

## **WWB GENDER STUDY: THE CAPACITY OF POOR WOMEN TO GROW THEIR BUSINESSES IN THE DOMINICAN REPUBLIC**

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### **Introduction**

Providing credit to poor women is a great way to enable the financial stability and economic progress of low-income households. But because of gender-based constraints, burdens and responsibilities, in the Dominican Republic as in many countries, more than credit is required if women are to make real progress in lifting their families out of poverty.

### **Gender-Based Business Constraints**

The poor women of Santo Domingo who are the focus of this study are responsible for meeting all of their families' needs except basic housing and food. The expenses associated with the education of children, health care, clothing, furniture, and family emergencies all fall on women's shoulders. This limits their capacity to reinvest profits into their businesses.

Time-allocation for women is also a major constraint. Women who go into business to provide for their families' needs must incorporate the demands of their business within an already full schedule of child care, cooking, cleaning and caring for relatives. Despite these burdens, women's traditional status within the family and in society is low. Women may bear the burdens, but men call the shots. Yet as this study shows, these dynamics change and women's autonomy grows as they earn income.

Women's gender-based, personal priorities also play a role, influencing their motives for going into business, their choice of business options, and the goals they hope to achieve through their business ventures. Women tend to equate success with stability and a secure future, rather than with an accumulation of capital or business assets. Securing a better life for their children through education and a steady income for their own old age tend to be women's first priorities. Moreover, when women receive support to engage in business, their increased autonomy within the household, their growing independence and self-confidence are, for them, tangible rewards of work.

### **Women of Santo Domingo Speak Out**

Between 2002 and 2003, Women's World Banking conducted in-depth interviews and focus group discussions with 130 women and men, clients of the microfinance institution ADOPEM from low-income neighborhoods in Santo Domingo. Assured of anonymity, interviewees spoke candidly about gender-based family dynamics, the demands of home and work, the financial pressures they face and the survival strategies they employ. The objective of the research was to paint an authentic picture of these women's lives, enabling ADOPEM to better understand their needs and to design and offer a wider variety of responsive products and services to ensure that poor women meet their primary goal of financial security for their families.

### **Ana Celeste Genao Rodriguez: A Widow Finds Security with Family Support**

Ana Celeste Genao was 23 when her husband died 18 years ago. She had three small children, the youngest just four months old, and no means of support. She moved back with the children to her parents' small wooden house, where her brother and sister were also living. Her family helped her go to university for two years to study accounting. After university she worked as an accountant in a liquor export business. Her uncle ran a small grocery store on the plot of land where the family was living, but it was not doing well.

**Becoming a store-owner**

In 1988, Ana Celeste's aunt, who was living in New York, encouraged her to take over her uncle's store and lent her RD\$3,000, or US\$136<sup>[1]</sup>, interest-free. This she used to pay her uncle for the existing inventory. There was a refrigerator and freezer in the store that belonged to her mother, so she continued to use them. She gradually built up the business. She took out her first loan from ADEMI, a microfinance institution, for RD\$20,000 and used it to finance the construction of a two-story cement house on her mother's property. She managed to repay the loan with the profits from her store. That same year she took out another loan from ADEMI (RD\$30,000) and bought an electricity generator, as well as an awning for her store.

In 1999, Ana Celeste took out her first loan from ADOPEM (RD\$10,000) to build shelves in the store and buy inventory. Her business improved as she gradually upgraded its inventory and equipment, some of which she acquired on credit. For example, her fruit juice display cabinet cost RD\$26,000; she paid the supplier RD\$3,000 up front and then paid off the rest in equal monthly installments, with no interest. Similarly, she paid RD\$3,000 up front for her beer freezer, in equal monthly installments with no interest.

**Building an apartment**

Ana Celeste has combined credit from ADEMI and ADOPEM, as well as profits from her business, to finance the construction of her apartment in the new cement house. She borrowed an additional RD\$50,000 from ADEMI to help pay for the construction. Her second loan from ADOPEM, taken in 2000, paid for the windows.

Ana Celeste's third loan from ADOPEM, in November 2001, was for RD\$25,000. She used RD\$20,000 of it to stock up on beer (one of the highest margin items in her store) and put RD\$5,000 toward buying a computer for her daughter. She also took out a loan (RD\$15,000) from an organization called PROMIPYME to buy the computer. Her most recent loan from ADEMI was for RD\$100,000, which she used to buy furniture for her house.

Ana Celeste's only income source is her store. Thanks to her family support network and to the availability of credit, she has built up a business whose daily cash income enabled her to raise her three children and build her apartment. Although the property legally belongs to her mother, she pays her mother rent only for the ground floor where the store is located. Ana Celeste expects to eventually inherit the property from her mother.

She opens the store early in the morning and closes it around 11 p.m. She usually has the help of one of her daughters between 2 and 5 in the afternoon. Most afternoons she can rest, but on Mondays and Thursdays she shops for vegetables and grains in the market. Her younger daughter helps her in the evenings.

**Differences in Perceptions of Women's and Men's Roles and Responsibilities**

The men and women interviewed differed in their perceptions of how well each of them fulfilled their respective roles and responsibilities. The women felt that their economic contribution to the family income and their housework-related accomplishments were undervalued and little recognized.

At least some of these differences of opinion originate in the "machismo" aspect of male identity. Infidelity creates mistrust, lack of transparency and lack of communication. It also increases the possibility of abandonment. The diversion of part of the man's income to what is perceived by women as unnecessary expenses (alcohol, gambling, recreation, friends, lovers) has a debilitating effect on the household economy. Having multiple families – particularly in this low-income segment of society – limits the amount of money men can spend on each one, which may account for why men limit their financial responsibility to just food and housing. Finally, conflicts over "machismo" affect the development potential of both men's and women's businesses, because distrust, unease and disagreements limit possibilities for cooperation or development of joint projects, whether economic or social. Women interviewees confirmed that cooperation inside the household was important to their success in business.

Men and women differ about what it means to take responsibility for the household. While men perceive themselves as heads of the household with ultimate responsibility for the family, women say that in reality it is they who are responsible for everything in the home.

- This difference in perception versus reality gets played out most notably in the financial arena, where men limit their responsibility to paying for food and housing while women have to pay for everything else: additional food, clothing, school fees, medicine, furniture, etc. Women perceive this to be totally unfair.
- Another area of difference between perceptions and reality concerns what it means to be a father. Women argue that men see this role as simply “fathering” children and having basic responsibility for them, rather than taking on the responsibility for “parenting.” Hence, a phenomenon that could be described as “absent fatherhood” is relatively common – whereby men live in the same house as their children but do not act as parents.
- Women’s shift into income-generating activities has not been met with a comparable shift in men taking responsibility for the housework or managing the household. This means that the majority of women interviewed work very long hours and juggle a huge number of tasks. While women acknowledge that this is hard, it was not a significant source of discontent.

### **Aspirations and Definitions of Success**

When asked what they aspired to in life, most interviewees mentioned goals such as living in a home they could call their own, having their children become professionals, upgrading their own education and ensuring that they had financial security in their old age.

Measuring the “success” of microentrepreneurs by the growth in sales of a single business ignores the multiple sound investment allocations households make in order to cater to present and future needs. Broadening the definition of success to include housing, the education of children and oneself, and financial security for the present and the future is more useful in explaining strategies that households engage in.

### **Horizontal and Vertical Strategies: Growing One Business vs. Diversification**

The likelihood of growth for a single business is compromised because most households prefer to have several businesses. Women especially were likely to have a number of businesses (horizontal investing), whereas men are more likely to plow their earnings back into a single business. Women’s horizontal investment strategy lowers the vulnerability of the household in case of business failure (not putting all their eggs in one basket), and smooths the income flow over weeks, months and years. But it also limits the growth potential of the woman’s primary business.

### **Florentina Diversifies: Lunch Business, General Store, SANES, Rental Properties**

Florentina Reyes has a successful lunch business, but a year after she started selling lunches, she began to diversify her business activities. In 1988, she borrowed RD\$125 from a friend of her husband and started a small “store” – a table in her wooden house – where she sold coffee, sugar, bread, cookies, mints and cigarettes. Her son’s godmother, who lives in New York, gave her some cloth to sell in order to pay back the RD\$125 loan. She bought a freezer for RD\$20,000 with store credit and started making fruit juices and ice cream to sell. She saved between RD\$20 to RD\$30 a day from the ice cream and fruit juice sales to pay the monthly installments for the freezer. She soon added soft drinks and beer, which have a higher profit margin.

#### **Investing in rental properties**

In 1990, Florentina organized a SAN for 40 pesos a day which provided her with a lump sum to invest. She combined that with some of her earnings from the lunch business and her husband’s wages, and gradually bought cement blocks. Over the course of a year, Florentina’s husband constructed concrete walls around their wooden house. They shifted the wooden house to the side of the concrete structure and finished off the concrete structure

with a roof. The family then moved into the concrete house and rented out the wooden house for RD\$500 a month. This was her first rental income. The household at this point had four sources of income: the lunch business, the store, rent and her daughter's earnings.

In 1997, Florentina won RD\$1,000 in a lottery. Instead of spending it, she combined it with her first loan from ADOPEM (RD\$4,000) and bought the construction materials with which her husband built two rooms above the main house. They rented these rooms out for RD\$800 a month each. Every month she used the rental income to pay off the loan from ADOPEM and to buy more construction materials. Meanwhile, the profits from her two other businesses were used to restock those businesses and cover household expenses. The family's main meal came out of the same food that she cooked each day for her lunch business, and the merchandise she bought for her store was also used at home.

In 1998 Florentina took out her second loan from ADOPEM (RD\$8,000) to buy more construction materials, with which her husband built two more rooms. Each room was rented out for RD\$800. At this point, the family's total rental income per month was RD\$3,700, or US\$168. It is important to note that at this stage the bulk of the household's expenses were paid out of the lunch business and the store rather than out of the rental income. The latter was earmarked to pay off the loan from ADOPEM and the store credit she received from the hardware store for the construction materials. With whatever was left over, Florentina continued to invest in construction materials to build additional rooms. Her husband was now 67 years old and his capacity to earn money had diminished. He continued to get some paid work but focused mostly on building rental units in the family compound.

In 1999, Florentina received her third loan from ADOPEM (RD\$15,000) and borrowed another RD\$25,000 in 2000. This fourth loan was used to build a bathroom inside the main house and to buy a radio for the family. In 2001, Florentina borrowed for a fifth time from ADOPEM (RD\$40,000) and built a little two-room house behind the family house. They rented each room for RD\$900. At this point her wooden house was earning RD\$900, so that her total monthly rental income was RD\$5,900, or US\$268. As always, she used the rent to pay off the loan from ADOPEM and her debts at the hardware store. She also used part of it to pay back the grocery store that supplied the inventory for her lunch business and store.

In 2001 she decided to close off a portion of her front porch and relocate her store there. This was a good location on a busy street. At this time she also started selling clothes to the employees of the company where she sold lunches. She thought this would be a good business too, but unfortunately it did not do well and she stopped it in 2002.

In 2002, Florentina borrowed RD\$60,000 from ADOPEM and RD\$20,000 from an associate who is a lawyer with the aim of building two rooms: one for rent as a store front and the other above the store front for rent as accommodation.

She still owed ADOPEM RD\$13,000 from the previous loan and ADOPEM deducted this amount from the RD\$60,000. At the time of the WWB interview (March 2003), the store front had been completed and was rented for RD\$3,000 per month. Florentina's husband was finishing the floor of the room above it. The expected income from that room is RD\$1,500.

Florentina was able to pay the lawyer most of the RD\$20,000 very quickly since she managed to rent the store front and secure RD\$21,000 up front from the tenant. This included RD\$9,000 for three months rent; RD\$9,000 as a deposit and a real estate commission of RD\$3,000. Florentina still owes the lawyer RD\$2,000 and said that she will pay him with the June rent. She has hired this same lawyer to collect the rent from all her tenants for which she pays him a 10 percent commission. Her monthly rental income in July 2003 will be just under RD\$10,000, or US\$454.

In Florentina's words, her "main business is building rooms to rent" and her investments have paid off handsomely because of the following reasons:

- Horizontal investment – diversifying in more than one business – makes a lot of sense for many households, since with more than one business, money comes in at different times. It also lowers the vulnerability in case one business fails.
- Diversification also helps women manage time, as some businesses, such as hairdressing, require active management, while others, such as renting a room, require only passive management.

## **The Capacity to Invest Money in the Business**

The capacity of women to grow their businesses through reinvestment of profits is often limited by the various demands placed on their earnings. Since women feel responsible for meeting all the needs of the family (except for housing and basic food) they see their business more as a means of sustaining their household, rather than as a vehicle for growth.

## **Financial needs beyond business investment**

Both female and male interviewees were asked to identify and discuss the lifecycle events that exert the most financial pressure in their households. The interviewees were asked to indicate the amount of financial pressure by allocating the numbers 1 (low pressure) to 5 (high pressure) to each lifecycle event. The participants were then asked to discuss how they cope with these lifecycle events at present and what kind of products a microfinance organization could provide to help them respond to these events.

The events that place the most financial pressure on households are housing, children's education, health, the costs of dying (both funeral expenses and ensuring that their dependents are taken care of), and the costs of old age. It is interesting that in terms of financial pressure, education received more points than ensuring enough resources for old age. Perhaps this can be explained by the age of the interviewees (most were under 40), which would make the education of their children a need more immediately felt. It is also possible that some interviewees are assuming that their children, if they receive a good education, will support them when they are old.

While households engage in a series of strategies to cope with these events, i.e., borrowing from institutions and each other, saving and liquidating assets, there is no doubt that there is enormous demand for affordable and flexible savings, insurance and loan products tailored to each lifecycle event.

1. Housing
  - Housing is the most important investment for the present and the future.<sup>[2]</sup>
  - Housing is also perceived as a source of income for the present – and as security and retirement income for the future.
  - For women, investing in housing reduces financial vulnerability in the event of abandonment by their husbands.<sup>[3]</sup>
  - Like low-income people everywhere, interviewees build their houses gradually.
2. Education
  - Education represents the second highest economic pressure after housing.
  - Education (public as well as private) is very expensive and many parents find it difficult to afford it.
  - The public school system is perceived to be of very poor quality. Most parents try to send their children to private school if they can afford it.
  - Access to savings products would help families pay for schooling.
3. Health Care
  - The ability to cover expenses for sickness is literally perceived to be a life or death issue.
  - There appears to be consensus over the fact that the health care system is inadequate.
  - Strategies for covering health expenses include savings, borrowing money from family members and neighbors, selling household items and reaching out to NGOs.

- Some interviewees paid for private health insurance (i.e., people with greater economic capacity) or received it as a benefit from working in the formal sector.
  - There is some mistrust of existing insurance vehicles, and some interviewees said that you are better off paying with cash. But most people agreed it was crucial to have some kind of health insurance.
  - Affordable health insurance would reduce the vulnerability of poor households considerably.
4. Old Age
- Women with low business sales were the only group to identify old age as one of the lifecycle events that exerted the most pressure.
  - Strategies for covering financial needs during old age include saving and investing in property and children. Pension plans exist only for those who have formal employment.
  - A long term savings account with insurance that guarantees the payout if the saver dies before term is a product increasingly seen in the microfinance sector. More work needs to be done in designing an affordable pension product for the informal sector.

### **Gender Roles and Household Expenditure Patterns**

In general, men and women agreed that men's minimum responsibilities include covering the family's basic necessities: buying food and paying for housing. The women perceived themselves as being responsible for all other expenses, including clothing for their children, education-related expenses, furniture and other household items, and health-related expenses.

These differences in perception may be partially explained by men's and women's actual roles. The men do not participate in managing the household and they do not do housework; thus, they are unaware of what the financial requirements are. Moreover, women attach value to replacing or buying furniture and other household items that men see as superfluous.

There are also differences in perception regarding the use of discretionary funds. Most of the women think men squander money on alcohol and other women, while the men think women like to go shopping and that they spend more than is necessary on clothing, perfume and getting their hair done. Yet when forced to decide whether to spend money on something for the family or on something they want personally, it is the women who choose to spend on the family.

### **Diverting business profits for household expenditures**

Most women interviewees reported that they had to divert a portion of their business profits to household expenditures since they were responsible for all household expenditures with the exception of housing and food. This diversion of profits gets more extreme the poorer the household. Business earnings are distributed among such areas as savings, education of children and concrete blocks for construction or additions to their houses. This type of behavior, though rational, limits the amount of profits that women reinvest in their main business.

- Men and women appear to have different perceptions of the resources needed to manage a household. Women think that men underestimate expenditures, and men think that women overestimate them. Women think that this is because men are simply unaware of the costs in time and money needed to manage a household because they do not engage in these activities. These different perceptions easily lead to frustration and conflict.
- The male tendency to give minimum financial support to his family may be traced to his gender identity. Since part of his identity involves having more than one family, it follows that he cannot afford to support each family in a more substantive way.
- Another expression of masculine gender identity – the image projected to the outside world and the right to have a good time – is seen in the importance men attach to buying a car. While many men rationalize the

expense as being necessary for their businesses, many women see the car as a way of showing off success to other people and, therefore, as an expense that is often unnecessary. Whether or not the car is used for the business – men are not shy about justifying the purchase of a car for the sake of their culturally-perceived masculinity.

- Understandably, the most volatile of these issues is the use of a man's earnings (and in some cases, the woman's) on "other" women. Men seem to justify this expense in terms of their masculinity, as they justify the purchase of a car.
- Some men reported that some women spend more than necessary on the children and on themselves.
- Conversely, many women feel that men not only squander their discretionary income on their own entertainment and consumption, but that they spend important household finances on these things.
- Men acknowledge that they manage, and decide how to use, at least some of their income, and that this income is often used for their own entertainment and consumption.
- If they have to decide between allocating funds for their own consumption or for a family need, women tend to give priority to family needs over their own interests. Women appear to have significantly less right to have discretionary income than men.
- Although women react to the unfairness of these situations with varying degrees of hostility, most women make the necessary compromises.

### **Gender Roles and Saving Patterns<sup>[4]</sup>**

Because men and women exhibit different behaviors and priorities with regard to spending, women have adopted covert patterns of saving that permit them to cover immediate household costs and prepare for unexpected future expenses. To protect their savings and reduce the risk of loss, women often choose to hide their savings from their husbands.

Women save wherever they can, in piggy banks at home, and most are involved in ROSCAs (Sanes) as organizers and participants. Saving by purchasing cement blocks is also popular.

Interestingly, lending money was mentioned by many participants as a savings mechanism, because it earns a much greater return than many investment activities: 40 percent a month, far more than any savings vehicle could offer.

Women tend to save from their housekeeping money as well as from their businesses, on a daily basis in small amounts. By contrast, men who save usually do so in bank accounts and for a specific purpose. In part, savings-related behavior can be explained by gender identities and gender-prescribed roles and responsibilities. Women, who manage daily spending, understand that money is spent or saved peso by peso. Men, on the other hand, may think that saving in tiny quantities is not worth the trouble, or may implicitly assume that their wife will take care of it.

- Most women interviewees were critical of men's attitudes regarding savings, saying that men tend to focus on the present and squander money instead of saving for the future. Women consistently said that men do not save and, for that reason, women are the ones who must save.
- Many men acknowledged that women are thrifter than they are and, to a certain extent, they feel that saving is the women's responsibility.

- The reasons people save differ by household income. The poorer households tend to save only for emergencies, while the better off also save for school fees, to buy plots of land, to pay loan installments and to supplement their loans to make other investments.
- Most men and women are saving for medical expenses, to purchase a home or make home improvements, and for educational expenses.
- Women adopt various saving strategies: They stretch their housekeeping money as much as they can, or they tend to tell their male partners that they need more money for food and other household expenses than they actually do, which allows them to save what is left over.
- Women keep savings separate from men in many households simply because, if they do not, men will either want to use the money or will contribute less housekeeping money. They also do not tell their male partners how much money they earn.
- It is notable that gender does not deter men from saving (overtly, in bank accounts) for specific purposes, such as another business, a house, or a car. Nor does gender prevent women from using their savings to actively invest. Both men and women frequently buy cement blocks and reinforcing bars to build houses. Women – the better savers – do it more.

### **Informal Savings Mechanisms**

One traditional savings mechanism which exists in many countries is the Rotating Savings and Credit Association (ROSCA). Known as SANES in the Dominican Republic, they consist of groups of individuals who make regular cyclical contributions to a common fund. For example, 20 people each contribute 100 pesos a week for 20 weeks. Each week one person can access the entire amount, i.e. 2,000 pesos, until the 20 weeks are up. Each person's turn is usually determined by lottery, but if a member of a SAN is in great need, the group will give priority to them. In Dominican society, all income groups participate in SANES.

SANES are used for multiple purposes, including generating a lump sum that can be used to invest in a business or a plot of land or to pay off a loan or school fees. A SAN has several advantages over the piggy bank that make it attractive to poor women: It is very convenient in that money is collected and taken away from the house, making it harder to dip into and it enables women to save small amounts on a daily basis. A SAN can be kept confidential from one's husband and it facilitates saving for a particular goal. The element of chance, such as gambling on the fact that one will get the payout quickly, also appeals to the Dominican psyche. Although some men reported using SANES, they are used most extensively by women.

### **Bethania Organizes SANES**

In 1997, Bethania Rodriguez started organizing SANES with her neighbors. One of Bethania's most recent SANES will serve as an example:

On February 26th, 2003, Bethania finished a SAN that had five participants, each of whom contributed RD\$100 (US\$4.50) a day for 60 days, a total of RD\$6,000 each or RD\$30,000 for the entire SAN. The payout was every ten days and the payout sequence was determined by lot. Interestingly, the payout amount was just RD\$5,000 because Bethania as the SAN organizer was entitled to a payout without contributing any money to the SAN. This was her fee for organizing and managing it. In addition, as the organizer Bethania got the first payout. She received this lump sum just ten days after she had organized the SAN.<sup>[5]</sup>

Bethania usually runs a couple of SANES at a time and has done so more or less continuously since 1997. She usually goes to collect the payments from the participants but sometimes they bring the money to her. She uses the profits as investment capital for her various other business ventures, as well as to pay off loans from ADOPEM.

- SANES are an immediate and convenient way to save small amounts of money for a variety of purposes: school tuition, purchasing household items, inputs for a business, paying back a loan or home improvements.
- Women also use SANES to generate income and to finance their own customers.
- When designing savings products for this population, it is crucial to build on the features of informal savings mechanisms.

## **Gender Roles and Investment Patterns**

Gender roles, as well as lack of access to health insurance, life insurance and pension plans, determine men's and women's investment patterns. Although both male and female interviewees said they give priority to investing in housing and in educating their children, the women – in view of their responsibility for raising children – tended to put more emphasis on these investments than did the men. In some cases, the men said that they would resist investing in housing if there is any doubt regarding the permanence of the relationship, because if the couple separates, the woman will probably end up keeping the house. Since 2003, WWB has worked with ADOPEM to introduce savings.

- Property, particularly housing, is seen as the main investment vehicle, and women seem to put more emphasis on buying a house.
- The income from renting out houses and rooms is a way to cover current expenses, such as children's education, and ensure income for the future, especially during old age.
- Both men and women interviewees said that a house was an investment that could be left to their children.
- Nearly everyone mentioned investing in education, so that their children would have professional careers and a better life, but also so that their children would help them in their old age.
- Helping this population to build assets by offering well-designed credit and savings products – and protecting those assets by offering insurance – helps the microfinance provider achieve the “double bottom line.”

## **The Capacity to Invest Time in a Business**

Women's roles in household maintenance, child rearing and as the primary care giver to the extended family (parents, siblings, etc.) place significant limits on the amount of time they can devote to their businesses, thus limiting their businesses' growth potential. Ideally, women would like part-time or flexible working hours.

## **The importance of a support network**

Women who have succeeded in growing their businesses often receive support from female family members (mothers, sisters, daughters, etc.) for childcare and household tasks. Conversely, lack of this type of support limits women's business success.

The provision of affordable childcare would have a major impact on women's business growth. This issue is a familiar one wherever and whenever women have the opportunity to vent their feelings about matters that deeply affect them. For Dominican men, on the other hand, it is a non-issue. Wives, sisters, mothers will always step in to look after their offspring.

Supporting an extended family as a means of ensuring old age security is especially evident in women's priorities. Having little discretionary income and the burden of their children to support, there is limited scope to save for retirement or unemployment. Women, therefore, must depend on maintaining their networks and links to family and friends.

## **Conclusions and Recommendations**

By looking at the gender dynamics of the household, this research sheds light on the complex lives of a small group of ADOPEM clients. It also documents some of the diverse strategies these clients employ for managing household economic portfolios. The findings not only reinforce WWB's understanding of low-income people's need for a diverse range of financial products, including credit, savings, and insurance; they also have implications for potential non-financial inputs such as child care and health care services, training on gender relations and women's rights, and finally, business development services.

### **Within Households, Diverging Priorities**

- Individual members of a household have separate – if not competing – preferences, constraints and resources and make individual as well as joint decisions.
- Individual members of a household cooperate in certain decisions and not in others. As a result, both cooperation and conflict may coexist in the household.
- The strategies of individual members reflect differences in their bargaining power, which in turn reflect differences in their access to resources and in their roles and responsibilities.

It is important to acknowledge these differences and analyze the gender-related factors that have an impact on the management of a family group's "economic portfolio." Management strategies differ depending on household income level: the poorest family groups tend to be the most vulnerable to risk, and different families manage risk in different ways. Financial services can play an important role in changing the way risk affects the economic decisions of the family group and its members.

Although men play a recognizable role as heads of household and are responsible for food and housing, most households need more than one income to survive. Thus, increased participation by women in income-generating activities has influenced intra-household dynamics. Although men place an increasing value on women as generators of income, they still do not value unpaid household work done by women. But if women did not do this type of work, someone would have to be paid to do it.

Economic activity generates income that in turn generates power; thus, as women earn money they begin to acquire economic independence and self-confidence. However, inequality in the distribution of household tasks among family members creates unlimited demands on women's time and energy, restricting their personal and business development.

Being able to get past these barriers necessarily assumes reordering, reassigning or transferring responsibilities to other people. These could be the husband, a paid (household) worker or a family member. It also assumes significant self-confidence and self-esteem, as well as more than usual equality and cooperation with the husband.

### **Modifying Products and Service Delivery**

While it is important to continuously reduce transaction time for all microentrepreneurs, women's businesses in particular, are time-sensitive due to their other household duties. Time spent getting to or from a branch, in the branch or in a group meeting should be kept to a minimum.<sup>[6]</sup> In societies where women live in seclusion, however, time spent in meetings with other women should be promoted, provided it fits in with other demands on women's time.

Women want to see their financial services provider as a trusted advisor. They are more sensitive to good and bad customer service than men and expect their dealings to be more relational than transactional. Training in customer care should take this into account. Institutions focusing on the women's market will need to make customer service a core competency.

Women do not want different, "feminine" products such as pink checkbooks, but they generally do want more information before making a decision to purchase a financial service. This should also be integrated into customer service training for front-line staff, and marketing materials should explain service attributes and conditions clearly and transparently.

Some product categories, such as long-term savings products and insurance, require more explanation than others. Financial literacy training can be integrated into product marketing materials.

### **Lending and Savings Products**

- The invention of the group loan mechanism by the Grameen Bank in Bangladesh in the 1970s was a breakthrough because it minimized the collateral required, enabling very poor people to borrow money. Individual loans, on the other hand, still require some form of guarantee. In general, women have less access to certain types of collateral such as land titles and they have less access to guarantors who have salaried jobs. Lenders should take this into account when designing products that target women.
- As this research has shown, households are not necessarily co-operative. Many women reported that as they increased their financial contribution to the household, their male partner reduced his. With this in mind, it is important to be sensitive to a woman's need for confidentiality from her financial services provider. Institutions need to think carefully before mandating that the husband's signature should be on the loan agreement. Likewise, with savings products, savers should be allowed to keep their balances confidential.<sup>[7]</sup>
- Products should be designed with the financial goals of the customer in mind. Think about their lifecycle events and their need to build assets and to manage risk.
- Since women are responsible for saving in most households, savings products should be designed with their realities in mind. Women save small amounts on a daily or weekly basis. They like the money to be collected from them and they like to save for specific goals. Research has shown that when people have a goal to save for, they are more likely to save.
- Savings products for particular life cycle events (goals) would include regular, small deposits over a fixed period of time, such as 12 months to pay for school fees, 36 months to provide collateral for a home improvement loan or 120 months for old age. The latter can be combined with insurance so that the ultimate lump sum goal is guaranteed for designated beneficiaries if the saver dies before maturity.<sup>[8]</sup>
- Loan products that cater to lifecycle needs such as housing (home improvement loans) are a vital part of the product mix. Some microfinance providers such as Grameen have mandated that the woman's name be on the property title in order to receive a loan. The extent of the need for this depends on the cultural context and the ability to do it cost-effectively depends on the legal context. When offering home improvement loans, this should be considered.<sup>[9]</sup>
- Risk assessment by credit officers tends to look more at flows of money than at stocks. This became evident when we examined Florentina's borrowing history in particular. We found that the credit officer had underestimated the value of her properties and the income that flowed from them. This led to an unnecessary rationing of credit. A larger loan, made available sooner in her asset-building trajectory, could have boosted her asset creation. Microfinance providers need to ensure that credit officers are adequately trained.<sup>[10]</sup>

- Emergency loans can be offered for unexpected shocks such as sickness or accidents.
- Consumption loans for household durables are valued by women, particularly if, like washing machines and gas stoves, they reduce drudgery.<sup>[11]</sup>

### **Microinsurance**

- Gender roles mean women are expected to manage risk in most households. Affordable health insurance would reduce the vulnerability of poor households considerably, as would life insurance that minimizes the financial loss of the deceased on the family.
- As with all products designed for the poor or the rich, market research is an absolute prerequisite. Applying a gender lens to this research is also vital if products are to achieve optimum outcomes. For example, research in East Africa has shown that upon the death of a husband, a woman can lose assets that were jointly held with her husband to her husband's family. In this cultural context, in order to ensure allocation of the payout to women:
  - The assets must be in the woman's name.
  - Women must be designated as beneficiaries.
  - Payouts should be made directly to a woman's account.<sup>[12]</sup>
- Research on microinsurance around the world also suggests that this product category needs to be supported with education for the customer in order for it to be adopted.

### **Marketing Strategies for Financial Services**

To become the financial services provider of choice for women, institutions have to align their entire team around serving the woman customer. Customer research should be shared with the team to explain gender roles and responsibilities, aspirations, goals, and survival strategies. The team needs to be sensitized to the fact that there are different market segments among low-income people and needs to be aware of stereotypes about women and men's abilities to manage a business, to borrow and to make financial decisions.

- Products should be designed with a gender lens, as should product marketing strategies.

### **Childcare**

- Aside from financial services, access to affordable childcare would be the single most important lever in helping women to grow their businesses. The microenterprise sector, civil society, governments and donors should work to develop a low-cost childcare business model that low-income women can own and that low-income children can attend. Women business owners would need to be supported by training and would be able to purchase materials with loans. Quality control would need to be carried out by a supporting agency.
- As of May 2006, ADOPEM had nearly 500 women who ran day care centers and kindergartens.

### **Business Development Services**

- Many interviewees in this study had very limited visions for the development of their businesses. Microfinance providers could form strategic alliances with specialized business development service providers (BDS) to enable clients build up their capacity. Some microfinance providers offer training themselves, as does ADOPEM.

## Health care

- As well as forming a strategic alliance with a health insurance provider, microfinance institutions can think creatively about how to effectively leverage their distribution channel to promote health education and access to health care providers.

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<sup>[1]</sup> The exchange rate at the beginning of 2003 was \$1 = 22 RD. This rate was used for the remainder of this report.

<sup>[2]</sup> In May 2002, when this research was conducted, the Dominican Republic had enjoyed a buoyant property market for several years. Thus, many interviewees chose to invest in housing, given its likely return. The macroeconomic decline set in motion by the collapse of Bank BanInter in May 2003 changed this strategy.

<sup>[3]</sup> Many couples choose not to get married formally. If they split up, the female partner is usually left with the house so that she can raise the children in it.

<sup>[4]</sup> This section was complemented by research conducted by WWB into the demand for savings conducted among ADOPEM's borrowers in March 2003.

<sup>[5]</sup> This is an interesting feature of some Dominican SANES, though not all, i.e., that the SAN organizer takes the first payout without contributing anything to the SAN itself. Thus, organizing SANES can be a lucrative business.

<sup>[6]</sup> Many MFIs around the world integrate training into group meetings. This should be optional for borrowers.

<sup>[7]</sup> An inexpensive alternative to passbook accounts are plastic cards with the account number printed on them. Savers can go into a branch and ask the teller to print out balances and previous transactions.

<sup>[8]</sup> An additional idea is 'matched' savings accounts. Increasingly common in developed economies (e.g., the US, Canada, the UK, Singapore), the central idea of these products is to encourage savings toward specific asset accumulation goals through matching the amount saved. Matching funds are supplied either by government, donors or the private sector. The match rate would be determined by the funder, e.g., 5:1 or 2:1. Depositors are free to deposit more than the minimum, but funders may limit their matches.

<sup>[9]</sup> In the Dominican Republic this did not seem to be an issue since women tended to be left the family home upon splitting up with their male partners. In other contexts such as Morocco, upon divorce women have a very limited chance of getting the family home and are left vulnerable as a result. Furthermore, research in Southern India found that the rate of domestic violence decreased from 45 percent of married couples to 10 percent when the family home was in the wife's name. By contrast, the fact that the wife was earning an income had no effect on the incidence of domestic abuse. Source: <http://www.infochangeindia.org/bookandreportsprint44.jsp>.

<sup>[10]</sup> Since this research, ADOPEM has introduced home improvement loans.

<sup>[11]</sup> Spandana, a microfinance institution located in Andhra Pradesh in India, figured out a solution to save women from walking three hours each day to get fire wood. The institution negotiated with a manufacturer of two-ring gas stoves to get them to reduce the price of each stove by 50 percent and then negotiated a discount with the gas company to get the stoves connect to gas. Borrowers were offered a loan to pay for both the stove and the gas connection. Spandana reported that 60,000 women had signed up for the package within six months.

<sup>[12]</sup> *Reducing Vulnerability: The Demand for Microinsurance*. Journal of International Development, 17, Pages 37-474, 2005.