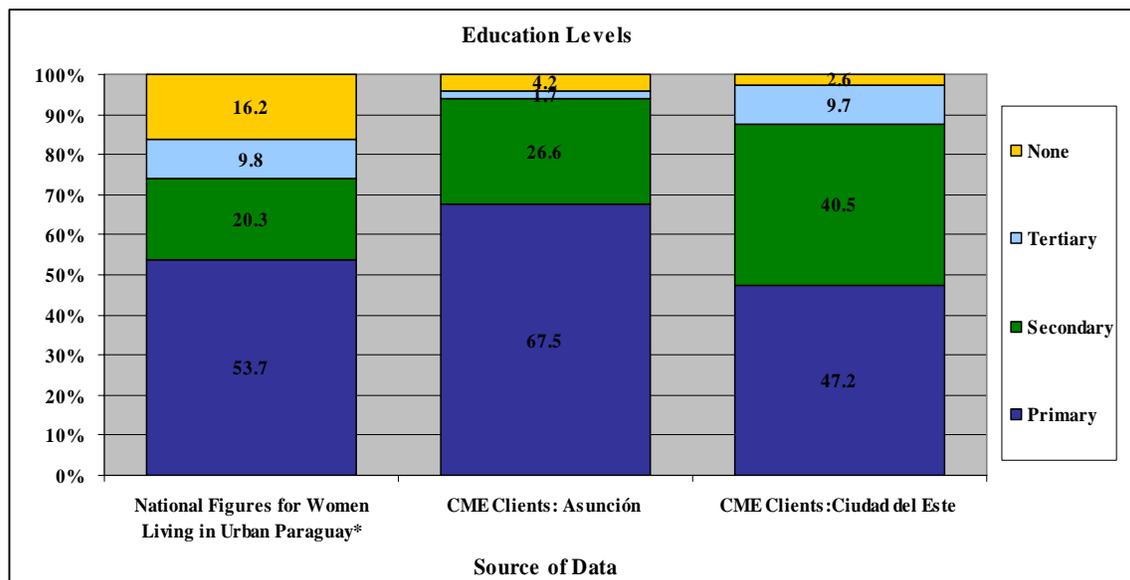
Education

Women employed in the informal sector tend to have modest levels of formal education and, generally, this is the case for CME participants as well. Of those whose education was recorded, 62.4% of women had only a primary education, 30% secondary,

3.8% some tertiary (primarily university) education, and 3.8% were reported as having less than 2 years, or no formal education whatsoever.⁴¹

National figures for women living in urban Paraguay vary somewhat compared to those of CME clients (see Chart 4). Nationally, there is a significantly greater proportion of women with no education whatsoever and slightly more with a tertiary education, compared to the overall CME population. Figures between the two cities are so disparate in terms of education that it is difficult to make broad comparisons to national figures.

Chart 4: Education Levels of the National Urban Female Population vs. CME Clients



Source: National figures are calculated by the author based on data from the Paraguayan National Census of Population and Housing, 2002 and only those women 15 years of age or older who are participating in the urban labor force were considered. CME figures are calculated by the author based on Fundación Paraguaya’s *carpeta* (file) data of CMEs in Asunción & Ciudad del Este.

* Although CME data contain a category of women 18-19 years of age, national figures for 18 & 19 year-olds are only reported within the age group of 15-19 years, and therefore national figures will vary from CME figures accordingly.

⁴¹ The vast majority of records did not indicate the highest grade completed at each level (primary, secondary or tertiary) - only that the participant had completed some course in that category.

In the case of Asunción, education levels are considerably lower than in the case of Ciudad del Este. The percentage of CME women with only a primary education reaches 67.5%; in contrast, only 47.2% of CME participants in Ciudad del Este have completed this level. The national figure for primary education lies between figures from the two cities. When it comes to secondary education among participants, only 26.6% of women in Asunción fall into this category; in Ciudad del Este the figure is 40.5%. CME figures in both cities are higher than national urban figures.

The differences between the two cities continue into higher education. A mere 1.7% of women in Asunción have reported having some sort of tertiary education, while the figure is much higher for Ciudad del Este, standing at 9.7%. The proportion from Ciudad del Este with a tertiary education is comparable to national figures.

One possible explanation of the difference in education attainment between the two cities could have to do with increased competition in the job market in Ciudad del Este, which may force more relatively well educated women into self-employment. In their 1999 book, Mujer y Empleo en Áreas de Frontera: Impacto del MERCOSUR, Graziella Corvalán and Rodolfo Elías found that in Ciudad del Este Paraguayan female workers faced high levels of competition in the job market from neighboring Brazilians. They noted that this was especially true in the case of commercial and service sector jobs and had to do with the fact that employers often perceived Brazilians as more educated, outgoing, experienced and competent than Paraguayans (Corvalan and Elías 95). Due to the fact that Brazilians make up a large portion of the customers in Ciudad del Este's commercial center, the demand for native Portuguese speakers as employees may also give Brazilians an edge over Paraguayans. Age discrimination may also be a possible

explanation. Corvalán and Elías note that the greatest possibility for female employment is in commerce, specifically in the sale of imported goods like liquor and cosmetics, in which employers often state a preference for young and attractive female employees (76).

Taking education into account is important because, as Heikel points out, “in recent years different processes that have emerged in the labor market continue making income generation more difficult for those with less education” (281). Low levels of schooling may also translate into a lack of basic skills, such as reading, basic math and accounting. Although these factors are recorder in terms of entrepreneurial success, a deficiency of such skills may impede effective business management. This makes the argument for improving the education component of the CME program that much more compelling, especially considering that by their own admission, 80% of CME participants interviewed expressed interest in participating in an education or training course.

Current Business Activities of CME participants⁴²

As is the case with the majority of women workers, particularly in the informal sector, CME participants are concentrated mostly in the commercial retail sector. The most popular activity is the sale of merchandise. Just over 58% of all CME participants are involved in this line of work.⁴³ “Merchandise” is a broad term, but for the purpose of this paper, it will be defined as all items which are purchased and then re-sold by the

⁴² There is not comparable data for the national female population in urban Paraguay.

⁴³ Women involved in more than one income generating activity are counted only once if their activities fall into the same “work category,” but are included in each category in which they carry out work. For example, in the case of a women selling both clothing and vegetables, she was only counted once as a participant in the “Retail Sale of Merchandise” category, but if she was involved in both the sale of clothing and the preparation of food, she was counted as a participant in both the “Retail Sale of Merchandise” and the “Manufacture of Goods” categories.

client, either in an ambulatory manner, or at a specific location such as the home. Though this category includes a vast array of items ranging from cleaning products to toys, to fruits and cosmetics, some of the more common goods CME women sell are clothing, fruits and vegetables, and various household supplies.

The second most popular type of work that CME clients carry out is the “manufacture” and sale of goods, in which 32.2% of all participants are involved. This category includes the production of food and drink, as well as making clothing and handicrafts. Preparing and selling food and drink is the most prevalent activity within in this category, with just over 78% of all women involved in such work. Again, this business activity is somewhat broad in terms of the exact type of product sold, but can range from whole meals to small items such as “empanadas”⁴⁴ or fruit salad. As is the case with merchandise, food and drink items are sold both throughout the city and at established, fixed locations like as *cantinas* or *copetines*.⁴⁵ The remaining 22% of women involved in manufacturing are involved in either making and/or repairing clothing, or in handicrafts.⁴⁶

When comparing the two cities, Asunción reports greater participation in both retail sales and manufacturing (see Chart 5). This may be due, in part, to the fact that a slightly greater percentage of women in Asunción, 16.1%, reported having more than one income generating activity, whereas in Ciudad del Este, the figure was 14.2%. In turn, Ciudad del Este reports a greater proportion of women who are employed outside of their microenterprise.

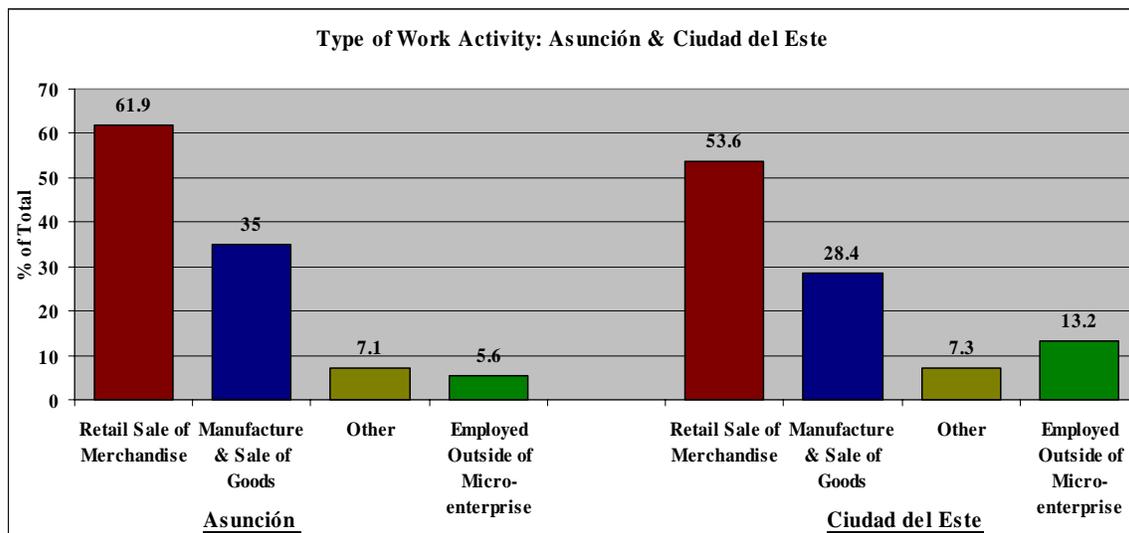
⁴⁴ A stuffed pastry, usually filled with meat, cheese, and/or vegetables.

⁴⁵ *Copetines* are small businesses, usually selling food items as well as alcoholic beverages.

⁴⁶ Most of these are textile-type handicrafts involving crochet, knitting and stitching.

In the case of Ciudad del Este, the larger proportion of women who are employed outside of their microenterprise may also influence lower participation rates in the three other categories. This is because 4.7% of the city's *carpeta* sample was reported as working as a wage employee, generally as a domestic servant, but not as having a microenterprise in addition. It is difficult to know whether this is an issue of record keeping, or if some women are participating in the CME program without actually running their own microenterprise. Similar findings from interviews in Ciudad del Este suggest that the latter may be the case in some instances.

Chart 5: Current Business Activities for CME clients in Asunción and Ciudad del Este



Source: Fundación Paraguaya's *carpeta* (file) data of CMEs in Asunción & Ciudad del Este

Retention Rate of the CME Program and Motivations for Leaving

Of all CME participants recorded in the *carpeta* files whose status was known,⁴⁷ 66.6% were still active participants. The remaining 1/3 had left for any number of

⁴⁷ Out of a total of 1045 clients, the current status of 30 was not known.

reasons.⁴⁸ These rates were roughly equal for CMEs in both cities. Some of the most common reasons recorded for clients leaving their CME were unspecified personal reasons (33.6%), because of poor payment histories or difficulty paying on a weekly basis (22.6%), family or health reasons (15.6%), economic or work related reasons (14.5%), and because of moving, often out of the country for work related motives, (12.4%). In addition, 6.4% left because of difficulty attending meetings or maternity reasons, and 3.2% in order to take out an individual or larger loan.

As we have seen here, women participating in Fundación Paraguaya's CME Program are older, on average, than the Paraguayan female labor force in urban areas. In addition, and possibly as a result, they are also more likely to be married or live with a partner, and have more children than the national female urban population. Furthermore, CME clients in Ciudad del Este differ more from national figures in these three categories than those in Asunción. In terms of education, it is more difficult to compare national and CME figures, but it is clear that, overall, there is a greater proportion of women at both extremes of the education spectrum in the national sample.

⁴⁸ Some clients returned to the CME program after leaving, and in some cases they left the program on more than one occasion. In this case, women were recorded more than once if their motives were different each time they left and therefore percentages do not add up to 100%.

Part II: Employment histories, current micro-enterprises, domestic responsibilities and experiences within the CME program

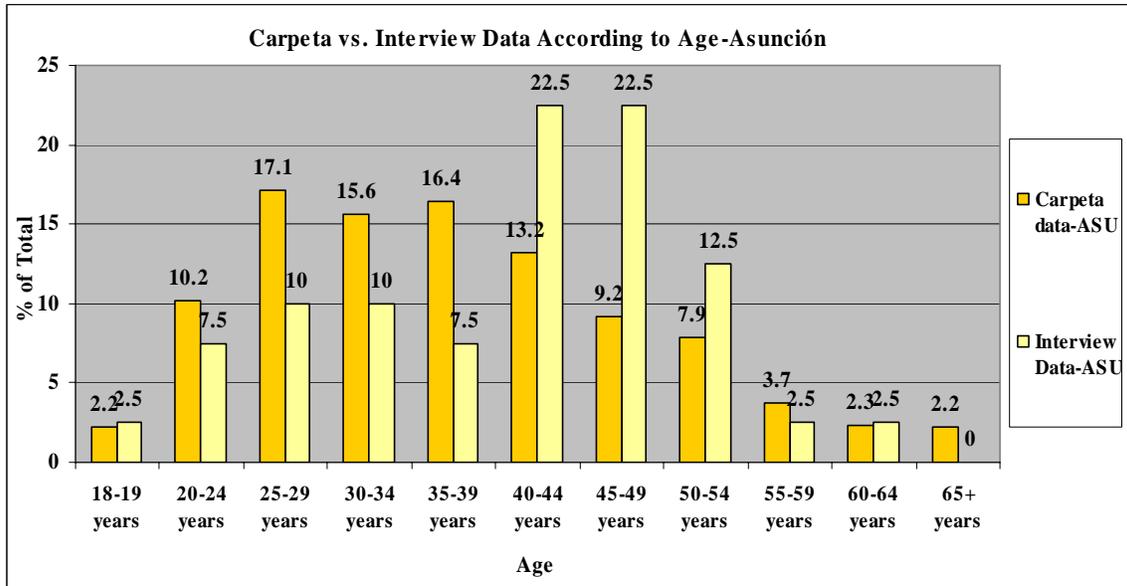
Although demographic data are important for comprehending some basic characteristics of CME participants, to gain a better understanding of their lives as workers, and the ways in which village banking may impact them, it is necessary to obtain additional information regarding: their work both as micro-entrepreneurs and caregivers; their motivations for (and attitudes toward) self-employment; as well as their experiences with the CME program. In this section, data are taken from interviews conducted with CME clients from Asunción and Ciudad del Este is reported. Responses from 40 interviews with women from 22 different CMEs in Asunción, and 26 interviews with women from 8 different CMEs in Ciudad del Este, are the basis for the information reported in this section. Figures are calculated based on the number of CME clients who answered any given question, which in many cases does not include all 66 interviewees.

Interviewee Demographics

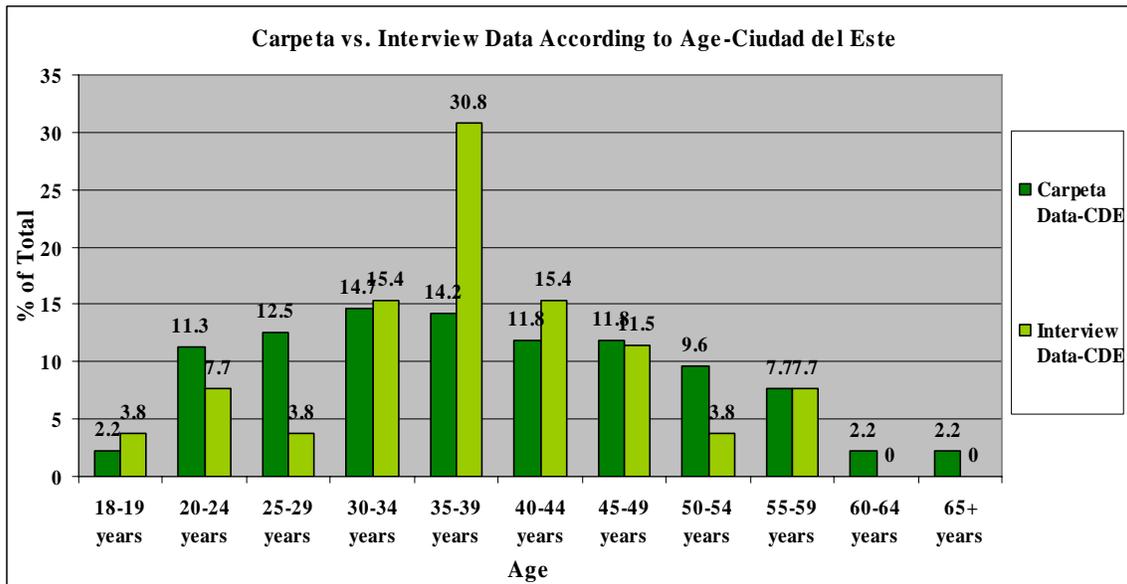
Because the interview data is based on a much small sample than *carpeta* data, it is necessary to discuss briefly the demographic characteristics of the women who will be the focus of the following discussion. This is important considering that in some cases their profiles differ from the overall CME client population. For example, in terms of age, interviewees from Asunción tended to be older than those in the *carpeta* sample (see Chart 6.1), while interviewees from Ciudad del Este were much more similar (see Chart 6.2). Overall, in the case of Asunción, the largest proportion of women is between 40-49 years of age. As for Ciudad del Este, the group with the largest percentage of clients is 35-39 years of age, but with the rest of the population more evenly distributed in terms of age.

Chart 6: Comparison of *Carpeta* vs. Interview Data on Age

6.1 Asunción



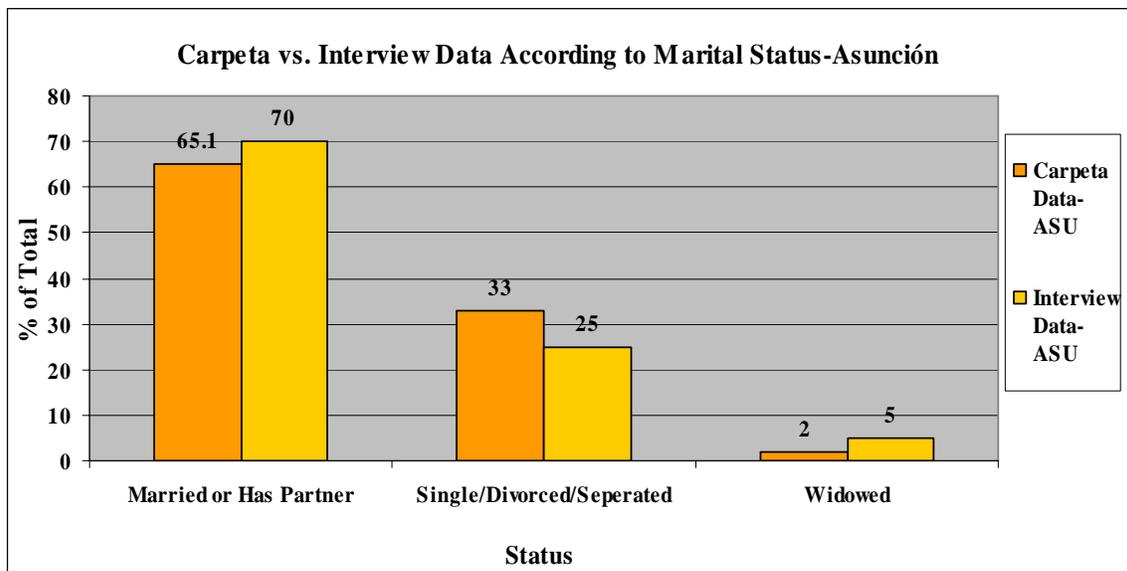
6.2 Ciudad del Este



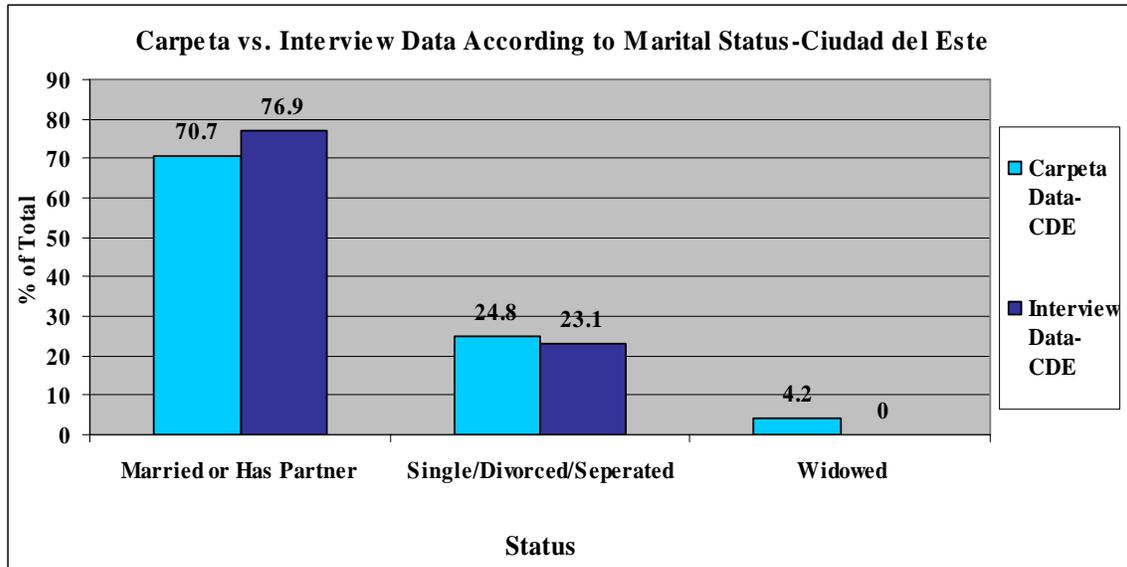
In the case of marital status, the interview data of CME participants is generally consistent with that from *carpetas*, although marriage/partner rates were slightly higher in the case of the interview sample for both cities (see Charts 7.1 and 7.2). As is the case with *carpeta* data, women in Ciudad del Este are more likely to be married or living with a partner than their counterparts in Asunción.

Chart 7: Comparison of *Carpeta* vs. Interview Data on Marital Status

7.1 Asunción



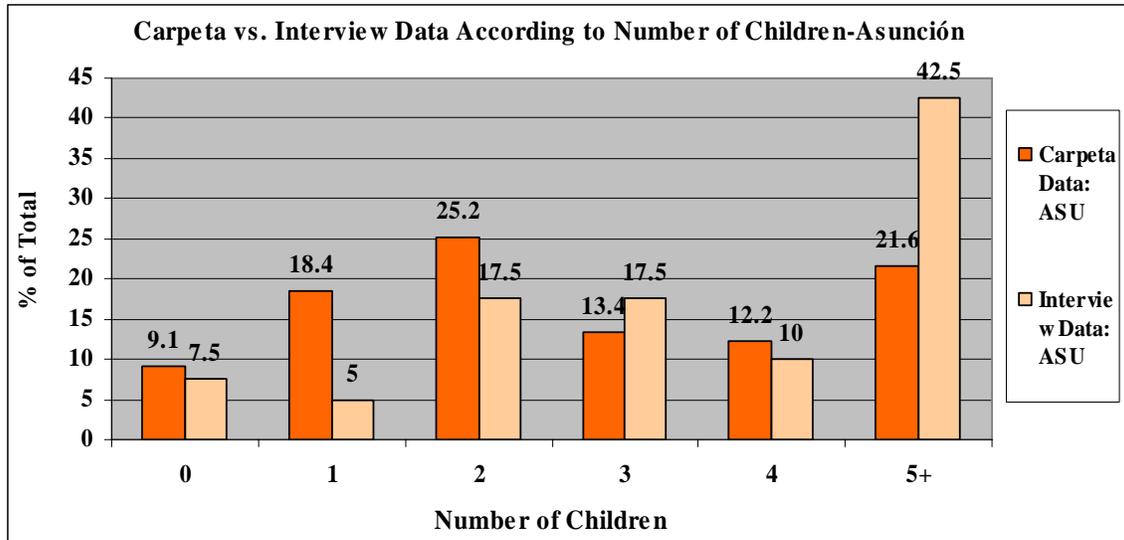
7.2 Ciudad del Este



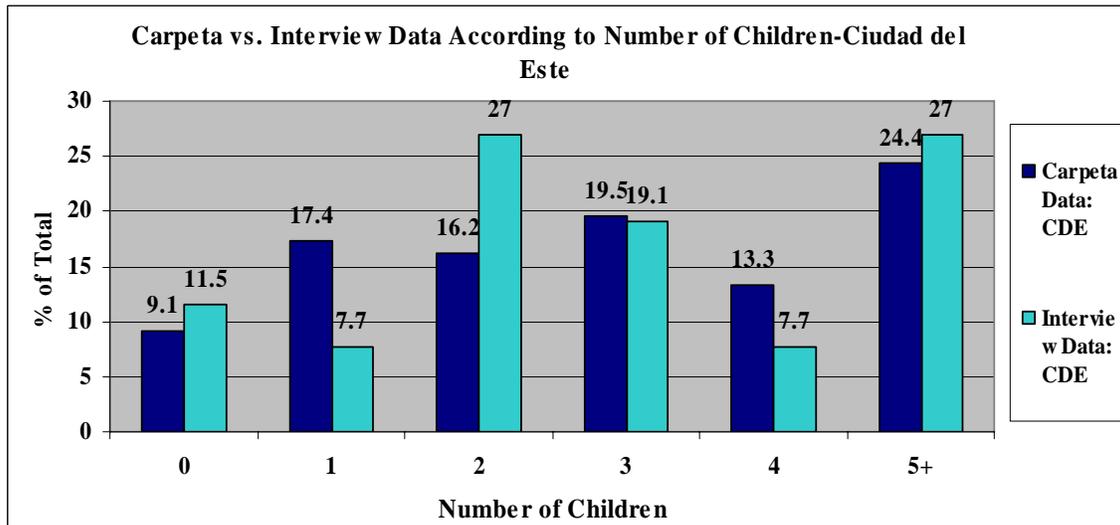
In terms of number of children, interviewees from Asunción report having more children than in the *carpeta* sample (see Chart 8.1). This is especially true for the category of 5+ children, where the percentage of interviewees is almost double that of women from the overall CME population in that city. Although there is also some disparity between the number of children in the two samples from Ciudad del Este, it appears to be slightly less, overall (see Chart 8.2).

Chart 8: Comparison of *Carpeta* vs. Interview Data on Number of Children

8.1 Asunción



8.2 Ciudad del Este

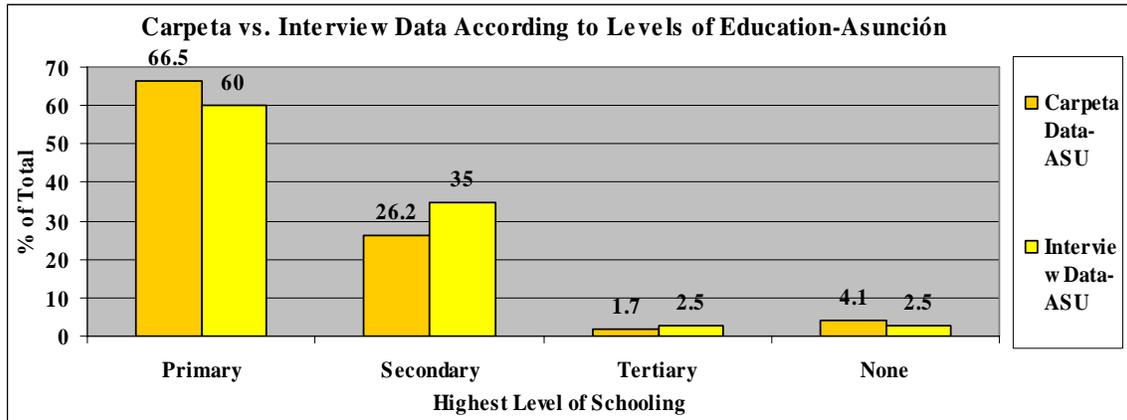


In terms of education, interviewees from both cities report higher levels of schooling than the overall CME population (See Charts 9.1 and 9.2). In the case of Asunción, the difference is less pronounced than in Ciudad del Este. While secondary levels of education are comparable, in the case of interviewees there is a far greater proportion of women with tertiary education, and a much smaller proportion of women with primary education. However, a trend of higher levels of education for interviewees

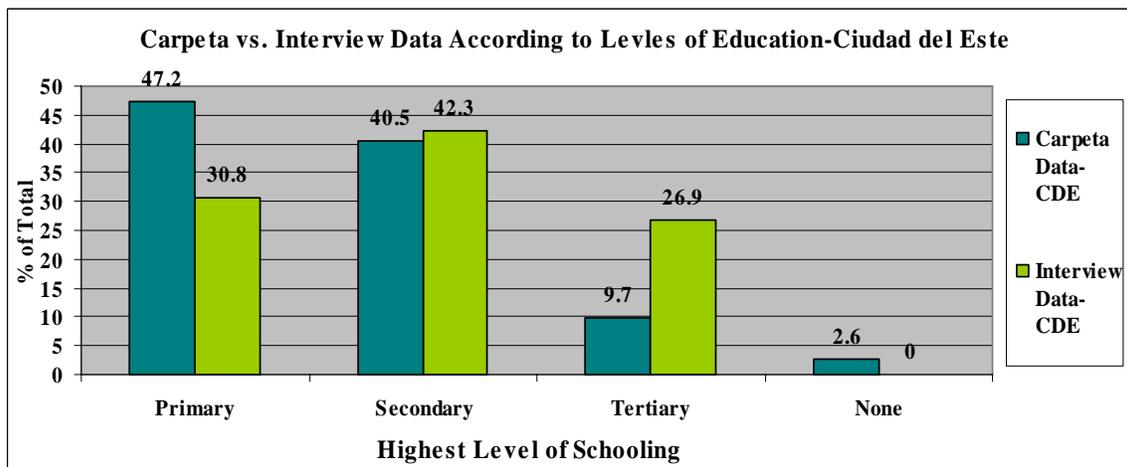
in Ciudad del Este, compared to Asunción, remains constant. This suggests that there is, in fact, a disparity between CME clients in both cities in terms of education.

Chart 9: Comparison of *Carpeta* vs. Interview Data on Education

9.1 Asunción



9.2 Ciudad del Este



Interview Results

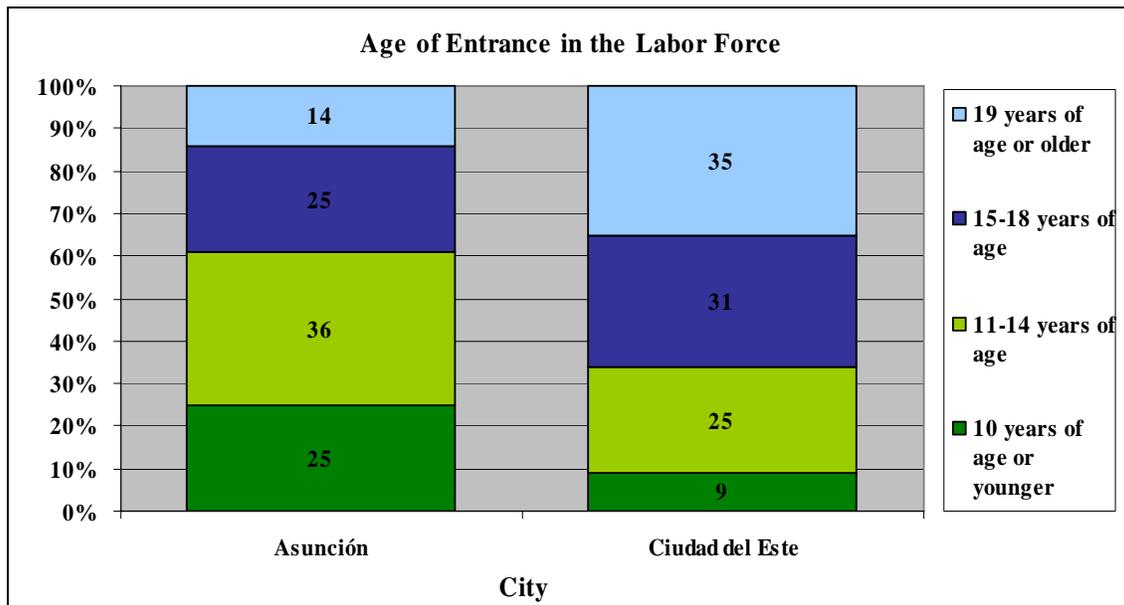
One of the first things that we must take into consideration when looking at the work of women in the informal sector is their work histories and motives for entering into micro-entrepreneurship. As a starting point, it is relevant to note that 86.4% of CME participants interviewed were, in fact, involved in income generating activities before starting their current micro-enterprise. Of these women, approximately 90% were

involved in one or two different previous activities, and the rest had three or more jobs before starting their current micro-enterprise.

Age of Entrance into the Work Force

CME participants appear to have first entered the work force at a very early age. Nearly half responded that they began working at or before 14 years of age, with results differing significantly between the two cities. It appears that in Asunción women tended to enter the work force at a younger age than in Ciudad del Este (see Chart 10).

Chart 10: Age of Entrance into the Work Force between Asunción & Ciudad del Este



Source: Author’s interviews with CME participants

Of all of the women who responded that they entered the work force at 14 years of age or younger, 72% began as some sort of domestic servant⁴⁹ and 20% were working with another family member in their business. Of the women who entered the work force by age 14, 64% only have a primary education and 28% have a secondary education. This

⁴⁹ Many described themselves as entering into the workforce as *criadas* which are, by Heikel’s definition, “girls 18 years of age or younger, generally of rural origin, who are “handed over” by their relatives to work as domestic servants, generally in larger urban areas, in exchange for lodging, food, education and healthcare. In very few cases do they receive salaries, and when they do it is only symbolic in nature” (305).

is not surprising considering that schooling is often postponed, or abandoned all together, when children enter the work force. The remaining 8% of those working by the age of 14 are split equally between both extremes of the educational spectrum; 4% of the sample are university educated, while the remaining 4% have no formal education whatsoever.

Previous Work Activities

When we look at the types of employment activities CME clients have been involved in previously, we find that they have worked in a variety of different settings. Not surprisingly, the most common past, and in several cases current, employment activity for women was as a domestic servant, or *empleada*,⁵⁰ which 50.9% of women claimed to have done at some point. However, of all of the women who claimed to have worked as an *empleada*, only 11.5% still work in this activity. This suggests that most have “traded” work in domestic service for self employment. When asked about their motives for going into their own business, almost 40% of domestic servants said that they wanted to be closer to their children and some specifically mentioned the difficulty that this type of work [domestic service] posed for trying to raise a family. For example, when asked about her reasons for starting her micro-enterprise Doña Carmen⁵¹ responded that she did so, “Because my children were in high school and I had to attend to them which was too hard to do working far away [as an *empleada*]” (Asunción, 2007).

Additionally, 11.5% of *empleadas* said that they wanted to work independently and 7.7% said that self-employment was a more lucrative endeavor. Although 23.1% of these women felt they had no other work options, 1/3 of them gave that answer after

⁵⁰In Spanish the word *empleada* translates to mean “female employee” in general; however, in the Paraguayan context it is used to refer to domestic servants, or maids. Here, the word *empleada* will be used interchangeably with the term “domestic servant.”

⁵¹ Since interviews were anonymous and no names were recorded, all names given are pseudonyms; *Doña*, in Spanish is a courtesy title used before a woman’s name, equivalent of Madam or Ms.

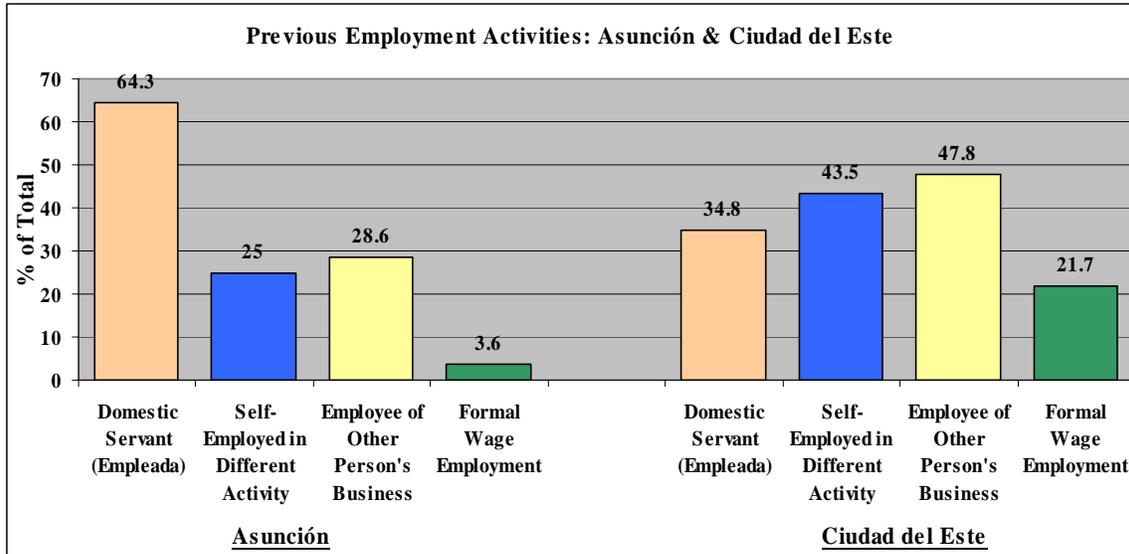
having already ruled out domestic service, an activity to which they said they did not want to return. Doña Miriam exemplifies this attitude in her answer to why she started selling *remedio yuyo*:⁵² “There is no work for poor people...[or] the uneducated here; I had a job as an *empleada* before this but they treated me badly [and] the homeowners were mean so I left” (Ciudad del Este, 2007). In fact, 7.7% claimed that they left specifically because they were treated badly while working in this activity.

When looking at previous work activities other than domestic service, we find that just over 37% percent of those interviewed were self-employed in a different type of micro-enterprise, 33.3% worked for a wage in some sort of business (possibly, but not necessarily in the formal sector), and 11.8% had some sort of formal sector employment (typically as a public employee, teacher, accountant, etc).

Considering what we know about educational differences between CME participants in Asuncion and Ciudad del Este, it is not surprising that past employment activities of women in the two cities differ following a similar pattern (see Chart 11). For example, women tended to have been employed as *empleadas* far less frequently in Ciudad del Este and instead report higher rates of employment in all of the three other categories. We can assume that this, in part, correlates with higher levels of education as well as economic differences between the two cities.

Chart 11: Previous Employment Activities of CME Participants in Asunción & Ciudad del Este

⁵² Refers to herbal remedies that are usually sold fresh to mix with food or drink.



Source: Author's interviews with CME participants

Unemployment

When asked, 61% of CME clients answered that they had experienced unemployment at some point during their lifetime, and for an average of 21 months. This may be a testament to the scarcity of job opportunities in Paraguay, especially considering that these women have varied educational backgrounds. Although almost half of those experiencing unemployment in the past had either a primary or no formal education, another 42.4% had secondary, and 9% tertiary education.

Motives for Self-Employment

Because the majority of women participating in the CME program have had experiences in other work activities, it is important to try and understand the factors behind their decision to undertake their current venture. The most popular answer, given by 30.2% of respondents, was that they wanted or needed to stay home with children, and that their current activity could (presumably) allow them to do both. Although almost a quarter of women admitted that they had begun their current venture due to a lack of

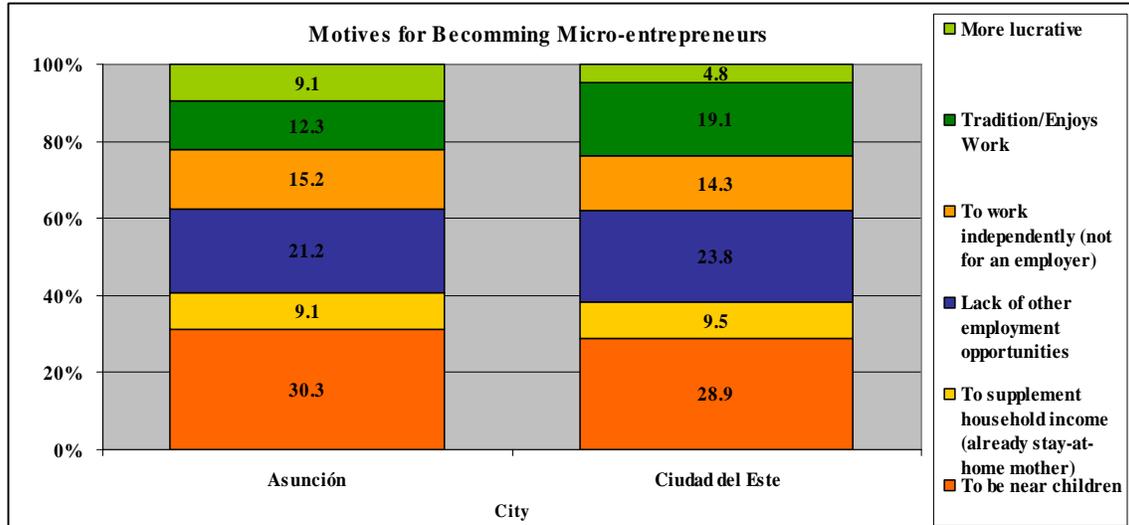
other opportunities, even more, 30.2%, responded that they did so to either be independent of a boss, because they enjoyed the work, or because the activity was passed down to them. For instance, Doña Gimena points out that she runs her *copetín* because, “I like it; I don’t want to have a boss, and because my family has always done this [type of work]” (Ciudad del Este, 2007). Similarly, Doña María Paz who runs a *cantina* said that, “I have always wanted to work for myself rather than for someone else; I don’t want someone ordering me around” (Asunción, 2007).

That it was more lucrative than their other alternatives was true for only 7.5% of respondents. One woman who falls into this category is Doña Sonia, a seamstress and *ñanduti*⁵³ producer from Lambaré,⁵⁴ who claims that she is involved in the activity, “because the pay is better...I know how much I will charge [and] I have more control over my earnings” (Asunción, 2007). The remaining 9.4% of women claimed that they were already a stay-at-home mother, but wanted to supplement the family’s income (that is, they would not have entered the job market otherwise). As can be seen, figures for women from both cities are roughly the same in terms of their motivations (see Chart 12).

Chart 12: Motives for Becoming Micro-entrepreneurs (Asunción & Ciudad del Este)

⁵³ A type of traditional, artisan lace.

⁵⁴ One of the eight municipalities that make up Greater Asunción.



Source: Author's interviews with CME participants

As can be seen, women have chosen to become micro-entrepreneurs, at least in part, in order to be closer to their children or to have greater autonomy and more flexible schedule, not because it is the most lucrative opportunity.

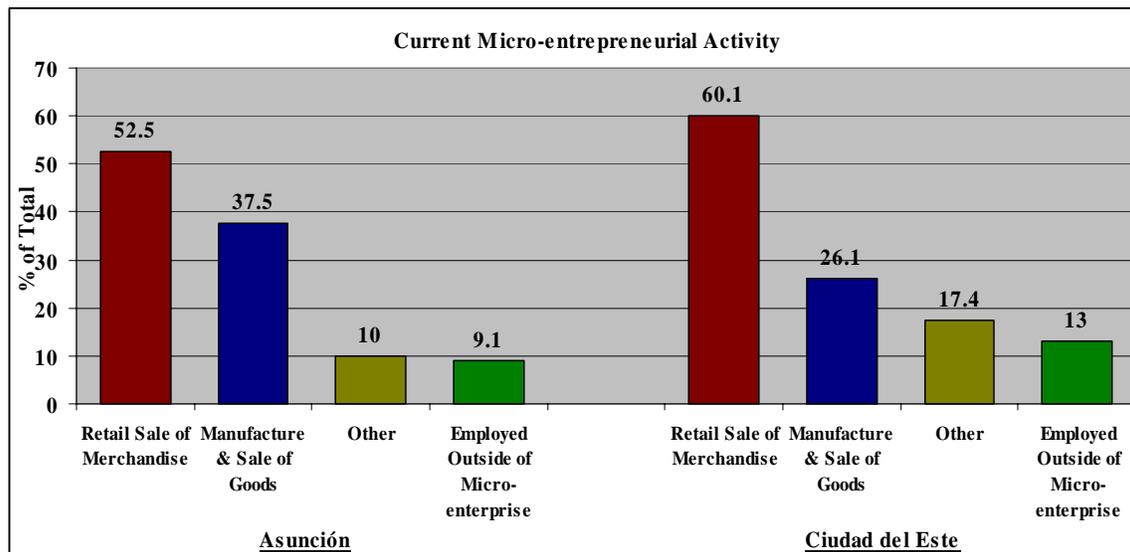
Current Business Activities of CME Participants

As is the case with the overall CME population (according to *carpeta* data), the greatest proportion of interviewees is concentrated commercial retail sector, or the sale of goods and services. Again, the most popular activity is the sale of merchandise with 55.6% of interviewees carry out such work. This is a slightly smaller percentage than compared to *carpeta* figures.

In the case of the manufacture and sale of goods, figures from both samples were comparable. Overall, 33.3% of the CME clients interviewed are involved in this activity. However, in this sample more women were involved in the manufacture of clothing, 57.1%, rather than in the production of food, 42.9%. However, women from Asunción account for almost all sales of food and drink, and in Ciudad there is a larger proportion of women involved in the manufacture and sale of clothing.

If we compare activities between the two cities, we notice that in Asunción, the manufacture and sale of goods is the only category with higher rates of participation than in Ciudad del Este (see Chart 13). In Ciudad del Este we see that a greater proportion of women are involved in the retail sale of items, are employed outside of their micro-enterprise, or are involved in some sort of other activity. Greater participation in these last categories may be due, in part, to the fact that a slightly larger proportion of CME clients in Ciudad del Este are involved in more than one income generating activity; 19.2%, compared to 15.2% in Asunción.⁵⁵ Moreover, since Ciudad del Este's economy is largely based around commercial activities, this may also be a factor for it having higher participation rates in the sale of retail merchandise.

Chart 13: Current Micro-entrepreneurial Activities (Asunción & Ciudad del Este)



Source: Author's interviews with CME participants

Time Working in Activity

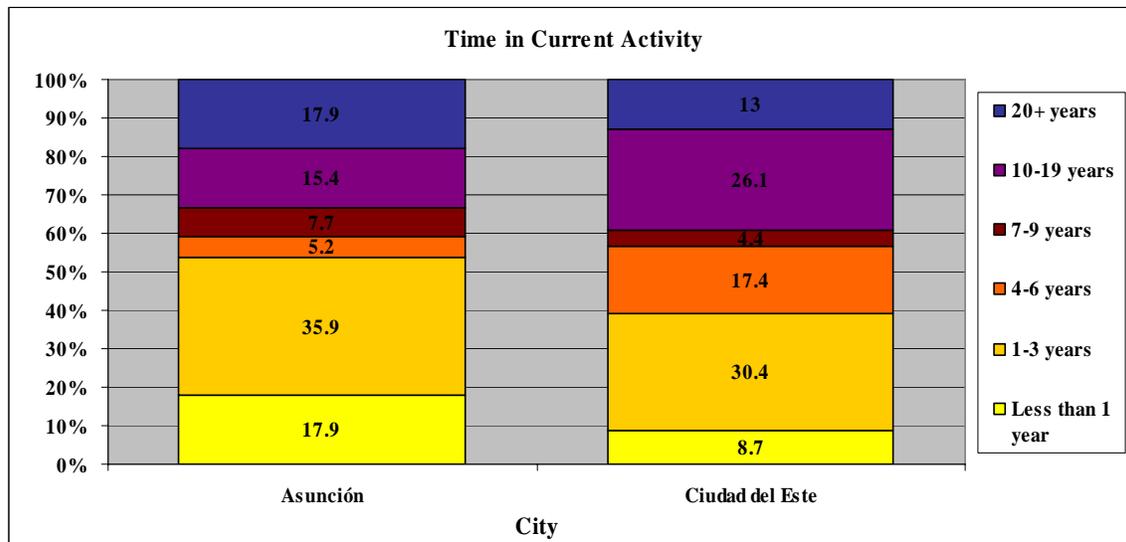
When looking at the amount of time that women have been involved in their current microenterprise activities, almost half said that they had been in their line of work

⁵⁵ Although the overall proportion of women working outside of their microenterprise is fairly consistent with the overall CME population, in the case of interviewees, a greater percentage of women from Ciudad del Este had more than one income generating activity, where the reverse was true for *carpetas*.

for three years, or less. However, a substantial proportion of women, 35%, also claimed to have been working in their current line of work for 10 years or more, and of these almost half for 20 years or more. Comparatively, a relatively low percentage of participants have participated between 4-9 years in their same line of work.

Comparatively, women from Ciudad del Este appear to have been in business for longer, on average (see Chart 14). For example, in Asunción, 53.8% of CME clients have been involved in their current activity for 3 years, or less; in Ciudad del Este, however, only 39.1% of women fall into the same category. While, compared to Ciudad del Este, a smaller proportion of women in Asunción have been in business for 10 years or longer, a greater overall percentage have been in their current micro-entrepreneurial activity for 20 years or more.

Chart 14: Time Spent Working in Current Activity (Asunción & Ciudad del Este)



Source: Author’s interviews with CME participants

Although it is difficult to generalize, there appears to be some association between the type of activity and time spent working in that activity. For example, 62% of women involved in the sale of merchandise, 70.5% of those working in food and drink

sales, and 75% who run a *despensa* or kiosk, had been involved in said activities for 3 years or less. On the other hand, 71% of women selling foodstuffs,⁵⁶ and 91% of women involved in the manufacture and repair of clothing and/or handicrafts, had been doing so for 10 years, or more.

Of those involved in their line of work for 10 or more years, 50% were taught by a family member, often from a young age. In fact, of all CME participants who reported that they entered their line of work because someone in their family had taught them their trade, 50% had remained in the activity for 10 years or more (70% of them were either involved in either selling of foodstuffs, or manufacturing/repair of clothing or handicrafts).

Furthermore, twenty-five percent of women who spent 10 or more years in the same activity had taken some sort of course to learn their trade, and include all of those involved in the manufacturing/repair of clothing or handicrafts. While only 15.8% of all CME participants stated that they entered their line of work after taking some sort of training course, 55% of those who did were still involved in the same activity at least 10 years later. Another 20% working in their occupation for more than a decade are women who are self-taught; however they do not fare quite as well in terms of longevity. In fact, of all self-trained CME participants, only 25% report being in business for such an extended period of time.

Without further investigation, it is difficult to know if certain occupations are naturally steadier and therefore women are more dedicated to them, or if particular ways of acquiring skills and knowledge promote longevity in the activity. Either way, in the

⁵⁶ Here, “foodstuffs” is defined as ingredients and unprepared food items such as raw fruits, vegetables, grains, herbs, etc.

case of CME participants, it appears that women involved in manufacturing and selling foodstuffs tend to stay in the same business for longer periods of time.

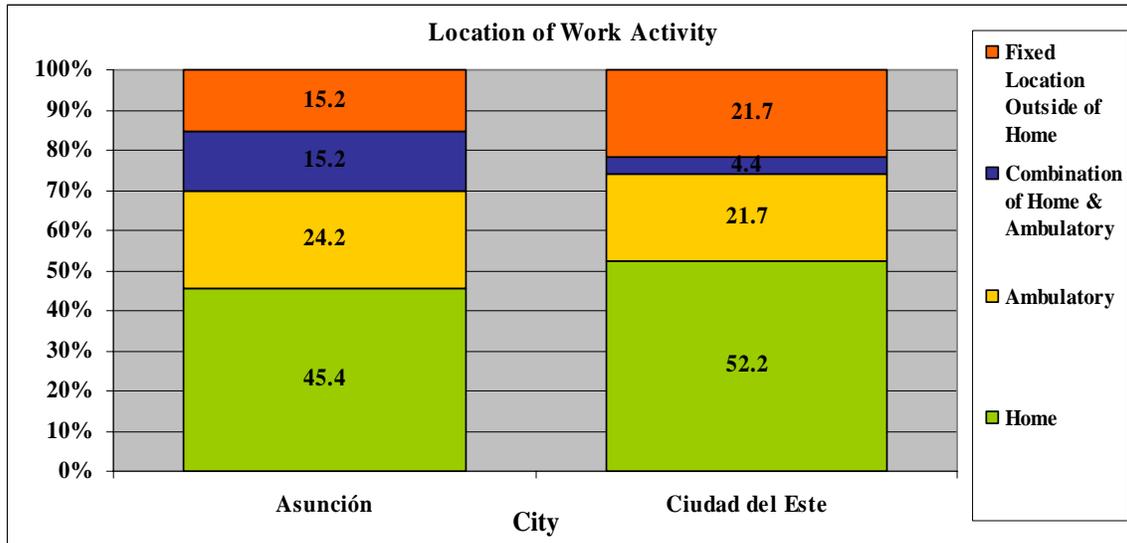
Schedules and Work Location

Considering that they are self-employed, it is not surprising that most CME participants claimed to have flexible schedules. Despite this, 1/3 of women reported having set schedules that they follow on a weekly basis. This varied a bit between women in the two different cities, in that only 24.2% of women in Asunción claimed to have a fixed schedule, but nearly 40% of women in Ciudad del Este said the same thing.

Despite having flexible and sometimes varying schedules, it appears that women still put in a fairly consistent number of hours each week. Overall, between 40-50% of women said they work 20-40 hours per week in their micro-enterprise, and approximately 25% of women report working 40 hours, or more. Only about 10% of women work less than 10 hours per week, and the remaining 20%, or so, admit that the amount of hours they work each week varies, usually depending on household responsibilities, demand, and/or weather conditions.

The location of microenterprises run by CME participants vary, but it appears that the vast majority of women, in both cities, work either from their home, in an ambulatory manner, or a combination of both (see Chart 15). While figures are similar for both cities, a greater proportion of women work out of the home in Ciudad del Este. In addition, a greater proportion of CME clients from work in an ambulatory manner, and/or fluctuate between working at home and on foot. Overall, only about 18% of women consistently conduct their business in a fixed location outside of the home, with the percentage being slightly greater in Ciudad del Este.

Chart 15: Location of Work Activity (Asunción & Ciudad del Este)



Source: Author’s interviews with CME participants

Domestic Responsibilities of Women & Their Roles as Caregivers

When thinking about women’s responsibilities outside of their microenterprises, we need to consider both the number of people for whom women are responsible, as well as the amount of help they have with domestic responsibilities. First, we will consider their roles as caregivers outside of the workplace by looking at the number of dependents for which they are responsible.⁵⁷

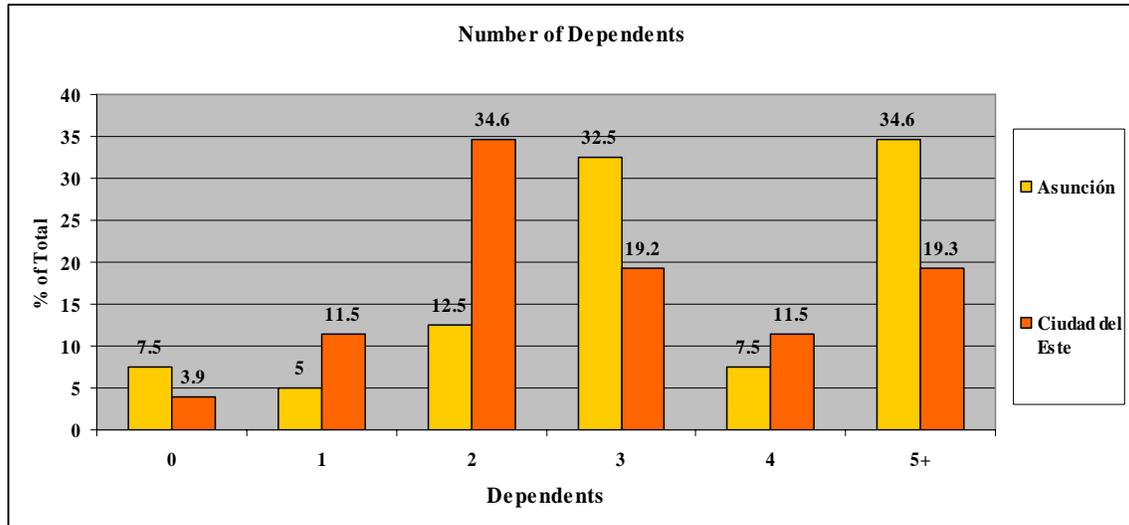
Number of Dependents

According to the data collected from Fundación Paraguaya’s interviews, the vast majority of CME participants have at least one dependent. In fact, only 6.1% of women were recorded as having no one under their immediate care. The breakdown of the number of dependents of each client is as follows: approximately 28.8% of women have 1-2 dependents, 36.3% of have 3-4 dependents, and 28.8% have five or more. If we

⁵⁷ Here “dependent” is used to describe any person under the woman’s immediate care which includes, but is not limited, to children.

compare figures from the two cities, it appears that women in Asunción generally have more dependents in their care (see Chart 16).

Chart 16: Number of Dependents (Asunción & Ciudad del Este)



Source: Author’s interviews with CME participants

These figures demonstrate that CME clients, in both cities, have a large responsibility for the care of others. In fact, in both cities at least 50% of all women have 3 or more people in their care. It is relevant to note that, according to interviews, these women often take on the commitment to care for the elders and the children of others. Of all of the women who reported having dependents, 38.9% in Asunción, and 44% in Ciudad del Este, claim that they have at least one person in their immediate care who is not their own child. The majority of the “non-child” dependents are children, usually grandchildren or nieces and nephews. However, of the women who care for “non-child” dependents, 42.8% in Asunción, and 27.3% in Ciudad del Este said that at least one of the people in their care was an elderly family member, usually a parent or aunt or uncle.

Responsibility for work within the home

Despite the fact that looking at the number of dependents is important for gauging women's work within the home, caring for others is not their only responsibility. This is exemplified by the fact that, 100% of CME participants interviewed reported having domestic responsibilities, whether they had dependents or not. In addition to childcare, the most common responsibilities within the home were cleaning, laundry, shopping and cooking, though many women reported that they are also in charge of transporting children, and making repairs to the house when needed. Overall, just over 35% of respondents admitted to having some help with their domestic work, and 20.3% said that they shared the work equally with one or more people in the household.

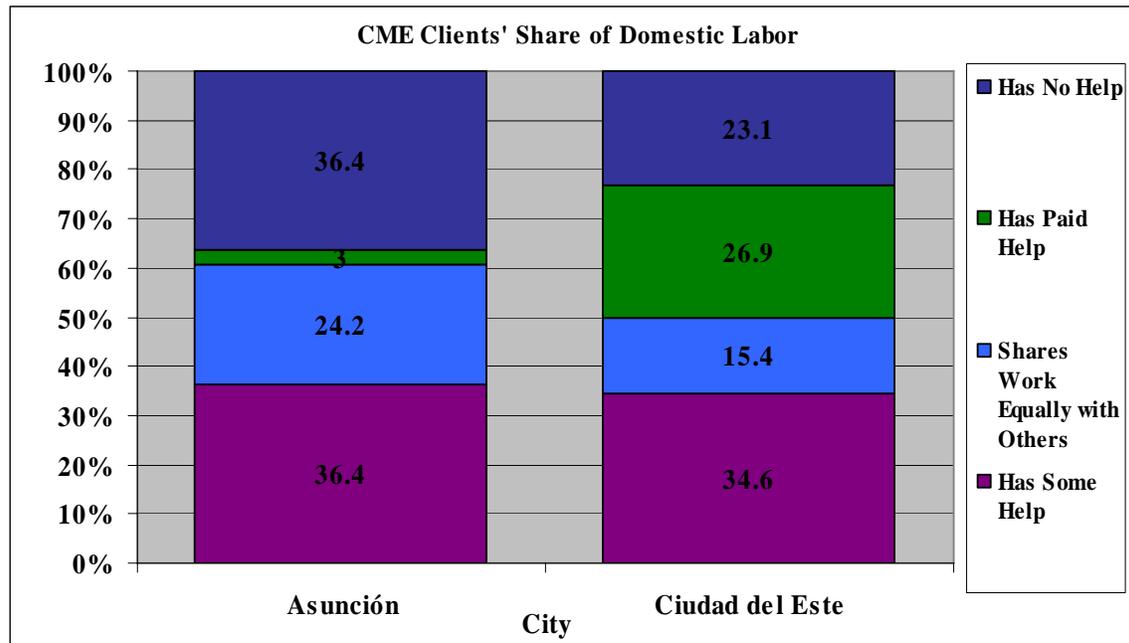
Despite the fact that the majority of women have some help at home, 30.5% reported that they are solely responsible for domestic labor. Of those who carry out all of this work alone, all but one have dependents, and only 27.7% are single. This indicates that although the majority of these women are married or have a partner, they do not receive any (or at best very little) help from them in terms of household chores or childcare. Despite this, only 44.4% of women who do all of the domestic work said that they started their micro-enterprise to be home with children, and the remainder were split somewhat equally between all other motives. In addition, just less than 39% of these women worked exclusively out of their homes; 16.7% worked in an ambulatory manner; 22.2% a mixture of both of these; and 22.2% in a fixed location outside of the home.

Somewhat surprisingly, 13.6% of CME participants reported having some sort of paid domestic help,⁵⁸ all but one of whom were women living in Ciudad del Este (see Chart 17). This last point is important in that it may indicate that household income may

⁵⁸ CME clients who paid for domestic help generally did so on a part time basis (that is, non-live-in help) and claimed that they, themselves, were still responsible for some portion of domestic labor.

also be higher among women in the Ciudad del Este sample. In addition, 87.5% of all of the women who have hired help are married or have a partner, 37.5% have a tertiary education, and 50% a secondary education. While there are a greater proportion of women in Ciudad del Este who have paid help, more women in Asunción answered that they, alone, were responsible for all of the work within the home.

Chart 17: Responsibilities for Domestic Labor (Asunción & Ciudad del Este)



Source: Author's interviews with CME participants

Despite having many obligations in the home, eighty-one percent of women said that their domestic work does not get in the way of work in their microenterprises. Several women commented that this was true because they were used to balancing the different sets of responsibilities. Another set of women said that since they were working within their home, they were able to carry out both sets of work at the same time. This last point is important because it demonstrates the importance of being at or near home

and, in part, may explain why such a large number of women run their microenterprises from the home.

Attitudes Toward Self-Employment

Women's attitudes toward self-employment are a particularly important factor for analyzing their work in the informal sector and the merit of village banking. Considering the negative aspects of the informal sector, such as job insecurity, low wages, and lack of benefits, it seems logical to assume that workers would be likely to trade micro-entrepreneurship for a wage employment. Surprisingly, the majority of CME participants, 62.5%, responded that they would not change being self-employed for a wage position. In order to better understand this, we will need to consider the different factors at play.

Some 31.4% of CME participants report that they would not change because they did not want to answer to a boss or have a fixed schedule. For example, Doña María Sol, who sells various merchandise, said "I would not change [for wage employment] because I have already done that; the schedule is difficult and the boss, unbearable" (Ciudad del Este, 2007). Doña Violeta, a widow who works gathering recyclables in Asunción, pointed out that she would not change because, "I don't have anyone ordering me around [now] and there isn't a fixed schedule; it is hard to [work outside of the home] with children" (Asunción, 2007).

Like Doña Violeta, another 22.9% claimed that their decision was based on family reasons, particularly childcare. Doña Silvia, who works as a seamstress said, "No, I would not change [for wage employment] because I already tried working for a woman in her house, but the children were a failure at home [by themselves], so I quit and came back to work at home. I can also earn better money this way" (Ciudad del Este, 2007).

Doña Ana pointed out that, “I would not change because I have small children and I want to care for them [myself], not someone else” (Asunción, 2007).

A much small proportion of women, 5.7%, said they would not change because there was no wage employment available. For example, Doña Renata said, “I am content [working] as I am because there is not any other work to be had,” and Doña Yvette commented that, “I would not change [for a wage position] because I do not think that I would be able to find work, anyway” (Asunción, 2007). The remaining 34.3% who were content did not specify their motives.

In addition, 8.9% said that they might change, depending on the situation at hand. One woman with this response was Doña Ines who said, “Yes [I would change] if there was a really good opportunity, but otherwise, I prefer to work for myself because women are not treated very well in the workplace [in Paraguay]” (Ciudad del Este, 2007). Doña Yerutí, who recently started selling cleaning products, commented that, “I would change [for wage employment] depending on the work; [a job] in a factory...yes, but as an *empleada*, no...” (Asunción, 2007).

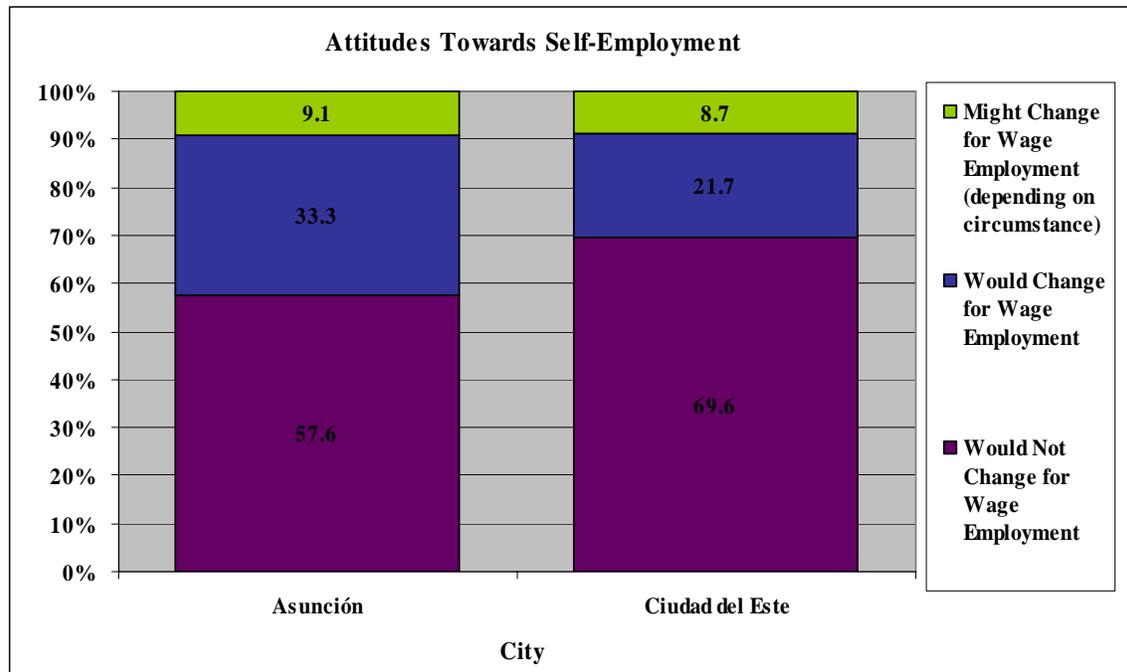
Of the 28.6% of CME clients who were interested in obtaining wage employment, 75% said they would do so because they could either earn more money or that it provided a steadier income. Doña Clara, who works a hairdresser said, “Yes, I would change [for wage employment] because [working for myself] sometimes there is work, but other times there is not. I am thinking about leaving the country to find [wage] employment” (Ciudad del Este, 2007).

If we use the presence of a husband or partner as a proxy for dual headed households, it appears that having two incomes may have a positive effect on women’s

contentment with self-employment. Of all of the women who were satisfied working for themselves, 80% were married or had a partner; on the other hand, of women who said they might be willing or would change for wage employment, just 61.9% were married.

Overall, the majority of women in both cities were content with self-employment. However, the figure was substantially higher in Ciudad del Este where 69.6% said they would not change, compared to 57.5% in Asunción (see Chart 17). In addition, in Asunción, a greater proportion said that they might trade for wage compared to Ciudad del Este.

Chart 17: Attitudes Toward Self-Employment vs. Wage Employment (Asunción & Ciudad del Este)



Source: Author’s interviews with CME participants

Women’s Experiences with the CME Program

In addition to providing a demographic profile and work histories, the interviews also attempted to get a general idea of how women feel about Fundación Paraguaya’s

CME program, and the ways in which it has impacted their business, community and personal lives, if at all.

Impacts in microenterprises

Not surprisingly, in terms of their microenterprises, 93.4% of all CME participants admitted that their participation has had some sort of positive impact. Of these women, 64.9% responded that the loan, itself, was what they saw as being most useful.⁵⁹ Of the women who found the capital especially helpful, 59.5% claimed that they are now able to purchase and sell more merchandise or have expanded their business. For example, Doña Julia, who runs a *despensa*, said that the loan has helped her to expand her selection of merchandise, and “Now I have more sales because customers find everything they are looking for” (Asunción, 2007). If we compare responses, we find that although roughly the same percentage of CME clients in both cities said they saw business impacts, in the case of Ciudad del Este 15% more women responded that the capital itself was particularly useful. This is consistent with what women said about business obstacles. When asked, 50% of CME clients from Ciudad del Este responded that their biggest obstacle is a lack of capital, compared to just 18.8% of women with the same response in Asunción.

Another 27% of clients say that they are now working more hours, or more often. Doña Luisa, who makes and sells clothing, points out that her CME loan, “...has been very helpful because it has increased my capital and materials and [therefore] my work” (Ciudad del Este, 2007). Finally, 13.5% of CME participants said that they were able to start an entrepreneurial activity with the CME loan.

⁵⁹ Because some women gave more than one response as to how the CME program has impacted their business, community and/or personal life (in which case their responses were counted in more than one category) percentages for each category may not add up to 100%.

Additionally, of those who saw positive changes in their business, 8.8% said that they have more clientele due to the fact that they know more people in the community. Both Doña Ana and Doña Sofia mentioned that this had impacted their business, saying, respectively, that as a result of participating in village banking, “I get more clients now because I know people better,” and that, “we all buy from each other [now]” (Asunción, 2007). When comparing the two cities, 7.5% more women from Asunción said that they had gained clientele through CME networking, than from Ciudad del Este.

Finally, 35.1% of clients who saw improvements in their microenterprise said that the knowledge that they have gained from sharing strategies and ideas with their fellow group members during meetings, has been particularly useful to their line of work. Seamstress Doña Silvia claims that by talking with other women in her CME, “I have learned more about how they run their businesses, what works, what does not [etc]” (Ciudad del Este, 2007). Doña Montserrat, who sells rugs with her brother, said that the advice and knowledge of other women were particularly useful noting that, “We help each other out and give each other ideas; we all work in distinct areas and teach and learn about a little of everything” (Asunción, 2007). These women’s commentaries reflect what Mayoux points out is as an important aspect of group microfinance: that it can serve as a “forum for information exchange and mutual learning between women...including sharing experience...[and] skills exchange” (“Women’s Empowerment Through Sustainable Micro-Finance” 19). In terms of knowledge gained from their peers, the two interviewees from both cities responded similarly.

Impacts in communities

Taking into consideration that community development and personal empowerment have become pillars in the discourse surrounding village banking, it is useful to look at how women feel about the CME program in both cases. When asked about whether or not they thought that the CME program had, in some way, impacted the community, 67.2% of women stated that they felt that there had been some positive changes.

Of those who did see impact in their community, 34.1% stated that the community had become more unified and that there was now a greater sense of solidarity amongst people. For example, Doña Eugenia, who runs a furniture re-covering store along with several other women, notes that, “we have learned solidarity and have made many friendships [by participating in the CME program]” (Ciudad del Este, 2007). Two other women claimed that community members now work together to solve problems, and are now more concerned with the situation of others: For example, Doña Cristina said, “we are more integrated and now [we] worry about, and care for each other more within the community,” and Doña Luján claims that now, “We work as a family to solve our problems” (Ciudad del Este and Asunción, 2007).

Another 41% of those who saw changes in their community responded that there was better communication amongst themselves. Doña Montserrat points out that, “...we know each other better and [now] if we need something, we know who we can go to” (Asunción 2007). Likewise, Doña Celia who sells clothing, fruits and vegetables, claims that village banking has impacted the community “a lot” noting that, “...we work together more, talk more, and know each other much better [now]” (Asunción, 2007).

In addition to knowing each other better and feeling a greater sense of community, 29.3% of CME participants who noticed an impact at the community level said that overall welfare has improved as a result of more members working, and/or increasing their incomes. Two women from Ciudad del Este note this in their responses: Doña Eliana who runs an *almacen* pointed out that, “You can notice [the difference] in that before people did not have employment, but now more [of us] are able to work” and Doña Beatríz who sells tablecloths claims that, “...because of this program, many of us are getting ahead” (Ciudad del Este, 2007).

Finally, 17.1% claimed that the neighborhood has been involved in some sort of collective project or activity as a result of CME participants organizing. Doña Gimena points out that in her CME they have organized a system to help community members in need, saying that “...when someone is sick or having trouble we put together a basket [for them] with food and other items” (Ciudad del Este, 2007). Another example of projects organized by CMEs, comes from Doña Lourdes, who makes baby clothing and sells hamburgers from her house; she points out that, “... we have formed a neighborhood commission and we are working more within our neighborhood now” (Asunción, 2007).

If we compare responses, we find that there are slight variations between both cities. For example, although about ten-percent more women from Asunción claimed to have seen improvements within the community, the depth of these impacts seems to be more profound in Ciudad del Este. This is because if we look at the *types* of impact reported in each city, we find that in Ciudad del Este, a greater percentage of women said they saw increased solidarity or unity, improved community welfare, and additional projects or activities due to CME clients organizing. In contrast, for the case of Asunción,

a substantially greater percentage of women said that they now know more people, or have improved communication with community members.

Impacts in personal lives

Roughly 67% of CME clients claimed that their participation in village banking has had some sort of positive impact in their personal lives. Of the women who felt this was true, 46.3% of them said this was because they now have more friendships, and better communication with others. Doña Mara, who manufactures dental prosthetics from her home, notes that, “before I did not know a lot of people in the neighborhood, but now I am participating more in community activities” (Ciudad del Este, 2007). In the case of Doña Josephina, who works selling fruit in Fernando de la Mora,⁶⁰ she points out that, “Before I was very alone [following the death of my husband] but now I have my friends” (Asunción, 2007).

In addition, 22% claimed that they now feel more knowledgeable, useful, or have more self-esteem. For example, Doña Beatríz said that, “working independently has helped me to value myself and feel more useful” and Doña Laura claims that, “I feel more useful now [because] I am able to help others within the group” (Ciudad del Este, 2007). In the case of Doña Pilar, she notes that being part of a CME has impacted her personal life “a lot” in that, “It has shown me that we women can work, carry out [activities], and fulfill obligations, too” (Ciudad del Este, 2007).

An additional 22% of women claiming to have seen impacts in their personal lives said that being able to leave the house to participate in some sort of individual activity has been especially important to them. Doña Silvia claimed that, “It is a kind of recreation for me because it is about the only time during the week when I am able to get

⁶⁰ One of the eight municipalities that make up Greater Asunción.

out of the house” (Ciudad del Este, 2007). Doña Sofia also feels that participating in her CME has been good for her because otherwise, “...I hardly ever leave [the house]” (Asunción, 2007).

A slightly smaller proportion of these women, 19.5%, responded that they feel more responsible, mature, or independent as a result of either working more in their business, participating in a group or being accountable for loan repayment. Doña Eugenia says that, “I have matured as a person; I have learned how to share [because] before I was more selfish” (Ciudad del Este, 2007). Doña María Fernanda, who sells hair in Asunción, says that, “Now I am more open and independent, and depend more on myself” (Asunción, 2007).

Finally, 9.8% of those who have experienced impacts say that being more economically stable is important to them in their personal lives. Doña Ada who runs a *despensa* points out that, “...my family understands that I am doing something important, and I feel good about the improvements to my house because of increased sales and income” (Asunción, 2007).

Increase in income and most urgent needs of CME clients

In terms of changes in income, almost 73% of women said that their incomes were greater since beginning the CME program. Of these women, 67.4% said they saw a small increase, and 32.6% reported a significant increase in their income. Although these figures were similar for both cities, 16% more clients from Ciudad del Este said their income had grown. Despite fewer women from Asunción reporting an increase in income, of those who did, 37.5% said their incomes had increased significantly, compared to just 26.3% saying the same in Ciudad del Este.

Although, based on these interviews, it is impossible to know the details about how loan money and income are managed, responses suggest that CME clients, themselves, are likely to have significant control over both. When asked, over 88% of women said that they have some control of managing household finances (e.g. paying bills, planning the family budget). Of these women, 61.5% said that they, alone, were responsible for this, and the remaining 38.5% say that they have an equal share in the decision-making process. Despite the fact that the majority of women claim having control over family income, the proportion of control is a bit higher in Ciudad del Este. For example, about 6% more women in Ciudad del Este claimed having exclusive control over managing money. In addition, about 15% more women from Asunción said that some other member of the household made all of the financial decisions.

As for changes in spending, as a result of greater income, it appears that women are investing most heavily in their homes, their children's education, and in their microenterprises. Of the women who reported an increase in their income, 50% said they now spend more on their home; 43.8% said some of the income went toward education expenses for their children; 33.3% spent more on food; 33.3% invested extra income in their microenterprise; 18.8% used some of the money on healthcare; 10.4% say they now spend more on entertainment; and 8.3% invested in their own education. These figures were roughly the same for both cities, and in all of the spending categories, and the vast majority of clients said they invested only a little bit more in each item. Despite the fact that increased income and spending has been modest, interview responses suggest that village banking has had positive impacts in both income and spending, and have helped women to invest more in their households.

Increases in income may prove important to CME clients considering that 87.9% of women said that there was some sort of urgent need for their household. When asked about in what CME clients would invest, if they were to see their income double over the following year, the majority of women, in both cities, (62.1%) responded that they would expand or make needed repairs to their home. Although some women were interested in amplifying or making aesthetic changes their existing homes, other women reported having more urgent housing needs. For example, Doña Eliana responded that if her income were to increase, she would “repair the wire fence around the house [because] we still do not have walls in parts of the house and sometimes animals will get in and take things, so we need it [the fence] for protection” (Ciudad del Este, 2007).

The second most popular response to this question, given by 20.7% of women, was that they would invest in their businesses. Doña Luisa said that she would, “Buy more goods and equipment for her business,” and Doña Beatriz said she would, “Construct a stall to sell my goods” (Ciudad del Este, 2007). In addition, Doña Guadalupe, who sells fruits and vegetables in Fernando de la Mora, said that she would, “amplify my business...I would buy a freezer so I could sell more goods” (Asunción, 2007).

In addition, nearly 9% said they would spend extra income on education for their children. Doña Raquel, who makes and sells underwear, said that she would use an increase in income, “To pay for additional studies, a training course, for my daughter” (Ciudad del Este, 2007). The remainder of CME clients said they would invest in savings. For example, Doña Mara noted that, “there really aren’t any urgent needs [in my home, so] I would put [increased income] toward savings” (Ciudad del Este, 2007).

Most positive aspects of the CME program

When asked, just over 98% of women said that there was a particular aspect of the program that they felt was the “most positive,” but only 62.7% said they felt that there was a “most negative” aspect. Of those who gave examples of positive aspects of village banking, 39% mentioned that being part of a group, having better connections with others, and/or group integration was especially important. According to Doña Esperanza, who sells drinks and ice, in addition to working as an *empleada*, the most positive aspect is that, “we [the community] are more united now,” and for Doña Julia who runs an *almacén*, the it is, “the positive impact in the community”(Asunción, 2007).

Slightly fewer CME clients, 32.2%, responded that the best part of the program was the financial assistance, or the loan itself. Doña Mara notes that the financial assistance is important because, “not everyone is able to obtain access to capital” (Ciudad del Este, 2007). Doña Mercedes, who works as a seamstress, echoes this commentary saying that, “For me, the access to credit [is most important] because the cooperative will not serve me as a financial institution because they do not trust me” (Asunción, 2007).

Seventeen percent of the women mentioned the opportunity village banking provided was the most positive, in their opinion. For example, Doña Lourdes answered that, for her, it was the fact that, “That I am able to work; that it [the CME program] gave me the opportunity to work at home” (Asunción, 2007). Doña María Fernanda pointed out that the advantages that come with obtaining credit are especially helpful; she notes that, “For me, the opening of the door to credit and the other opportunities that come with that [are the most positive aspects]” (Asunción, 2007).

Furthermore, 12% said the knowledge gained while participating in their CME is what stood out to them. For example, Doña Eugenia said that for her, this meant, “The knowledge of working as a group,” and for Doña Belén it was, “That we know how to better invest and save [our money]” (Ciudad del Este, 2007).

Finally, 6.8% said having savings was the most positive part of the program. Doña Beatriz said for her the best part was, “That [the CME program] gives us capital and an opportunity to have savings,” and Doña Teresa pointed out that for her, it was important, “That we are able to save; that we have our *own money* saved” (Ciudad del Este, 2007). Overall, results were very similar for both cities.

Most negative aspects of the CME program

Although fewer women believed that there was a negative or problematic aspect of the CME program, 62.7% did have something to note. Of the women who responded to the question, just over ¼ said that the conflicts and lack of understanding within their CME was what is most challenging for them. For instance, Doña Ines, who runs a kiosk, notes that, “since we are such a large group, it is difficult for us all to agree on things” (Ciudad del Este, 2007). Doña Paloma, who is a floriculturist, notes that having varied life experiences can create challenges; she points out, “that we all come from different upbringings, educational levels, and backgrounds [and] that can make things difficult” (Ciudad del Este, 2007).

Twenty-percent who gave an example noted that others missing, or making late payments was problematic. Doña Sonia points out that, “sometimes not everyone follows through with their payments,” which is hard on the group (Asunción, 2007). Doña Rocío, who sells various merchandise in Fernando de la Mora, says that it is difficult when,

“Some women do not want to participate and then we have to pay for them” (Asunción, 2007).

Seventeen percent of women echoed Doña Rocío’s comment, mentioning that lack of participation on the part of some is a problem. Doña Mara noted that, “sometimes, out of ignorance, some women do not want to participate or do not understand the benefits of participating” (Ciudad del Este, 2007). Doña Luján added that, “there are some [women] who do not work as much and who do not contribute their part” (Asunción, 2007).

Finally, a much smaller proportion of clients, 5.1%, said that participating in a CME was either a lot of work or too time consuming. Doña Rosario, who bottles and sells cleaning products from her home, said that in addition to some members not participating, the most problematic aspect is that it can be a lot of work for the CME officers, especially for the Treasurer (Ciudad del Este, 2007). In reference to loan withdraw at the beginning of each cycle, Doña Carola, who sells food from her home, said that, “Trying to come...to the [Fundación Paraguaya] office in order to withdraw our money [can be a problem]; it is difficult for all of the women to come [at the same time] because they work, have children, etc” (Asunción, 2007).

Recommendations for changes to the CME program

In terms of what women said they would like to see change in the CME program, 52.5% of clients said that they were content and would not make changes. However, among the 47.5% who gave a suggestion, the most common response was that they wanted either more or better training from the CME program. Of those who said they would like to see a change in the program, over 53% gave this answer. Doña María Sol,

who sells various merchandise noted that, “we want training that is more organized and that teaches us how to use the money they [the Fundación Paraguaya] lends us, etc,” (Ciudad del Este, 2007). Doña Jacqueline adds that, “...we need more of them [training sessions] to be able to carry out the things that we want to do” (Ciudad del Este, 2007). Similarly, Doña Gabriela who sells baked goods, mentioned the lack of training saying that, “It would interest me to have more training courses because now there is hardly anything; there are many [in our CME] who do not understand some things, particularly those...with less [formal] education, and I think training courses would help them to be able to do more” (Asunción, 2007). Finally, Doña Carola commented on the depth of the current training, saying that she would like, “...that there are more training courses; we want profound courses, with a chalkboard, that teach us a model. Right now, [the trainings] are very short [and] the *asesora* only reads to us, but we want more of a course” (Asunción, 2007).

In addition to commenting on the education component of the CME program, in particular, 91.1% of all women asked said that they would be interested in, and/or would benefit from some sort of training program and would make the time to participate in one. Nearly 65% percent said they would dedicate 1-2 hours per month, and 33.3% 3-4 hours per month, to such training. When given a list of options for training topics, business management, budgeting/accounting, and women’s rights were the three most popular answers. Considering that women, themselves, feel they could benefit from training, as well as taking into account their relatively low levels of formal education, it appears that enhancing the education component could be an effective way to help women strengthen their position in the informal sector.

In addition to education, another way women thought that the CME program could be improved was that, 17.9% of women said they would like their CME to be involved in more activities besides just village banking. Another 14.3% said they would like some sort of change to the repayment policy. For instance, Doña Montserrat said that she wanted it, “to be more personal when it comes to repayment; that they do not punish everyone for the fault of one person not paying” (Asunción, 2007). Doña Ada said that she wanted the Foundation to, “...give us a grace period of 24 hours to pay when there is a bad situation” (Asunción, 2007). Finally, 14.3% said they would like to borrow in smaller groups. Doña Blanca notes that, “[I would change] the number of members in the group because it is sometimes difficult to manage [with] so many people” (Ciudad del Este, 2007).

Interview Summary

In Part II, we have seen that, overall, demographic profiles of interviewees do not differ greatly from those of the overall CME population. Generally, interviewees have been involved in income generation for a significant period of time and, in most cases, have become micro-entrepreneurs for strategic family or personal reasons. A large number of these women are committed to self-employment and, in numerous cases, have been in business for significant amount of time. In addition, many women have seen some increase in income as a result of participation in the CME program, and appear willing and able to invest in things such as housing, food, and education with this income. For these reasons, we can see that village banking in Paraguay may have the potential for poverty alleviation. Furthermore, interviews reveal that a large proportion of women have

seen impacts in their businesses, communities, and personal lives, which may have an empowering effect for CME clients, both as workers and as women.

Chapter 6: Conclusion

Comparing the demographics of CME clients with those of the overall female population living in urban Paraguay, we found that women participating in the CME program are older than the national female labor force, are more likely to be married or live with a partner and have more children. In terms of education, although figures vary between the two cities, overall there are a smaller proportion of CME clients at the extreme ends of the educational spectrum (university or no schooling) than in the national female urban population. Some of these differences may be attributed to the fact that Fundación Paraguaya restricts participation to women who are 18 years of age and older, while national figures included younger women.

Interviewees were slightly older, more likely to be married or living with a partner, are better educated, and have more children than the CME population, as a whole. Most women interviewed had been in the labor force prior to the CME program and generally entered the labor force at a young age, but with some disparity between clients from both cities. Overall, CME clients have been involved in a variety of different types of work in the past, although participation in specific activities varies by cities. Additionally, the majority of women responded that they had experienced unemployment in the past, for over a year on average. Although some women became micro-entrepreneurs because they felt there were no other options, even more did so for strategic reasons, usually to be near their children, to work independently, or out of tradition or enjoyment.

Currently, the majority of CME clients are involved in the retail sale of merchandise and the manufacture and sale of goods. In addition, some women were employed outside of their microenterprise, as well, and results varied slightly between the

two cities. Overall, over 1/3 of these women have had their microenterprise for ten years or more, with a greater proportion of women from Ciudad del Este in this category. However, there is an even larger proportion of women who have been in business for three years or less. Generally, CME clients say that they work from their home, in an ambulatory manner, or a combination of both. In fact, only about 18% of women work consistently from a set location outside of the home.

CME clients are largely responsible for the work within their homes. Over 90% of these women reported having dependents, and in both cities at least 50% have three or more people in their care. Although over 1/3 of interviewees said that they have some help with domestic chores, more than 1/4 are solely responsible for these tasks, in addition to running their microenterprise. Somewhat surprisingly, 81% of CME clients said that they do not think that their domestic responsibilities impede work in their microenterprise. Furthermore, these women appear to be fairly content with self-employment, and less than 1/3 of all women interviewed said that they would trade for wage employment if given the opportunity. These last two points address Barker and Feiner's argument that microfinance increases women's burden of having to carry out both market and household labor, and demonstrate that their criticism may not be pertinent in the case of CME clients ("Microcredit and Women's Poverty").

In analyzing the impact of Fundación Paraguaya's village banking program, I found that the majority of CME clients valued self-employment because it allowed them to work independently, to have more flexible schedules, and helped them to more effectively balance their dual roles as bread-winners and workers in the home. This is consistent with the findings of Restrepo Chebair and Reichmann, who point out that self-

employment is an important strategy for women needing to balance employment and domestic responsibilities, and that it helps them to meet the challenge of effective time management (17).

In terms of business, the vast majority (96.6%) of interviewees said that they have seen impacts in their microenterprises as a result of being associated with the CME program. Of those who saw changes in their business, 64.9% said that the loan, itself, has been helpful. Another 1/3 of these women said that knowledge gained from sharing ideas and strategies with group members was particularly useful.

Furthermore, just over $\frac{3}{4}$ of those interviewed claimed that they have seen impacts in the community as a result of participating in the CME program. The most common changes in their communities were better communication, increased unity and/or solidarity, and an overall increase in welfare as a result of working more hours and/or the increased income. Roughly the same percentage of interviewees, 67.2%, said the CME program had some positive impact in their personal lives. This included having more friendships, having an excuse to leave the house for a personal activity, being more knowledgeable or having greater self-esteem, and being more mature, responsible and/or independent.

When asked, 98% of women interviewed said that there was a “particularly positive” aspect of the CME program. Specifically, interviewees identified their ability to meet and share with others, the loan itself, the opportunity that CME provides, and the knowledge that they have gained. Some 62.7% of CME interviewees said there was a “particularly negative” aspect to the program, citing group conflict, late payments by individuals, and lack of some individuals’ participation as the most pressing problems. Of

the nearly 48% of interviewees who said they had a suggestion for changing the program, over half of them said they wanted more or better education from Fundación Paraguaya. In addition, the vast majority of women said that they are interested in, and would make time for, training courses if given the opportunity. Those who were wanted more training said they were particularly interested in learning about business management, accounting/budgeting and women's rights.

Although, as seen from women's responses, self-employment allows for greater flexibility and independence, it also means working within the informal sector by virtue of the size of their operations. Because informality is a characteristic of most micro-enterprises, it has led some (Barker and Feiner, and Goetz and Sen Gupta) to criticize micro-lending, arguing that by encouraging a woman's insertion into the informal sector, it can reproduce unequal gender roles in society. Indeed, informal workers lack many of the protections and benefits that come with employment in the formal sector. They generally have little job security, no unemployment or health benefits, and often work under precarious conditions.

While these are legitimate concerns which need to be addressed, wage employment is not always available and is not an inherently "better" alternative, especially for women with little formal education or job experience. For them, wage employment, if it can be found, often means low-paying jobs in factories or working as domestic servants, which may entail poor working conditions and further impede a woman's capacity to care for their children (Chen et al. 30-31). As seen in *chapter five*, this is true for many interviewees who have worked as domestic servants. Of those women, 59.2% said that they became micro-entrepreneurs either to be closer to their

children, to work independently, or because they were treated badly as an *empleada*. Moreover, in the case of Paraguay, it is reported that, “women employed in food, drink, tobacco, soap and leather processing etc, handle contaminated products with practically no controls, and with little information [about the products],” and women working in the textile industry, “are exposed to inhalation of loose fibers [and] problems related to inadequate posture [etc]...”(Heikel 305).

The goal here is not to try to determine whether formal or informal employment is better or worse for women; this is something that varies, depending on a number of factors. Rather, I contend that arguing against village banking on the grounds that it encourages women’s work in the informal sector does not reflect the realities of many women in Paraguay, nor does it recognize the downside of the formal alternatives available to poor women. Considering the high levels of unemployment and under-employment in Paraguay, and that 61% of CME clients have claimed having been unemployed, micro-entrepreneurship may serve as a means of survival for women to support their families. In addition, based on interviewees’ responses, it appears that even more CME clients have entered into self-employment as a strategy that allows them to spend more time with their children, work more independently and, in some cases, earn more money. That micro-entrepreneurship enables these women to care for children is especially important, considering what we know about CME clients’ responsibility for dependents and their work within the home. Furthermore, considering the modest level of formal education of most CME clients, for many of these women alternative opportunities for wage employment, such as domestic service, are not necessarily more desirable, as seen in their responses.

Due to the fact that micro-entrepreneurship is an important income-generation strategy for women in Paraguay, and because many women value self-employment, the fact that the CME program serves as a means for participants to invest in their businesses and increase their incomes is significant. This is particularly true considering that this proved to be important to meeting their most urgent needs, such as adequate housing and additional education. The fact that nearly 73% of CME clients claimed that their income has increased, helping them to meet costs related to education, food and housing, is testament to this. This last category is of particular importance, considering that the majority of CME clients claimed that improving or obtaining housing was their most urgent need. The fact that CME clients appear to be investing in urgent needs, like housing and education, reflects Deshpanda's findings that "women's success benefits more than one person," and those from the WEDTF in Tanzania which found that women invest heavily in the household and schooling (qtd. in Cheston and Kuhn 8).

In addition, considering that nearly 90% of CME clients say they have equal, if not full control over household spending, it seems that in the Paraguayan case women are likely to manage the increase in earnings and their CME loans, as they see fit. These responses may put to rest concerns put forth by Goetz and Sen Gupta, about women losing control of loans and profits to men, as was seen in the case of Bangladesh (61).

Finally, the group dynamic of the CME program is important to many women because village banks offer them both financial and personal support and, according to interviewees, can have a positive impact in their personal lives and communities.

Although some CME clients did cite group conflict as a negative aspect of the CME program, over twice as many women stated that being part of a group, having better

connections with others, and/or group integration was especially important to them. These results may indicate that, in contrast to Rankin's and Wright-Revolledo's findings, in the case of the CME program group participation tends to have a positive effect, rather than promoting greater inequality. However, since this thesis did not focus specifically on group dynamics, and included only current clients, rather than women who have dropped out of the CME program, further investigation is necessary to address this question.

Here we have seen that, according to CME clients own commentary, village banking appears to have a positive affect on poverty alleviation and empowerment in urban Paraguay. This is notable, especially considering that the program had been in existence for less than two years. However, I contend that that this effect could be magnified, and that there are future opportunities to build on current successes by CME moving beyond just functioning as a tool for poverty alleviation, and by becoming a means for community development, civic engagement and gender equality. By helping women increase their education and skill level, and by creating a space where they can organize for their rights as citizens, women and informal workers, village banking could also implications for social change, on a larger scale.

If we look at these findings in the context of Mayoux's three paradigms, we can begin to see the ways in which the CME program could build on their achievements and become a more comprehensive development tool. Because Fundación Paraguaya's microfinance program is already "self-sufficient and profitable in financial terms..." this thesis takes for granted that that the Foundation has adopted, to some extent the "financial sustainability paradigm," and therefore this aspect will not be discussed in greater detail here (Fundación Paraguaya, "What We Do?").

Although this thesis posits that Fundación Paraguaya follows the “financially self-sustainability paradigm,” Mayoux points out that, “most microfinance programmes cannot be neatly grouped under any one of the three paradigms,” and instead may contain some elements of different paradigms (“Microfinance and the empowerment of women” 7). According to research findings, we can see that the Foundation also has elements of the “poverty alleviation paradigm,” in that it emphasizes small savings, poverty targeting (lending to lower income women), and community development.

In terms of the program’s ability to address poverty alleviation, research has found evidence of some positive impacts. One testament to this is the fact that many women have seen positive changes in their micro-enterprises. For example, many women claim that they are able to buy and sell more goods or have started a business for the first time, they can work more hours, have more clientele, and/or are more knowledgeable about how to run their businesses. As a result, nearly $\frac{3}{4}$ of women claimed that their earnings have gone up, which has translated into modest increases in individual and household spending. In addition, 29.3% of those who saw an impact in the community said that community welfare had improved as a result of an increase in incomes. According to Mayoux, these findings could be taken as empowerment in the “economic sphere” of life.

If we look at the social sphere of life, we see that CME clients have also experienced what could be described as empowerment at the individual and community levels. For example, 67% of CME clients interviewed said they had seen some impacts in their personal lives. This included having more friendships and better communication with community members, feeling more knowledgeable or responsible, and/or having

more self-esteem. In addition, approximately the same percentage of women claimed having seen positive impacts at the community level, in terms of better communication, greater unification and/or solidarity, and the organizing more group activities.

Although the CME program appears to be contributing to poverty alleviation and some aspects of economic and social empowerment in Paraguay, I argue that it may be able to expand on this in a broader way; that is, to help bring about empowerment at the market and institutional level, and possibly into the political sphere. By adopting a more gender-oriented approach and incorporating aspects of the “feminist empowerment paradigm,” Fundación Paraguaya could create a more complete development tool, thereby maximizing the potential benefits to women and promoting greater social change.

As we saw in *chapter three*, the “feminist empowerment paradigm” sees microfinance as an “entry point” for women’s economic and socio-political empowerment, on a larger scale. In order to do so, however, this model assumes that true empowerment requires change in the development agenda at the macro-level, and support for women to challenge gender subordination at the micro-level (Mayoux, “Micro-finance and the empowerment of women” 6). In order to achieve this, and for programs to become truly participatory and sustainable, Mayoux points out that credit groups (e.g. village banks) need to become linked to the wider women’s movement, and that clients need to be able to articulate their collective interests and organize for change in gender relations.

In order for Fundación Paraguaya to achieve these goals, and thus make the CME program a more complete development tool, certain steps could be taken. First, conducting a needs assessment would give CME clients the opportunity to articulate their

collective interests. By inviting women to voice their concerns about the program and allowing them to make suggestions for future changes, as well as inquiring about gender related issues that they face at the individual, household and community levels, Fundación Paraguaya may be better able to identify specific client needs. This could be accomplished by conducting surveys during weekly meetings or when CME clients come to offices to withdraw loans. The Foundation could also gauge women's interest and availability in forming inter-group committees, composed of representatives of different CMEs. Forming such committees could be a way to address problems facing CMEs, communities and women as a whole, and help shape more appropriate policies and programs.

In addition, Fundación Paraguaya could enhance the depth and frequency of their educational component, thus giving women the opportunity to acquire even more skills that are useful to their business and personal lives. Better training may not only help them to be more successful micro-entrepreneurs, but also to expand their role in society. This is particularly relevant considering that women were willing and enthusiastic about the proposition of participating in training courses, especially in the areas of business management, accounting, and women's rights. Further inquiry, either through surveys or by forming committees, could help the Foundation gauge the appropriate frequency and subject matter of the education component, making it more valuable for clients and more efficient for Fundación Paraguaya.

Another possible tactic for helping clients to improve their position, as both women and informal workers, is by helping CMEs to network with other organizations, institutions and policy-makers. Although active participation in organizations, such

village banks, can be an important step in addressing the costs and risks of informal work, Chen et al. point out that organizing alone is not enough to bring about needed changes (75-6). In order to improve conditions, the authors note that, “Workers need representative voice in those institutions and processes that set policies and the ‘rules of the (economic) game’” (Chen et al. 76). By being able to voice their concerns, CME clients may not only be able to improve work conditions and increase benefits, but also help to change the very structures that promote poverty and discrimination against women. One way could be achieved is by promoting networks among CMEs and various community, state and non-governmental organizations in Paraguay.

This idea aligns with the recommendations of some Paraguayan feminist scholars. These researchers have highlighted a need for concrete measures to improve conditions of women’s employment, including, but not limited to: “increasing coverage in social security, specifically for working women and...supporting unionization of women working in all business, especially among the self-employed, home workers and domestic servants” (339). In order to achieve the latter, Heikel recommends utilizing the support of women’s social organizations.

In a discussion of the ways in which these changes may take place in Paraguayan society, that is how gender may be “institutionalized,” Virginia Guzmán recognizes the potentially important role that the *Secretaría de la Mujer*, or the National Ministry for Women, can play in this process. Guzmán notes that this can be achieved because the *Secretaría* has the ability to generate “a space for dialogue between the state and civil society that allows for different initiatives concerning gender equity to come together and

facilitate continuity between gender institutions and their agendas” (Corvalán and Guzmán 15).

Considering the importance of involving civil society in the creation of appropriate gender policy, while recognizing that making direct connections with government entities like the *Secretaría* may be difficult for women in marginalized sectors of society, it seems that an intermediary like Fundación Paraguaya could be helpful in facilitating such connections. Because Fundación Paraguaya is an established and legitimate domestic organization, and because its CME program targets women, specifically, it appears to be an appropriate institution for carrying out such objectives.

Moreover, the fact that the Foundation has begun to connect CME clients with other social organizations, such as the youth music project, *Sonidos de la Tierra*,⁶¹ (Sounds of the Earth) demonstrates its ability to link village banks with institutions outside of village banking. In addition to linking CMEs with governmental entities, Fundación Paraguaya could initiate linkages between CMEs and individual women’s and workers’ rights advocates, educators, and local business professionals, for example. This could be done at a relatively low cost to the Foundation, and has already been put into practice for Fundación Paraguaya’s Junior Achievement (youth entrepreneurship education) program.

In regard to village banking specifically, and in contrast to other forms of micro-lending, I argue that village banking can serve as a means of social change, by creating a space where women can organize around issues of gender and work. Although it is unreasonable to think that village banking, alone, will be enough to create these changes, when done properly, it could be an “acceptable forum for women to come together to

⁶¹ For more information about see: <http://www.sonidosdelatierra.org.py/index.php>.

discuss gender issues and organise for change,” and provide “a potentially large and organised grassroots base for developing advocacy and lobbying strategies around gender issues” (Mayoux, “Women’s Empowerment Through Sustainable Microfinance” 19). As a result, we can see that in addition to providing support at the individual level, village banking may also have the potential to help address poverty, labor conditions, and women’s issues on a larger scale. In doing so, it can lead to “building structures of inclusion,” the very things that Feiner and Barker argue are missing from microfinance programs.

Although we have seen that village banking may prove to be an important tool in addressing issues of poverty, gender inequality, and the risks associated with working in the informal sector, these benefits are not automatic. Research for this thesis shows that the CME program has had positive impacts on poverty alleviation and on women’s empowerment; however for village banking to become a broader development tool and translate into structural change for women in society, Fundación Paraguaya should put greater emphasis on women’s issues, in addition to poverty alleviation and financial sustainability. This is because, as Mayoux argues, it is not enough to assume that bringing women together and providing them credit will be sufficient to help them to achieve wider social change and empowerment.

For these reasons, this thesis argues for promoting client participation and input, improving the education component, and linking CME clients to women’s movements and other organizations. By creating a more “bottom up” approach, and making women the creators of their own development, the Foundation can make this process more meaningful and efficient. By increasing the quality, depth and frequency of the education

component, women may strengthen their position in the informal sector. This study's findings suggest that CME clients would like more training and would be willing to participate in such a program. Helping CME clients to network with appropriate organizations may prove to be particularly important for helping CME participants take empowerment a step further by giving them a voice in creating fair and appropriate labor policies for informal workers, and helping to institutionalize gender in Paraguay. This last point is especially important considering the presence of the *Secretaría de la Mujer* which, as Guzmán points out, may serve as a means for civic organizations to direct gender related concerns to different sectors of the government.

In conclusion, this thesis argues that village banking has the potential to make important contributions to the development process and create social change in Paraguay. This argument is based field research, which found that self-employment is important to female micro-entrepreneurs on many levels, that CME clients value village banking for both the capital it provides and the networking opportunity it presents, and that the CME program appears to have had a positive impact on poverty alleviation and empowerment. However, this thesis contends that if Fundación Paraguaya wants the CME program to have an even greater impact and serve as a more complete development tool, it needs to incorporate certain aspects of the “feminist empowerment paradigm” into its program design. This can include focusing on gender awareness and feminist organization, encouraging women to articulate their collective interests, and helping them network with the greater women's movement. In doing so, Fundación Paraguaya could expand the potential benefits to women and help create greater social change in Paraguay.

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Appendix

Individual Interview: Spanish version

Nombre del Comité: _____

Ciudad: _____

1) ¿De dónde es Ud. y por cuanto tiempo ha vivido acá? _____

2) ¿Cuál es su fecha de nacimiento? _____

3) ¿Cuál es su estado civil? ¿Ud. tiene pareja? _____

4) ¿Hasta que grado cumplió Ud.?: Primaria Secundaria Tercia ¿Y su pareja? _____

5) ¿Cuántos hijos tiene Ud.? _____ ¿Cuántos están en su cargo? _____

6) ¿Tiene otras personas en su cargo (familiares, nietos, etc)? _____

7) ¿Qué tipo de negocio tiene Ud. y por cuanto tiempo lo ha tenido? _____

8) ¿Dónde se consigue los productos? _____

9) ¿Cuáles son sus tareas, actividades, responsabilidades dentro el negocio? _____

10) ¿Tiene Ud. otro empleo in adición al negocio y si sí, cual es? _____

- ¿Trabajaba en este mismo antes de abrir su negocio? _____

Si sí, ¿Por cuánto tiempo? _____

Si no, ¿Cuándo comenzó trabajar afuera de su negocio y por que decidió hacerlo? _____

11) ¿Tuvo otro empleo antes de abrir su negocio? _____

- **Si sí**, ¿Con cuantos años empezó trabajar Ud. y en que? _____

_____ ¿
Cuales otros empleos y por cuanto tiempo trabajó en cada uno? _____

- Había algún momento cuando estaba desempleado Ud, y por cuanto tiempo? _____

- **Si no**, ¿Por qué? _____

12) ¿Por qué Ud. eligió empezar su propio negocio (por motivos familiares, por falta de otras posibilidades, por tradición en su familia, etc)? _____

13) ¿Dónde vino la idea para un negocio de esa clase en particular y dónde aprendió hacer esta clase de trabajo? _____

14) ¿Está contenta Ud. trabajando para si misma, o cambiaría por trabajar por un sueldo fijo en una empresa si tuviera la oportunidad? _____

- ¿**Si sí**, por que y cual tipo de trabajo le gustaría hacer en vez? _____

15) ¿Dónde está ubicado el negocio o dónde trabaja Ud., y por que eligió Ud. este local?

16) ¿Cómo es el horario de su negocio y por cuantas horas trabaja Ud. por día/semana en el negocio?

17) ¿Cómo eligió este horario (por demanda de los clientes, porque le gusta, por tener otras responsabilidades o trabajo, etc.)?

18) ¿Hay otras personas que trabajen con Ud.?

Si sí:

- ¿Qué hace cada uno?
- ¿Por cuantas horas trabaja por día/semana?
- ¿Le paga un sueldo?

19) ¿Cuáles son las responsabilidades domesticas que tiene Ud. dentro su casa? :
cuidar niños _____ limpieza _____ hacer compras _____ cocinar _____ lavar ropa _____
reparaciones de la casa _____ transportar gente _____ otras cosas _____

20) ¿Hay otras personas que le ayuda con la tarea domestica? ¿Quien(es)?

- **Si sí,** ¿Qué hace(n) y con cuanta frecuencia?

21) ¿Ud. cree que sus responsabilidades en la casa afectan su habilidad de mantener/crecer el negocio?

22) ¿Cuáles son los obstáculos más grandes que he tenido que superar hasta ahora en su negocio?

23) ¿En que invirtió Ud. su préstamo de FP (por ejemplo, en mercadería, equipo, materiales etc)?

24) Después de empezar con el CME su ingreso es:

menos que antes igual que antes un poco mas que antes mucho mas que antes

Si es más:

25) ¿Cuánto tiempo después de tomar el préstamo notó Ud. una diferencia en su negocio:

Dentro del 1º ciclo dentro del 2º ciclo dentro del 3º ciclo después del 3º ciclo

26) En que ha invertido el aumento de su ingreso (su casa, la comida, la educación, el negocio)?

27) ¿Ahora, Ud. gasta:

	mas		menos	lo mismo
	mucho	poco		
En educación para sus niños	_____	_____	_____	_____
Educación para si misma	_____	_____	_____	_____
Servicios médicos p ^a la familia	_____	_____	_____	_____
Comida	_____	_____	_____	_____
Alquiler, luz, gas	_____	_____	_____	_____
Transportación	_____	_____	_____	_____
Electrodomésticos	_____	_____	_____	_____

Ahorro _____
Entretención _____

28) ¿En adición a lo suyo, hay otros ingresos en su casa? _____

- **Si sí**, ¿Donde/en que trabaja? _____
- ¿Su sueldo es: más menos igual

29) ¿En su casa, quien son las personas encargadas de manejar los ingresos, pagar los gastos, hacer el presupuesto familiar etc.? _____

30) ¿Si en un año se duplica las ganancias, que piensa hacer Ud. con ese ingreso adicional? O sea, cuales son las necesidades más urgentes para invertir dinero en su casa en este momento?

31) ¿Tiene interés Ud. en participar en un taller de capacitación o clase para aprender alguna habilidad o técnica acerca de su negocio o su vida familiar/personal? Sí No

- **Si no**, ¿Por qué? _____
- **Si sí**, ¿cuanto tiempo quería dedicar por mes a eso?: 1 2 3 4+ horas
- ¿Cuales son los temas sobre que quería aprender?:
manejo empresarial manejo de tiempo
contabilidad arte/música
salud reproductiva/educación sexual derechos de la mujer
nutrición acceso a servicios públicos
derechos civiles otra cosa que le parece
hacer presupuesto especialmente interesante _____
artesanía _____

32) ¿Por cuanto tiempo ha estado participando en el CME? _____

33) ¿Antes de ingresar en el CME ya había participado Ud. en alguna organización o comisión de la comunidad etc.? _____

- **Si sí**, ¿Eran grupos con ambos hombres y mujeres? _____
- ¿Para Ud hay algunos ventajas trabajar entre solamente mujeres o prefiere trabajar con ambos hombres y mujeres? _____

34) ¿A Ud. le gusta la idea trabajar en grupo para alcanzar una meta o prefiere trabajar independientemente si tiene la opción, y por que? _____

35) ¿Cómo le ha servido su participación en el CME:

- En el negocio? _____

- En la comunidad? _____

- En su vida personal? _____

36) ¿Cuáles son los aspectos mas positivos del programa CME? _____

37) ¿Cuáles son los mas problemáticos? _____

38) ¿Qué cambiaría del programa y por que? _____

39) ¿Está contenta Ud. tomando el préstamo en formal grupal o cambiaría por un préstamo individual si pudiera? _____

40) ¿Por qué entró Ud. en el programa de CME? _____

English Version

Name of client's CME: _____

Location: _____

1) Where are you from and how long have you lived here (city of residence)? _____

2) What is your date of birth? _____

3) What is your marital status? If single, do you have a partner? _____

4) Through what grade did you complete? Your husband/partner? _____

5) How many children do you have? _____ and how many of them are currently in your care? _____

6) Do you have any other people whose care you are responsible for? (how many total people do you support)? _____

7) What type of business do you have, and for how long have you had it? _____

8) Where do you obtain the goods, products for your business? _____

9) What are your jobs, activities and responsibilities in your business? _____

10) Do you have other employment/activities in addition to your own business, and if so, what? _____

- Did you work in this before beginning to work for yourself? _____

If so, for how long? _____

If not, when did you begin working outside of your own business and why? _____

11) Have you had any other jobs before beginning your own business? _____

- **If so**, at what age did you begin working? _____

What other types of work have you done and for how long did you work in each? _____

- Was there ever a time when you were unemployed and for how long? _____

- **If not**, why and if so, how old were you when you first began to work?? _____

12) Why did you decide to begin your own business (for familiar reasons, lack of other opportunities, tradition, etc)? _____

13) Where did the idea come from for starting this type of business in particular and where did you learn to do this type of work? _____

14) Are you content working for yourself or would you change for a set wage if you had the opportunity? _____

- **If so**, what type of work would you like to do instead? _____

15) Where is your business located/where do you work, and how/why did you choose this location? _____

16) What is your work schedule, for how many hours a week do you work? _____

17) How did you choose this schedule (because of demand, family responsibilities, because you like it, etc)? _____

18) Are there any other people working with you in your business? _____

If so,

- What does each one do? _____
- How often do they work? _____
- Do you pay them a salary? _____

19) What are your responsibilities inside the home?:

caring for children _____ cleaning _____ shopping _____ cooking _____ laundry _____
repairing the house _____ transporting people _____ other _____

20) Are there other people helping you with this work? _____

- **If so** who are they, what do they do and how often do they work? _____

21) Do you feel that your responsibilities at home affect your ability to maintain/grow your business? _____

22) What are some of the biggest obstacles that you have faced in your business? _____

23) In what did you invest your CME loan? _____

24) After entering the CME program your income is:

less than before the same as before a little more than before much more than before

If it is more:

25) How much time after taking the loan did you notice the difference (in what cycle):

in the 1st cycle in the 2nd cycle in the 3rd cycle after the 3rd cycle

26) Is there anything in particular you have invested this income? _____

27) Now do you spend:	more		less	the same
	much	little		
education for children	_____	_____	_____	_____
education for self	_____	_____	_____	_____
health care services for the family	_____	_____	_____	_____
food	_____	_____	_____	_____
rent/bills	_____	_____	_____	_____
transportation	_____	_____	_____	_____
household appliances	_____	_____	_____	_____
savings	_____	_____	_____	_____
entertainment	_____	_____	_____	_____

28) In addition to yours, are there other incomes contributing to the household? _____

- **If so** who, where do they work? _____
- Is their income: more less the same as yours

29) In your household, who are the people in charge of managing incomes/money, paying bills/expenses, making the family's budget, etc? _____

30) If your income were to double in the next year, what would you do with the additional income; that is, what are the most urgent needs facing your household right now?

31) Do you have any interest in participating in a training course or workshop to learn a skill or information related to your business or personal life? Yes No

- **If not**, why? _____
- **If so**, how much time/ month would you want to dedicate?: 1 2 3 4+ hours
- What skills from the list would be most interesting/ useful to you?:

business management	time management
accounting	art/music
sexual/reproductive education	women's rights
nutrition	access to public services
civil rights	other things of interest to you _____
budgeting	
handicrafts	

32) For how long have you been participating in the CME program? _____

33) Before entering the CME program had you ever participated in a community organization or commission? _____

- **If so**, were they groups of both men & women? _____
- Do you see any advantages in working exclusively with women, or do you prefer working in mixed groups? _____

34) Do you like the idea of working in a group to achieve a goal, or do you prefer to work independently? _____

35) How has your participation in the CME program served you:

- in your business? _____
- _____
- _____

- in the community? _____

- in your personal life? _____

36) In your opinion, what are the most positive aspects of the CME program? _____

37) What are the most problematic aspects? _____

38) What would you change about the program, and why? _____

39) Are you content taking out loans as part of a group, or would you change to an individual loan if you had the opportunity? _____

40) What made you decide to enter into the CME program? _____