

# Ain't I a Woman?

## Calmeadow Meeting the Credit Needs of Women Micro-Entrepreneurs

by Kei Tsuzuki

*L'auteure souligne les efforts que fait "Calmeadow"—un organisme à but non lucratif qui opère à partir du Canada—pour obtenir des petits prêts aux micro-entreprises de femmes du Canada et d'ailleurs. En aidant les entrepreneuses à*

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*Calmeadow aims to render women's economic and social contribution more visible and contribute both to their long term strategic needs and to their immediate practical needs.*

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*obtenir des prêts, Calmeadow met l'accent sur la contribution des femmes au bien-être économique et social de la planète. Calmeadow préconise le développement de services financiers adéquats pour les femmes pauvres du monde entier.*

Sojourner Truth, in the 1850s as one of the most inspiring orators of her time, first uttered her refrain, "Ain't I a woman?" while speaking to a crowd gathered for the women's suffrage movement (Truth 253). The former slave and supporter of abolitionist goals and women's rights forced her audience that afternoon, and many others to follow, to consider new definitions of womanhood, (and by extension humanity) that included black women like herself who had survived for decades on their own energy and wit.

Echoing that refrain today, women around the world working to stave off poverty with the modest fruits of their own labour could ask the same of themselves: "Aren't we women...worthy of notice?" Though we live in a time when good intentions have brought the plight of the world's poor to everyone's TV screens, we are still too often blind to the energy and resourcefulness of people who are economically disadvantaged. Poverty, welfare, foreign aid: the terms conjure images of hopelessness or dependency that have become stereotypes etched in our minds. And yet, hundreds of thousands of women in Canada and around the world, though of the lowest economic bracket, are proving that they possess the potential and desire to become productive members of society by being their own agents for change.

Calmeadow, a Canadian-based non-profit organization, is providing access to small business loans to support these women and their smallest of businesses or "micro-enterprises." Working with organizations in Latin America, Africa, and Asia, and through its loan funds in Canada,

Calmeadow has learned how small business loans or "micro-credit" can be the tool with which women dramatically improve the standard of living for themselves and their families. Indeed, by giving women credit (where it's been long overdue), Calmeadow aims to render women's economic and social contribution more visible and contribute both to their long term strategic needs and to their immediate practical needs.

### Women driving the micro-enterprise sector

When Calmeadow was founded in 1983, the informal sector had begun gaining recognition around the world as a significant economic force, especially in developing countries. Today, with a growing global population adding millions to an already overburdened formal labour market, the informal sector continues to grow as the primary economic life-line for many.

The term "micro-enterprise" was coined in the late 1970s to describe the kind of economic activity taking place in this sector: self-employed people working in a variety of different trades and services in small businesses, usually self-owned and operated or consisting of no more than five employees. Though the operation may be small, the income is often crucial to the survival of the micro-entrepreneur and her/his family.

With the added pressures of household duties, meal preparation, and child-care, running a micro-enterprise is no simple task for women. Yet, significantly, a number of studies have shown that more and more women are entering this sector.

According to Marguerite Berger, an economist with the International Centre for Research on Women, the representation of women in Latin America's informal sector is, in general, "higher than their rate of participation in the economy as a whole...Faced with increasing economic need, and unable to find employment in modern-sector firms, women are forced to create their own jobs" (5). Estimates indicate that one-third to one-half of Latin America's micro-entrepreneurs are women; in urban areas, these figures climb up to 70 to 80 per cent (Eberwine 4). In other developing areas, such as Africa and South Asia, these high participation rates by women are also evident.

In Canada, conservative figures on self-employment show that the number of self-employed women between 1975 and 1991 grew from 191,000 to 521,000—an increase of 172 per cent—while the number of self-employed men grew by 50 per cent over the same time frame (FBDB). By the year 2,000, the Federal Business Development Bank estimates that one in three self-em-

ployed persons in Canada will be female. Of these, it may be fair to estimate that a large percentage will fall within the micro-enterprise definition, often home-based or working alone. To understand the significance of these numbers, we must keep in mind that the self-employed sector, as a whole, is the fastest growing employment sector in Canada. Last year, it accounted for 60 per cent of the total jobs created in the country (Statistics Canada, catalogue 71-220). As well, the micro-enterprise sector is often under-represented by statistics as many micro-enterprises, due to their size and sometimes seasonal existence, are often unregistered.

Whether Canadian, Colombian, or Kenyan, however, micro-entrepreneurs are facing similar barriers. In support of micro-enterprise development, the international community has been using a variety of tools to facilitate the sector's growth: tax incentives, changes to industrial, financial, and foreign exchange policies, and the development of infrastructures supporting the growth of small enterprises. Increasingly, however, the provision of credit has become the development tool of choice for both

international development agencies and governmental programs (Lycette & White 19). Lack of working capital has often been cited as the greatest hindrance to micro-entrepreneurs both in Canada and overseas. Without sufficient capital, micro-entrepreneurs can rarely achieve steps crucial to their success such as: increasing inventory, purchasing items in bulk, acquiring updated equipment, or increasing work space.

Not surprisingly, like their counterparts in the formal job market, women in the informal sector face discrimination by the financial sector, which plays a critical role in the provision of credit. The lack of collateral or credit history, requirements for legal business status, or the small amount of micro-enterprise loans (usually under \$5,000) makes accessing these loans from traditional sources virtually impossible. In many countries, women must still have their spouses co-sign their loans, while the same stipulation does not apply to men. As a result, modest profits are often used up to pay exorbitant interest rates on loans from informal money-lenders, or credit is not obtained, leaving women with no chance to stabilize their enterprises, let alone have them grow.

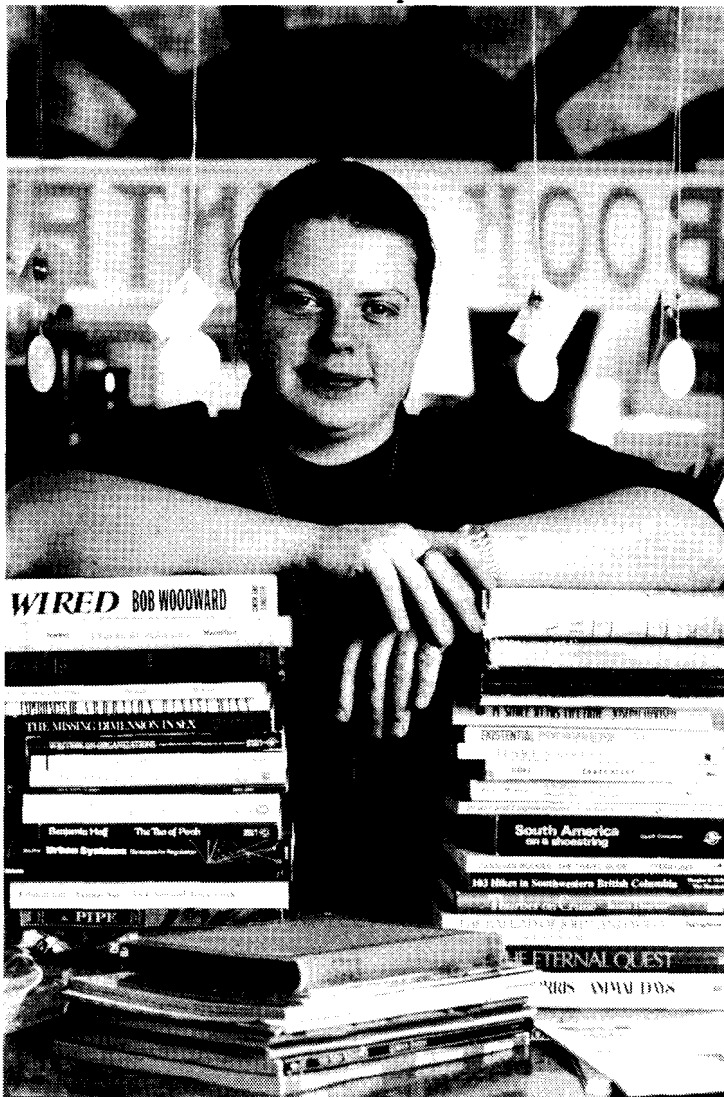
### Making credit more accessible

Calmeadow, and its partner micro-credit organizations around the world, are collapsing the credit barriers faced by women entrepreneurs by using methods that make credit both more accessible and affordable.

In particular, the peer group lending model, popularized by the Grameen Bank and ACCION International (and used in all Calmeadow lending initiatives), has helped increase women's participation in credit initiatives by issuing loans based on peer trust and responsibility. Clients are required to form groups of at least four micro-entrepreneurs, all in need of small loans, to apply collectively for credit using each other's character as collateral. Assets, credit history, and long-range business plans are not needed. Instead, each group is accountable for all the loans granted to its members; no new loans are issued to any member until all members are current with their payments.

Along with decreasing the requirements for collateral which women usually do not have, this group mechanism validates women's experiences by building on the informal networks often already in existence among women, especially in the developing world (Otero 92-93). It also replaces formal application processes with a system of self-selection, a welcome factor for women with less experience completing application forms or who are illiterate. As well, the group mechanism cultivates support networks beyond credit needs, serving as a forum to discuss business problems, increase members' self-confidence, and increase the level of trust within the group.

In South Africa, Calmeadow's partners —The Get Ahead Foundation and The Small Enterprise Foundation—report over 90 per cent participation by women in



Cynthia Brooks, Calmeadow West client. Owner of Book Mantle book store in Vancouver B.C. Photo: Christopher Kindratsky

their credit programs. The Bangladesh Rural Action Committee reports a client portfolio of over 85 per cent women. In fact, all of Calmeadow's international partners combined, who serve a total of over 700,000 clients, average 85 per cent participation by women. These numbers alone indicate that women are indeed a major contributor to the informal market, and that peer group lending is providing a valuable service to women entrepreneurs.

In addition, with a worldwide repayment rate of over 95 per cent, peer group lending proves that women are good credit risks. Women have consistently higher repayment



*Bernice Goring is a client of the Calmeadow West Loan Fund. She makes environmentally friendly fashions, novelty items, and home decorations.*

rates than men for micro-loans and tend to contribute a higher proportion of their income to the family's welfare, holding back less for personal needs (*Instraw News* 15).

Marcela Pathi de Balboa, a client of Bolivia's BancoSol (a commercial bank catering to the financial needs of the micro-enterprise sector which Calmeadow helped create) is a perfect example of how women help increase the standard of living for their families as a whole. Marcela discovered her entrepreneurial streak the day she noticed a niche in the La Paz market that she, with her own skills, could fill. In her home, she began fabricating window and door frames from lengths of extruded metal. Through her borrowers' group, *Integration Los Andes*, she took out five small loans over two years, using the money to buy ever-larger quantities of metal. The money she saved from buying in volume effectively doubled her income, allowing her to rent a store, move her workshop, and make renovations to her home. Better still, her husband, a construction worker, was able to move back to La Paz from Santa Cruz, where he had lived for several years to earn money to support the family. She also passed on her knowledge and skills to her two sons who apprenticed with her after school.

## **Bringing micro-credit to Canada: the rural experience**

Learning from the experiences of the highly successful Grameen Bank in Bangladesh (which serves close to two million micro-enterprise clients, of which over 94 per cent are women) and from its own international experiences, Calmeadow developed its first lending initiative in Canada in 1987 with a focus on women.

Calmeadow's Native Self-Employment Loan Program (NSELP) was the first micro-credit loan initiative in North America to use the peer group lending method. A pilot project, NSELP aimed to help Native communities across the country to develop and run their own micro-loan funds. In 1990, NSELP evolved into Calmeadow's First Peoples' Fund (FPF), which to date has helped establish loan funds in 18 Native communities in five provinces and the Northwest Territories. Seventy-three borrowers' circles have been formed with 319 clients. In some communities, participation by women is 100 per cent. On average 60 per cent of the loan funds' clients are women. A total of 410 loans ranging from \$300 to \$3,000 have been disbursed, amounting to a total of \$500,794.

The FPF experience has helped uncover differences between North America and the developing world regarding both the lending environment and requirements. First, Canada's micro-enterprise sector, though thriving in many areas across the country, does not offer the same concentration of clients as the developing world. Second, Canada's social safety net, though invaluable to most who use it, does not encourage self-employment as a way for recipients to get off social assistance. Job search requirements do not acknowledge business start-up initiatives; rules prohibit the accumulation of business assets while on welfare; there is a lack of provisions for reinvesting in a business—gross business income rather than net income is deducted from benefits; and a general attitude of distrust exists on the part of many case workers towards the self-employed.

To overcome these challenges, Calmeadow has advocated for welfare reform at the municipal and provincial levels in some areas in which it operates. As well, FPF and Calmeadow's other rural lending initiative, Partnership Assistance for Rural Development (PARAD) established in 1991, use high volunteer input to compensate for their low client bases. Volunteers make up the Management Board of each community fund, which helps to approve loan applications and guide the fund's development, decrease administration costs and, perhaps most importantly, increase community ownership of the loan fund. Local ownership has been shown to strengthen the loan fund's performance and its stability in the community. As well, with community members supporting each other and taking interest in each other's well-being, the probability of individual success rises. With more role models of people gaining self-sufficiency using their own skills, others are more likely to see self-employment as a viable

alternative to social assistance.

Patty Lightning, General Manager of FPF's Wehn-Pah-Nud loan fund on Birch Island, Ontario, states:

*many of the Management Board members have been on the board since Wehn-Pah-Nud's inception and take this duty to the loan fund and community very seriously. Being circle members has ensured that the long term vision for the loan fund is not forgotten and that every step to achieve that vision is instigated.*

Since the establishment of its first group of women borrowers, the Wehn-Pah-Nud loan fund has grown to 25 participants, 80 per cent of whom are women, touching the lives of at least half of the community's 75 households. Three clients have made enough money to become independent of welfare. Over \$75,000 in loans has been disbursed with a repayment rate of 100 per cent.

The PARD loan fund, in Shelburne County, Nova Scotia, has had similar successes. Developed in partnership with Royal Bank of Canada, PARD serves the South Shore community which has been hard hit by the collapse of the fishing industry. Shelburne County has recently spent more in welfare dollars in one month than it did in one year five years ago; approximately half of the County's labour force has received unemployment insurance benefits since the collapse (Delta Four Associates Inc.).



Marcela Pathi de Balboa, window and door frame builder, BancoSol, Bolivia client.

Within this challenging environment, however, PARD has issued more than \$150,000 in loans averaging \$1,350 to 67 clients, half of whom are women, with a 100 per cent payback rate.

One borrower, who received provincial social assistance prior to joining PARD, managed to get off welfare rolls completely in less than six months. Another borrower, suffering from a long-term illness, used her loan to buy a bead loom, which enabled her to expand her line of jewelry products and make \$2,000 in sales in three weeks—all from her hospital bed! And two borrowers have “graduated” to much larger loans from Royal Bank, partly as a result of their credit history with PARD.

Cathy Davis, one of PARD's first borrowers and now vice-president of its Board of Directors, sums up the impact PARD has had in Lockeport, stating:

*PARD has shown the town how we can work together to help each other out because that's what it's all about—working together. We've learned that you can start a small business with a good idea, a little money and a lot of support. Over the last year, we've been calling ourselves the PARD family.*

PARD's success has led Calmeadow to establish a new entity, Calmeadow Nova Scotia, which will oversee the expansion of PARD-style loan funds to communities across the province in the next five years.

### The urban lending experience

On the urban front, Calmeadow is refining a lending model based on the principle that high volumes of lending can generate enough revenue to eventually cover operating costs. Calmeadow West, an extension of the Peer Assisted Lending (PAL) loan fund established in 1992 in Vancouver, and Calmeadow Metrofund, established in 1994 to serve Metro Toronto, will both develop a significant pool of loan capital in the coming years to lend directly to clients rather than using the loan guarantee system employed by FPF and Calmeadow Nova Scotia.

Lending in an urban environment poses unique challenges: the anonymity of city living makes it difficult for clients to form borrowers' groups; the loan fund's outreach methods must be diverse as communities are often formed along cultural or religious affiliations rather than along geographic lines; as well, the transitory nature of city living makes tracking clients difficult.

Challenges aside, however, once the borrowers' groups are formed, the principle of peer group lending has been shown to work: clients are receiving the cash kick-start they need to see their businesses grow. Vancouver resident Cynthia Brooks, owner of Book Mantle bookstore, is now increasing her store space thanks to loans from Calmeadow West; Bernice Goring, a designer of environmentally conscious fashions and accessories, has increased promotion of her items by organizing fashion shows with her

group members; and Sandra Peterson in Metro Toronto has fulfilled her dream to be the proud owner and operator of her own retail store with a loan from Calmeadow Metrofund.

Needless to say, Calmeadow's urban loan funds, like their rural counterparts, are committed to serving the credit needs of women clients. The loan funds have adopted proactive promotional strategies to attract women rather than using any group eligibility criteria. The self-selection process clients use to form borrowers' groups must not be overruled by quotas requiring a set percentage of women clients. That said, however, Calmeadow recognizes that women entrepreneurs face barriers specific to their gender, ranging from lack of role models to outright discrimination in traditional lending policies. To counteract these barriers, Calmeadow continues to represent women on all its promotional items, share women's success stories in newsletters, encourage and support women entrepreneurs to act as spokespeople at presentations to the business community and at other public events, conduct outreach to women's organizations, and actively recruit women volunteers to sit on management boards.

Calmeadow West has disbursed a total of \$174,300 to 99 clients in Vancouver and will be lending in the Fraser Valley in the new year. In the first six months of operation, Calmeadow Metrofund has attracted 107 clients in 27 borrowers' groups and has disbursed over \$100,000 in loans. Both loan funds report at least 50 per cent participation by women.

#### Future strategies for women and credit

Clearly, increasing the visibility of women entrepreneurs is crucial if Canada and the world community are to recognize the contribution women, no matter how poor, are making to our economic and social well-being. Women will, no doubt, continue to enter the micro-enterprise sector in increasing numbers as our formal economy shifts.

Calmeadow recognizes the need for worldwide action to ensure that women in the micro-enterprise sector are not forgotten. Indeed, as we prepare for the Fourth World Conference on Women in 1995 in Beijing, China, The International Coalition on Women and Credit, comprising of NGOs (including Calmeadow) and networks from around the world providing financial services to women, will ensure that the conditions surrounding women micro-entrepreneurs are highlighted, and will advocate expanding financial services to women in poverty worldwide. The 1985 UN Decade for Women conference in Nairobi recognized the value of credit as a means to achieve development objectives. The International Coalition on Women and Credit will capitalize on this historic opportunity to "help push the dialogue beyond recognition of need to more concrete action" (WWB 2).

*Kei Tsuzuki, a graduate of Princeton University's Women's Studies Program, has worked on a variety of women's issues*

*ranging from Asian-American women's representation in literature to community action on violence against women. She is currently the communications manager for Calmeadow.*

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