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Market women's cooperatives: Giving women credit

Judith Bruce
Population Council

SEEDS is a pamphlet series developed to meet requests from all over the world for information about innovative and practical program ideas developed by and for low income women. The pamphlets are designed as a means to share information and spark new projects based on the positive experiences of women who are working to help themselves and other women improve their economic status. The projects described in this and future issues of SEEDS have been selected because they provide women with a cash income, involve women in decision-making as well as earning, are based on sound economic criteria, and are working successfully to overcome obstacles commonly encountered. The reports are not meant to be prescriptive, since every development effort will face somewhat different problems and resources. Rather, they have been written to describe the history of an idea and its implementation in the hope that the lessons learned can be useful in a variety of settings. They are also being written to bring to the attention of those in decision-making positions the fact that income-generating projects for and by women are viable and have important roles to play in development.

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Market Women's Cooperatives: Giving Women Credit

Story by Judith Bruce

Introduction

As in most countries, women in Central America are economically active, especially in subsistence farming and petty trade. Yet, like women elsewhere, their contributions to the economies of the household, the community and the nation have generally been disregarded by financial and political institutions. The market women of Nicaragua play a critical role in the lives of a large segment of the country's population by providing goods at low cost, in convenient locations and with the personal touch of familiarity developed through daily contact. In order for the market women to operate, like any other business, they often need access to cash. However, because they have been considered to be outside the mainstream of economic activity, they have found it very difficult to get credit.

In 1972, FUNDE, the Nicaraguan Foundation for Development (Fundación Nicaraguense de Desarrollo) *—one of two programs sponsored by the Nicaraguan Institute of Development (INDE) — became aware of the market women's need for credit. What follows is a description of FUNDE's experience in developing savings and loan cooperatives to meet this need. This summary stresses the human aspects of the process as much as the financial and technical ones. The project has been successful because the cooperatives have built upon the existing market women's culture, utilizing all the subtle and complex interpersonal relationships established over the years. In essence what the cooperatives have done is to teach women to use and build on what they have to their own best advantage, by providing them with information, experience and encouragement.*

The Learning Process

Market women need cash to buy the produce and small manufactured goods they sell, to pay for transportation, to rent stalls in the market, to pay for water, electricity and *cargadores* who carry goods in the market district, and to use the public toilets. It costs approximately 100 to 1,000 Cordobas (U.S. $10-100) per day to operate a medium-size retail stall in the capital city, Managua. Smaller operations in smaller towns may cost less, but still these women need access to cash. Since market women's incomes are usually small, they seldom have money saved and tend to operate on a day-to-day basis. This means that very often they are forced to borrow money in order to keep their businesses going. They also need to borrow money if they want to expand and compete with supermarkets and other modern marketing systems.

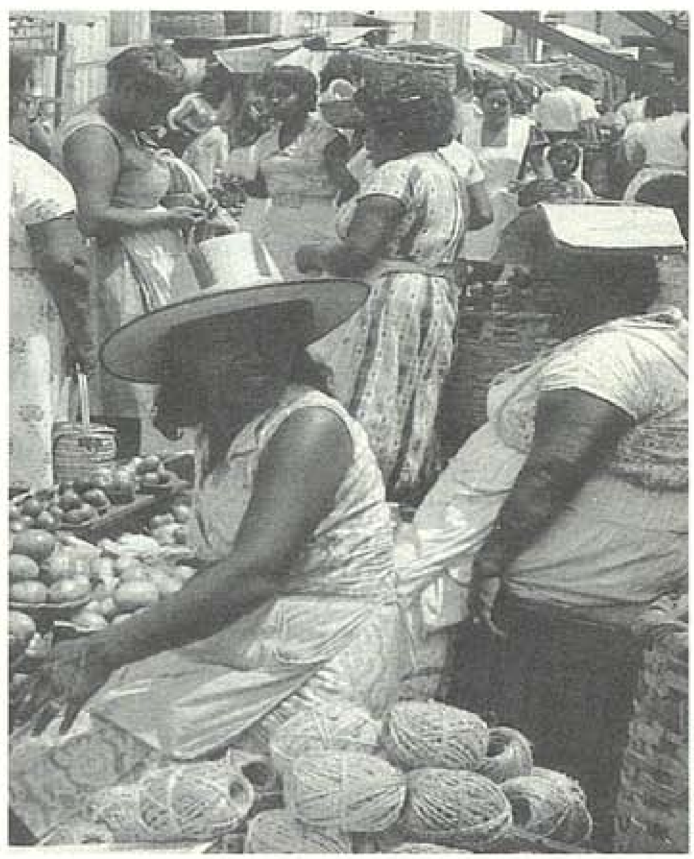
In theory, market women have three potential avenues of credit: banks or credit unions, friends and family, or money-lenders known as *prestamistas*. Bank loans and credit are difficult to obtain because most local banks do not want to administer the small loans the women request, nor are they usually willing to consider the women's enterprises as collateral. Moreover, a co-signer or guarantor is required. The assumption is that only men — preferably husbands — can be guarantors. The credit system, therefore, perpetuates the myth that women are dependent upon men for money, even when they are the primary or sole support of their households. As for friends and family, most have little if any cash to lend.

This leaves only one source of cash — the money lenders, known as *prestamistas*. *Prestamistas* typically give short-term loans (30-60 days) at 10% interest per month, or 120% or 240% per year.

FUNDE was aware that the market women needed loans at more reasonable rates of interest and believed that they could be of assistance. The best way to provide credit, however, only emerged through trial and error. Their first attempt failed.

FUNDE opened a loan office in the Central Market to provide the large number of traders operating there with credit at a reasonable rate, 1% per month, or 12% per year. Yet, despite their presence, many market women continued to secure loans from the *prestamistas* at rates ten times higher than FUNDE's. To find out what they were doing wrong, FUNDE hired two of the money-lenders. They identified several reasons why the market women were reluctant to come to FUNDE for loans: FUNDE's office was too formal; the FUNDE operation seemed strange and impersonal to the women; and, to quote one of the *prestamistas*, "After a long day in the market, a woman might catch cold here", — a reference to the office's air conditioning. In contrast to FUNDE, the *prestamistas* speak very informally and intimately with their clients, because they know them and their situations well. The money lender's daily presence in the market is a convenience for the women as it allows them to pay back loans daily. And the *prestamistas* can usually be found at odd hours if there is an emergency need for cash.

To compete effectively with the *prestamistas*, FUNDE, clearly had to develop a new approach. Drawing upon the lessons learned in their first attempt to provide credit to market women and their previous experience establishing cooperatives for low-income people, FUNDE decided to try a scheme that would involve the women in building their own, community level, credit institutions which they would eventually run themselves: a market women's savings and loan cooperative. Since market women generally have low social status and rarely participate in formal "institutions", credit



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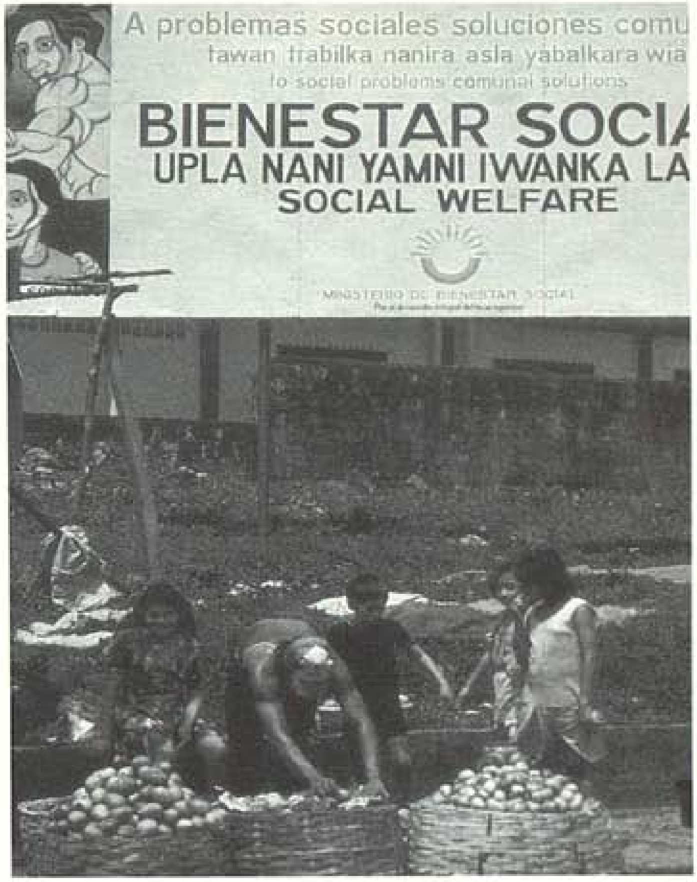
cooperatives they run themselves would not only assist economic expansion and diversification, eliminate debt, and encourage savings, but would also enhance the women's social status.

Establishing a Cooperative

FUNDE's long-range objective is to provide all market women in Nicaragua with an opportunity to join a local savings and loan cooperative. To begin they chose market towns with more than 2,500 people. They already had some experience working in such towns and were relatively well known. Based on their past experience and the process of trial and error, FUNDE followed several steps in getting a cooperative started.

The first group contacted in a market town is the community leaders. If they accept the idea of further meetings, a core group of five to thirty prospective members is called together jointly by the community leaders and FUNDE's field staff. In these meetings the meaning, structure, functions and benefits of cooperatives are discussed. Field staff point out that cooperatives are not simply a means to get credit. Members must first save before they can borrow (loans are usually made for up to three times the amount saved and 45 days after opening an account). Though less tangible as a benefit, some emphasis is put on a cooperative's role in using collective action to solve economic problems.

These first meetings are about two hours long. They usually are held near the market place and continue over ten days, by which time as many as 100 people may have come to listen and talk. Initially, the reaction of most market women is curiosity. Usually the first women to come forward are slightly better off than the other market women, but still are deeply in debt to the *prestamistas*. Strong enthusiasm on the part of these prospective members will then carry the others towards acceptance. Repeated meetings are necessary to attract sufficient people to establish credibility and to insure that the information is fully absorbed. FUNDE staff and the core group explain *over and over again* how a cooperative works. This is important if the cooperative is to gain people's trust. Acceptance of the idea of a cooperative is slower in communities where previous cooperatives have failed, and where the *prestamistas* spread rumors that the cooperative will steal the members' money.



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Once thirty or more women agree to form a cooperative, FUNDE helps them handle the formalities of legal incorporation. It is essential for the cooperatives to have legal standing so they can receive and dispense funds independently, establish relationships with other institutions (including banks), function as a pressure group, and ultimately separate entirely from FUNDE. Since many of the women are not literate, and since most of the women have no experience with legal or governmental systems, each step in the formation process is carefully explained and discussed.

A cooperative is established when legal documents have been signed, eleven directors have been elected by the participants, and when each member has purchased a share in the cooperative at a cost of 10 Cordobas and paid an additional 10 Cordobas for administration and 2 Cordobas for a passbook. The necessary legal processes take two to three months.

At the same time the legal steps are being taken, an office is rented in a convenient location, usually near the market. It looks like any other local office, with simple furniture and often outside toilet facilities. FUNDE makes a grant of furniture and equipment: a file cabinet, typewriter, desk, chair, and adding machine; all of which are symbolically very important to the young cooperative.

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FUNDE then makes a general loan of $10,000 at 12% interest annually to get the the loan process started. They also make an essential loan for management and organization to cover eighteen months rent and the salary of a manager (22,248 Cordobas, or U.S.$3,000). This loan is interest free. In studying causes of failure in cooperatives, either financial failure or failure to attract and hold members, FUNDE found that lack of skilled management early in the cooperative process was often the biggest mistake. Therefore a manager is hired and trained at once. The manager is selected jointly by the cooperative directors and FUNDE on the basis of interviews and a skills test. Frequently the candidates are young women with a secondary school degree. The pay is equal to or above that which would be paid for supervising factory or office work. One unique aspect of the manager's role in the cooperative is that she reports directly to the members, not to FUNDE.

Another factor in the previous cooperative failures was lack of competent, sustained training. FUNDE's key contribution to a new cooperative is not money — as that is repaid — but technical assistance and training to give the skills necessary to enable the cooperative to become self-sufficient. Two types of training are given, one for directors and managers, and another for members. Directors and managers are usually trained in Managua to give the training more prestige and to minimize distractions. Members are trained locally on or near the cooperative site.

Two kinds of training techniques are used: the case study method and a review of documents. In the case study method, small groups are presented with situations likely to be encountered in the operation of a cooperative. The group determines a problem and its causes, and then decides how it should be solved. Each group then presents its assessment to the general class where comments are made and conclusions drawn. In the document review stage, papers describing different cooperatives are distributed. Members learn the facts presented through individual study and through group discussion. Now that cooperatives are becoming more common, a third method is being used in some training: the idea of "model cooperatives." Directors, managers, and members are taken to efficient, well-run cooperatives to observe and learn.

At present, managers and directors are required to be literate. But since many members cannot read and write, training materials include pictures that convey basic concepts and encourage discussion.

Pictures and charts are used to help members answer such questions as, "What shall the cooperative's goal be this year? If the aim is 300 new members, a picture of 300 new associates is prominently displayed. Similarly, a picture of how the markets once were and another of how they can be with help from a well-functioning cooperative, helps the members learn about the benefits of cooperative organization.

Training methods build on familiar ideas and concepts. For example, the Roman Catholic concept of the Trinity (three in one) is used to explain that a cooperative is one whole made up of three different groups — owners, workers, and associates — and that each member is at the same time all three.

Training sessions run from three to six days, which is short enough so women with families are able to participate. But training is never a one-time affair. Directors, managers, and selected members are frequently given additional training, building step by step to self-sufficiency. The process of learning new roles and self-concepts takes time.

Once the cooperative is legally established, it begins operation. Membership usually starts at 30-50 people and reaches 200-300 over several years. Most cooperatives welcome anyone who wants to join, but increased participation usually comes as members bring in new people. This tends to happen in groups, with a new group joining after one of their associates has been a member and is satisfied with the cooperative.

An active member is defined as anyone holding savings or a loan. Members do not have to attend cooperative meetings or the annual assembly of members to be considered active. Members are of all ages, 18-80, with the directors usually being 30-50 years old.

The eleven directors, selected by the members, divide themselves into three committees: five for administration, three for the credit committee, and three for monitoring the accuracy and honesty of the other two. (The structure of the cooperative and duties of the committee are described in detail in Appendix I.)

During the first months of operation, general meetings are held every week and a FUNDE staff person is usually present. The meetings are open to everyone in order to demonstrate the democratic nature of the cooperative and to provide information to the community.

Picture books describing the cooperative's functions, structure, and the process for obtaining loans are distributed to all members (see Appendix II) to be kept and used for reference. These are also distributed to non-members in the community as a means of interesting them in joining the cooperative. Visual aids are also used in the day-to-day operations of the cooperative, including wall posters showing the number of members, the amount of savings and the amount of loans. Charts are maintained on a weekly basis and are a tangible

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measure of the cooperative's progress. Because they can be understood by both literate and non-literate members, the charts help to bridge the gap between these two groups, which is critical in maintaining the cohesiveness of the cooperative.

A cooperative usually begins slowly, with an organizational period of one to three months. The first loan request occurs within three to six months; then, when the system and the way it works has been demonstrated and is widely understood, the demand for loans increases substantially. The demand eventually levels off, fluctuating in a predictable pattern. Typically, a period of saving is followed by a period of borrowing.

Loan Procedure

When a cooperative member wants a loan, she speaks to the manager who fills out a request stating the amount, purpose, proposed payback timetable, and applicant's current savings. This information is reviewed by the credit committee which meets at least once a week and sometimes daily. A "soundness analysis" is made which includes the committee's knowledge of the member's character, the kind of work she does, her pattern of work and the rate at which she earns. Credit committee members are supposed to make judgements based on their own perceptions, not the manager's or those of anyone else. A good credit review studies each request, defers decision when there is a controversy, considers a loan as a right and not a privilege, and does not extend credit beyond a member's means.

The credit committee plays a very important role, especially in the early stages of the cooperative. Committee membership rotates to minimize favoritism; there are always three people. Since credit committee members generally belong to the same community as those requesting loans, they are in a good position to know who is a good or bad risk. This familiarity also exerts a kind of pressure to insure that borrowers repay their loans.

The formal conditions for obtaining loans are as follows:

(1) Members must have retained savings for at least six weeks before taking their first loan.
(2) Members requesting loans have to repay any previous loan.
(3) Members cannot receive loans of more than three times the amount of their savings.
(4) Loans of over 3,000 Cordobas must be paid within one year; loans under 3,000 Cordobas must be paid back within eight months (there are exceptions).
(5) No one is permitted to request more than 8,000 Cordobas.
(6) Interest is incurred at 1% per month.
(7) The guarantor of a loan must be either another cooperative member or a third party with sufficient financial resources to cover the loan.
(8) No member can be a co-signer or guarantor of more than two loans at the same time.
(9) Any member wishing to withdraw from the cooperative must give 30 days notice so that all transactions (outstanding loans, etc.) can be settled and the member's savings returned. If a member defaults on a loan after repeated requests to repay, she is asked to leave.

About 3% of all loans are never repaid. About 10-15% of all loans require rescheduling. Terms of repayment are set to take individual needs into account. While differences in repayment schedules can create uncertainties among members, it is important that cooperatives remain flexible. Repayment terms must be those the women can handle. *Prestamistas* receive daily payments; banks, on the other hand, find the paperwork and management time required by daily repayment too troublesome. The cooperatives accept daily repayments because many members do not like to hold cash since they may be put under pressure by the family to spend it.

During a typical day, a cooperative may have between five and thirty members stopping in to take out or repay loans or to deposit savings. Offices are generally open between 9:00 a.m. and close of the market at 4:00 or 5:00 p.m. Everyone knows where the manager lives so members can find her in case of an emergency. The manager does her accounts and record-keeping between members' visits.

Once the cooperative is fully operational, meetings of the three cooperative committees (credit, administration, oversight) are held at least once a week and meetings of the entire membership are held monthly, called by the manager. There is an annual general assembly where the cooperative's finances are reviewed and written reports issued by each committee. These reports are mimeographed and distributed to the membership. They are an important means of communication for the cooperative because, in addition to providing specific information, they help reinforce trust. They also become part of the cooperative's legal record. Preparation of reports is a learning experience for the manager and the directors. Each cooperative decides how to publish its annual

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report, but must follow the same budget format.

In the early months of operation, FUNDE staff make weekly visits to the cooperative to meet with members and to supplement the manager's training. Over time, contact between FUNDE and the cooperative declines. Every visit by a FUNDE staff member concludes with the manager making out a receipt which describes the services provided. This receipt has a symbolic as well as practical value. In addition to being a good management tool for FUNDE to keep track of its own staff time and performance, it gives the cooperative a certain power: it allows the cooperative to describe and evaluate the service it has received, thereby reinforcing its right to good service. This is important in building independence and self-sufficiency.

FUNDE generally limits assistance to a cooperative to three years, but expects it to be almost self-sufficient after two. FUNDE will not grant more than $10,000 to a cooperative during its first year of operation, a limitation which has less to do with the cooperative's ability to use the funds than with FUNDE's own lack of access to more money. But FUNDE does not seek to be a source of funding; rather it tries to broker support for loans to cooperatives from commercial banks by serving as a guarantor. This has already occurred with a number of the better established groups. When a cooperative does become financially self-sufficient, it can begin to purchase FUNDE's services, such as training, rather then accepting them free of charge. In general the stages of cooperative development are:

- Two years: the cooperative has repaid its initial loans from FUNDE and can pay its manager out of its own funds.
- Four years: the cooperative can make loans with money received from regular financial institutions, guaranteed by FUNDE.
- Five years: the cooperative can buy auditing services and technical assistance from FUNDE; loans from FUNDE can now be used for diversification.
- Seven years: the cooperative can function entirely independent of FUNDE.

Results

In the seven years since its first loan-giving experience, FUNDE has assisted in the establishment of 58 cooperatives. The 15 cooperatives discussed here are market women's cooperatives and ninety percent of their members are women. The majority of the remaining 43 cooperatives, some in central market areas and some in towns, involve farmers or small retail or manufacturing enterprises. Between 50% and 80% of the members of these groups are women. FUNDE also supports cooperatives which focus on agriculture and other development projects. These generally have a larger percentage of male members.

Between 1975 and 1979, total savings of the 58 cooperatives grew from U.S.$74,556 to $1,640,500. The amount of loans given by FUNDE to the cooperative movement in 1979 was $1,273,700. Total assets increased from $126,056 in 1975 to $623,000 in 1979.

The value of the cooperatives to their members is reflected by increased participation — from 283 members in 1972, to 12,522 in 1979. Among the 15 market women's cooperatives, membership increased from 210 in 1972 to 5,530 in 1979.

The availability of credit has helped women maintain and expand their existing businesses and has reduced the cost of some aspects of commercial marketing. For example, women with little cash had to make frequent trips to suppliers to buy small quantities of goods. With more cash, the women make fewer trips and buy greater quantities at lower prices. These savings are then passed on to their customers. The cooperatives have helped members reduce their debts, increased their ability to make investments for short and long-term purposes, and promoted saving. Increasingly, credit is being used for long-term investments such as education, purchase of homes, and upgrading of living conditions. This diversification in the use of loans turns a market cooperative into a multi-purpose savings and loan association.

The first women to join the cooperatives worked in the commercial sector and had some experience in managing money. Many of the newer members, however, are marketing through their homes rather than through organized structures. Access to credit has enabled these women to engage in income-generating activities and to become part of the economic development of their country.

The cooperatives have also affected relationships between formal financial institutions and the community. Most well established cooperatives have by now received loans directly from local banks. These loans are often the first involvement of financial institutions with low-income, community-level organizations. Even though

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the banks get regular commercial interest on these loans, in a sense they are an investment in the community's poorer members as they indirectly promote a better distribution of income. Loans to women, for example, help equalize the great income disparities between men and women.

The establishment of the cooperatives has also brought about an accumulation of information about needs for and uses of money, and about changing patterns of usage. Previously such information was scattered among the *prestamistas* and, to a lesser degree, the banks. Now this information is concentrated in a structure which is trusted by the community, has legal standing vis-a-vis other administrative structures, and exercises some peer group pressure over those engaged in commerce. This makes it possible for the members to analyze their own economic situtation as well as that of their community and thus plan and carry out broader political and social action programs.

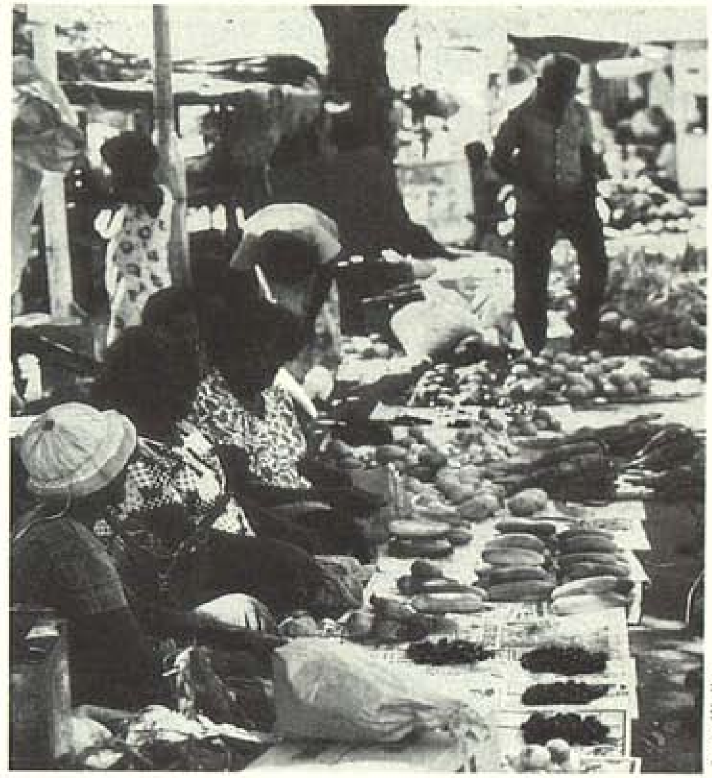
Cooperatives are in a position to identify and carry out community projects which usually would not be undertaken by either the government or outside private agencies. Some examples:

- A cooperative is working to establish a central marketing structure in a community now dependent on Managua.
- The cooperative at Chichigalpa operates two daycare centers for pre-school children, benefiting not only the mothers but also the children by keeping them healthier and preparing them for the content and discipline of school.
- The cooperative in Granada runs a health clinic, where local physicians contribute their time several mornings a week. Supplies from a dispensary are available free of charge.

A strong cooperative can, in other words, develop broader social and political power and legitimacy from an economic base.

Some of the benefits of a cooperative to its members are less visible or quantifiable. The meaning to individual women may, however, be captured in these accounts:

- A woman, thirty years old, married with four children, and a cooperative member for several years makes clothes for local sale. Her original loan of 500 Cordobas was used to travel to Panama where she bought fabrics of greater variety and at lower cost than those she could find in Nicaragua. Currently she has loans up to 6,000 Cordobas and an annual income the exceeds her debt. She now travels not only to Panama, but also to Mexico to get materials.



Anne Walker

- A widow, seventy years old and a member of a cooperative for several years, suffered a cerebral hemmorrhage. She took out a loan from the cooperative to cover her medical expenses. Without the loan, she would have gone out of business. She does not understand much about money, but she pays her loan on time and trusts the cooperative.
- A twenty year old cooperative manager who used to supervise 300 persons in a clothing factory, prefers working with the cooperatives because she is not on her feet all the time, likes to manage and to be of service to other people. She enjoys introducing women to the cooperative and showing them how it works. She would like to train other women to be cooperative managers.

One of the objectives of the market women's savings and loan cooperatives was to raise these women's status in the community as well as improve their economic outlook. Women describe their new roles, opportunities and responsibilities in these ways:

- They have more control over what happens to them.
- They have greater influence over decisions in the household.
- They have a stronger sense of their right to services and support from the community.
- Many women who formerly carried baskets of goods, now rent stalls and have their own space.
- They have the resources to invest in their children's education.
- With increasing pride in their occupation, they encourage their daughters to become market women.
- They see ways to improve their community and help it become a good place for their children to grow up.

One reason for opening access to credit and investment to women is to give them a voice in the community. Market women's cooperatives express the women's point of view in a very important way, and most of the community projects they have undertaken support and assist women's roles in the domestic sphere, such as daycare, health, or potable water for the school. From their strong economic base, the market women can work to insure that their priority needs are met. It is questionable whether men's cooperatives would have done the same things.

Lessons

Savings and loan cooperatives do not work in all settings. The particular model developed by FUNDE was a second attempt after initial failure. The second attempt succeeded because it applied several lessons:

1. **The size of the capital share members of the cooperative must purchase was small enough so that very low income women could participate.** Even poor women can save initially — if not cash, a commodity that can later be sold for cash (for example, rice that is put aside). It is important for a cooperative to be flexible in the amounts they accept from low income women. If the small units poor women can save are not treated seriously, these women will not get involved. FUNDE learned that the market women liked to take loans from the traditional money lenders because they could repay loans daily, in small amounts. Frequent small installment payments tend to increase repayment rates since they eliminate pressure to spend the money elsewhere. A successful savings and loan and credit-giving program should be flexible in repayment schedules and collection procedures.

2. **A cooperative credit program should have a constituency — such as the market women — who are in immediate need of its service.** Many women in agriculture and petty trade are already seeking credit. They often become a cooperative's first members and leaders and are responsible for drawing in a wider circle of women. Before poorer, less economically active women become involved, they need to see a more visible group of women's needs met.

3. **Review of credit worthiness should be undertaken by peers — women in the same kind of work and from the same community who are in a position to evaluate the reliability of the person receiving a loan. In this way repayment rates without collateral can be high.** Traditional loan procedures through community financial institutions or even traditional money lenders often require collateral. This discriminates against those who are quite ready to repay a loan but who have no material assets to put aside as a guarantee. The procedures FUNDE has adopted in its cooperatives increase the sense of community responsibility for a high repayment rate. More importantly, they provide a way for low income people to make money without already having money.

4. **The organization intitiating the formation of a savings and loan cooperative need not have a lot of money (perhaps U.S.$10,000 annually: $5,000 in funds to contribute and $5,000 to loan) but it must be able and willing to make a long-term commitment to the development of low income women's leadership.** Organizations must commit the time necessary to develop the program slowly (one to four years). They should develop proficiency in training the women to manage money and should pro-

vide technical assistance as well as practical and moral support during the first few years. Some organizations that now are undertaking social welfare programs might consider using their staff as cooperative promoters and their funds as seed money for savings and loan projects. If the FUNDE project provides any example, most cooperatives will repay their loans in two to three years, and there are very few development projects where an agency can expect to see its investment repaid.

5. **The process of establishing a cooperative is in essence a process of building a social contract among members and developing the confidence of individuals.** Presenting the idea of a cooperative takes time and must be done with support, discussion and visual aids so both literate and illiterate women understand the importance of their role in the cooperative and that the success of the cooperative depends on them.

6. **The cooperative must produce rapid, tangible results.** For example, FUNDE establishes cooperatives legally and sets up an office within three months; members are permitted to save as soon as it is legally established; the first loans are granted within six months. All meetings from the beginning are open. Membership cards, wall charts, and annual reports are all tangible evidence of participation, growth, and legality which build the credibility of the cooperative.

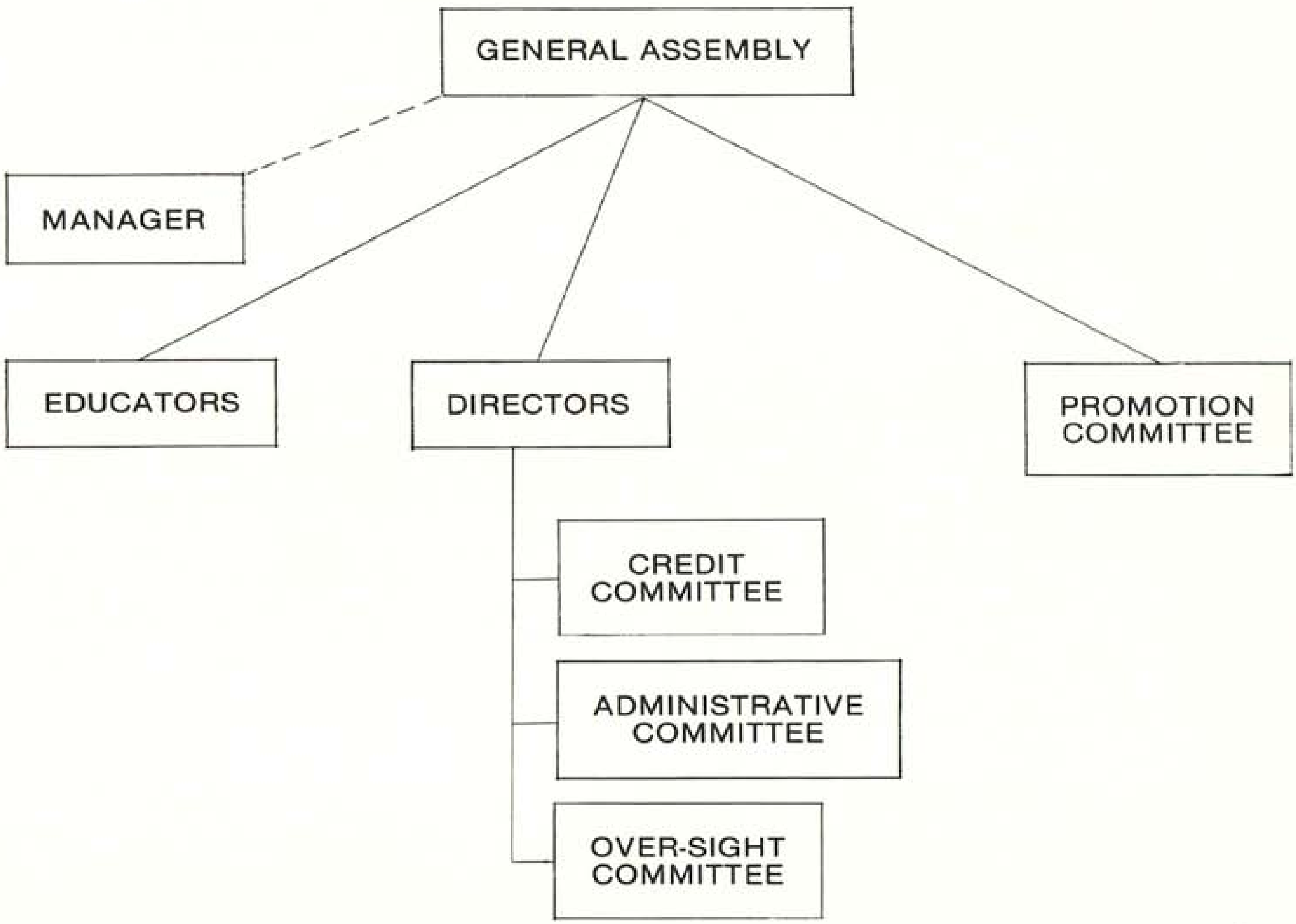
There are resources for those interested in developing cooperatives. Some additional savings and loan projects are described in Appendix III.

FUNDE has established a research and development office that will be glad to provide additional information on their cooperative program. Please write to:

Lic. William Baez
FUNDE
Apartado 2598
Managua, Nicaragua

APPENDIX I

ORGANIZATION OF A COOPERATIVE



GENERAL ASSEMBLY: All members belong to the General Assembly and are invited to an annual meeting where the annual report of cooperative activities is reviewed and fiscal transactions approved. In this meeting the 11 Directors are elected.

DIRECTORS: Eleven members elected during each annual meeting, by the General Assembly, to serve as the members of the Credit Committee, Administrative Committee, and the Over-Sight Committee.

CREDIT COMMITTEE: Meets weekly to review all loan requests. Grants or turns down loan applications and reschedules loans when necessary.

ADMINISTRATIVE COMMITTEE: Meets weekly to oversee operations and to be sure daily records and all cooperative facilities are in order. The Manager's work is overseen by the Administrative Committee as well.

OVER-SIGHT COMMITTEE: Meetings weekly to double check all fiscal transactions, loan decisions and administrative arrangements.

EDUCATORS: Educators are selected from the membership and are charged with the training of new members and for arranging training for both new and continuing members through liaison with FUNDE.

MANAGER: The Manager is hired by the cooperative and is responsible for the facilities, opens and closes the office and manages the loan-giving and receipt of payments on a daily basis.

PROMOTION COMMITTEE: Members of the Promotion Committee are elected from the membership. They discuss the cooperative with other members of the community, encourage new membership and look for new roles for the cooperative to play within the community.

APPENDIX II

A simple pamphlet was designed by FUNDE to introduce prospective members to the concept of a cooperative. The first page of this pamphlet is reproduced below. Translated, it reads: "What is a cooperative? A cooperative is the union of a group of people who have the same problems and who organize voluntarily to serve themselves or the community. How is a cooperative formed? It is formed by a group of people of their own free will."

QUE ES UNA COOPERATIVA?

UNA COOPERATIVA ES LA UNION DE UN GRUPO DE PERSONAS QUE TIENEN LOS MISMOS PROBLEMAS Y QUE SE ORGANIZAN VOLUNTARIAMENTE PARA SERVIRSE A SI MISMO O A LA COMUNIDAD.

COMO SE FORMA UNA COOPERATIVA?

SE FORMA POR LA VOLUNTAD PROPIA DE UN GRUPO DE PERSONAS.

APPENDIX III

The development of credit cooperatives for women involving savings and loans and social action has taken place in a diversity of settings. Two examples are:

1. Self-Employed Women's Association (SEWA) of Ahmedabad, India.

The Self-Employed Women's Association (SEWA) of India, is a trade union of 12,000 low income, self-employed women who work as hand cart pullers, vegetable vendors, junksmiths, used garment vendors, quilt makers, and petty traders. Ninety-three percent of these women are illiterate and 97 percent are slum dwellers. Most do not own their own equipment (vending stands, handcarts).

When SEWA was established most of these women were in severe debt to money lenders and/or the wholesale suppliers of the goods they sold. In response to their needs, a women's bank was established as an adjunct to SEWA. A woman joins SEWA by paying three rupees (equal to one day's earnings). Once a member, she can buy a share in the Women's Bank for ten rupees (U.S.$1.30). The Women's Bank makes loans of between R250 to R1,000 (U.S.$33 to $132) to shareholders. The SEWA Women's Bank submits the approved loan applications to the Nationalized Bank of India, but pays the money directly to the woman requesting the loan. The loan is due in 20 months with fixed payments every month. The Women's Bank charges a 10 percent service charge on loans. There is a small rebate if the loan is paid on time and penalties if if is not. An analysis of 2,000 borrowers showed that 44 percent paid their installments on time; 43 percent missed three to six installments; and only 13 percent missed more than six.

A fuller accounting of this project can be found in: "Women in a Developing Economy — From Dissociation to Rehabilitation: Report on an Experiment to Promote Self-Employment in Urban Area," by Devaki Jain, published by the Indian Council of Social Science Research, IIPA Hostel Building, Indraprastha Estate, Ring Road, New Delhi I, India, (1976).

Additional information about the project is available from: Mrs. Ela R. Bhatt, Chief, Women's Section, Textile Labor Association, Ahmedabad, India.

2. The Small Business Credit Component in the second urban development project of **San Salvador, El Salvador.**

This is a project of the El Salvador Government, with financing provided by the World Bank, which is attempting to improve the urban environment through a scheme combining enhancement and extension of basic services and support for small local businesses. Women headed households account for over 40 percent of the households covered by the project. In addition, research in the area shows that women bear overall financial responsibility for their households, regardless of marital status. For this reason a credit program for small businesses was included in the urban development scheme. The program assists women by improving their productivity and by assuring them of some cash income. It also reduces the women's dependency on their daughters for help in the business, thereby enabling the girls to attend school.

Individual women do not request loans directly from the municipal group, but rather through organized solidarity groups. A woman must be a member of such a group, and her loan application is reviewed by her peers in a group discussion. The group as a whole then takes responsibility for its repayment. Once the solidarity group has decided the loan is a good risk, they forward it to the municipal finance corporation which pays out the loan to the woman and accepts her repayment.

In the first year of the project, women entrepreneurs represented over 85 percent of those taking loans. The majority of loans were for U.S.$200-300, while 22 percent were for U.S.$400-500. Sixty percent of the loans were to assist stores, including family food services; 25 percent involved clothing production for children and adult females; 10 percent were for artisans and handicraft producers; and 5 percent were production enterprises, such as tailors, shoe manufacturers, and repairs.

The repayment level in the first year's operation was 97 percent. A study of the businesses of the loan takers indicated that most of them had expanded their operations, typically by 40 percent.

Those wishing additional information on this project may direct their inquiries to SEEDS.

For additional information about credit for rural women, see: "Credit of Rural Women: Some Facts and Lessons," by Myra Buvinic, Jennefer Sebstad and Sondra Zeidenstein. Available from the Women in Development Office, Agency for International Development, State Department, Washington, D.C. 20523.

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