

Development of Rural Women Micro-Entrepreneurs Case Studies from

Latin America and the Caribbean

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Abstract

One effective way to help poor isolated rural women escape from poverty is to make their world both larger (through new ideas and global connections), and smaller (through seeing their village in terms of opportunities and possibilities). Several countries across the globe have undertaken innovative projects in this direction. This paper aims to give an insight into the growing strengths of rural women micro-entrepreneurs in Latin America and Caribbean countries (LACCCs).

The paper concludes that the voices of women are increasingly being heard. Their full equality, participation and leadership are being supported and promoted at the local, national and international level through countless programs. However, in order to tap the potential of small rural businesses as generators of substantive economic and social opportunities, it is necessary to analyse the trends in rural and urban labour markets. There are disparities in the integration of rural women workers into labour markets that undermine their human development and the productivity of economic activities. But these are the conditions under which rural businesswomen must struggle to find new work options, through innovative initiatives that could be underpinned by public and private institutions.

1. INTRODUCTION:

Development of micro entrepreneurs has been seen as a means of aiding the welfare and progress of communities in the lower economic strata by micro finance organizations, NGOs and welfare agencies. A 'micro-enterprise' is a type of small business, often registered, having five or fewer employees and requiring seed capital of not more than \$35,000. The term is often used in Australia to refer to a business with a single owner-operator having up to 20 employees. The European Union (EU) defines micro-enterprises as those that meet two of the following criteria and have not failed to do so for at least 10 years:

- § fewer than 20 employees
- § balance sheet total below \$800,000 US and
- § turnover below \$800000 US.

The term *microenterprise* connotes different entities and sectors depending on the country. Generally speaking,

- in *developed* countries, 'microenterprises' comprise the smallest end (by size) of the small business sector, whereas
- in *developing* countries, 'microenterprises' comprise the vast majority of the small business sector - a result of the relative lack of formal sector jobs available for the poor. These micro-entrepreneurs operate microenterprises not by choice, but out of necessity.

This paper presents:

- § *selected successfully implemented micro-entrepreneurs projects, as well as*
- § *individual case studies of women micro-entrepreneurs from the Latin America and the Caribbean region.*

2. GROWING SIGNIFICANCE OF MICROENTERPRISE:

Microenterprises add value to a country's economy by creating jobs, enhancing income, strengthening purchasing power, lowering costs and adding business convenience. Because microenterprises typically have little or no access to the commercial banking sector, they often rely on "micro-loans" or microcredit in order to be financed. Microfinance institutions often finance these small loans particularly in the Third World. Those who found microenterprises are usually referred to as entrepreneurs. Examples of micro entrepreneurs are owners of:

- a) *bakeries,*
- b) *beauty parlours,*
- c) *child care facilities,*
- d) *repair shops,*
- e) *arts and crafts shops,*

- f) *painting businesses,*
- g) *contracting businesses,*
- h) *family-owned shops,*
- i) *auto body shops,*
- j) *small-scale restaurants, and*
- k) *small-inventory trading businesses.*

3. TRENDS IN MICROENTERPRISE DEVELOPMENT:

1999 was a difficult year for many countries in Latin America and the Caribbean, as a financial crisis in emerging markets threw local economies into turmoil, and the effects from a series of natural disasters that struck many of the countries at the end of 1998 were still present. These problems increased hardship for the poor and slowed growth throughout the region. Despite these upheavals, the microenterprise development field in Latin America and the Caribbean continued to make strong progress. A growing range and depth of services to microenterprises further integrated microenterprises into the formal economy, expanding opportunities for this sector.

By the mid-1990s, microenterprises accounted for approximately half of the employment in Latin America, according to the International Labour Office. Considering the recent bout of financial turbulence in the region, the number of people employed in the microenterprise sector may well have risen in many of the region's countries. Many micro-entrepreneurs have become self-employed unwillingly because they have moved to urban areas or they have lost their jobs. A large proportion of microenterprise activity represents the only opportunity for heads of households to provide income for their family since social safety net programs have limited coverage and have tended to decrease during recent recessions.

In its efforts to search for the most effective means to address poverty, the Inter-American Development Bank (IDB) continues to sharpen its focus on microenterprise development. The IDB sees it as an important tool for strengthening the livelihoods of the poor and creating new opportunities for business development and employment in Latin America and the Caribbean.

1999 was marked by the expansion of the market of financial and nonfinancial services for microenterprises in Latin America and the Caribbean. With this expansion and increased sophistication come new challenges, as intermediary institutions are exposed to both

the opportunities and the risks associated with the growing marketplace.

4. MORE VISIBLE BUT STILL NOT RECEIVING THE RECOGNITION THEY DESERVE:

Organized groups of rural women producers devoted to agricultural and other activities are now commonplace. In some cases, it is women who manage the initiatives; in others, women play a key role in small, family-run businesses or enterprises.

When rural women work in the informal sector, it is generally regarded as a survival strategy and as the feminization of rural poverty. In fact, women micro-entrepreneurs are involved in a wide variety of situations and contexts, both in rural areas and throughout their respective countries.

Whether these small rural businesses manage to become consolidated enterprises depends on a combination of factors related to business performance and structural aspects such as:

- o *the development of rural economies,*
- o *the availability of public goods and services,*
- o *market access,*
- o *the performance of labour markets, and*
- o *gender-related disparities.*

One of the most important factors is how well organized a group of producers is and how it manages its productive activities. However, few countries have national policies and strategies to support small businesses and institutions. Not surprisingly, only a small number of initiatives manage to grow and consolidate their position in increasingly competitive markets.

To illustrate the ground that small rural women's enterprises have gained since the 1990s, and give the reader some idea of their potential, it is worth looking at three interrelated factors:

- § The modernization of agriculture in the 1980s, to which rural women contributed as food producers. This took place as primary agriculture was becoming a precarious activity, women were taking on the role of heads of household and rural poverty was becoming feminized (ECLAC, 2002).

- § The complexity of the process via which large numbers of women have been integrated rapidly into labour markets in Latin American and Caribbean countries (LACCs), particularly in rural areas, but not on an equal footing. There is a marked tendency for rural women to engage in non-agricultural activities.
- § The 'novelty' of self-employment opportunities, with women setting up small businesses or rural enterprises in labour markets that reproduce gender disparities work against them. Gender is also a major cultural factor in terms of the practice and values of women as entrepreneurs, in contrast to the traditional construct of business as a male-dominated field.

5. WOMEN ARE GENERATING NEW CONCEPTS OF RURAL ENTREPRENEURSHIP:

Despite these contradictions, the growing number of women managing small rural businesses (SRB) constitutes not only a practical solution to an unmet need but an alternative for greater economic and social inclusion accompanied by major innovations. Women's participation in business activities makes them more self-aware and they come to realize the importance of their productive role, because it generates new values and ideas about business practices.

All business activities involve a certain degree of planning and management but the experiences of women entrepreneurs are particularly interesting because they are required to perform a "multifunctional role". Both the simplest and most complex women's enterprises (networks, corporations and consortia) tend to establish mechanisms that place emphasis on the well-being of families (health, housing, credit, etc.) as benefits that go hand in hand with the organization of business and productive activities.

This poses complex challenges in terms of the policies and investments if these small businesses are to turn a profit. Certain examples demonstrate that adjusting mechanisms and investments can tap the potential of women in the different areas of business development. Women have become the main clients of micro-finance institutions and programs worldwide, such as the Grameen Bank in Bangladesh, whose

initiatives have been replicated with the same success in countries all over the globe (Latifee 2006). In LACCs, it is harder for rural women to obtain formal credit than men and to register goods in their name for use as collateral. On the other hand, when credit actually reaches women through alternative microfinance mechanisms, they are excellent credit recipients.

Ideas about entrepreneurship and a businessperson also need to change. There are aspects of gender that entail new values, capabilities and competencies that need to be incorporated into social and economic constructs and the need to reconceptualise what being 'successful' in business means.

Far from being gender-neutral, many instruments used today to encourage the development of business skills are male-biased and based on pre-established relationships between public (productive) activities and private (reproductive) activities that view the latter as less important than, and dependent on, the former.

One of the main conclusions is that when microenterprises run by women are efficient and do well, there tends to be a positive relationship between self-employed women entrepreneurs and women employers and the growth of gross domestic product. Consequently, small businesswomen are not simply workers trapped in the informal sector or entrepreneurs unable to make a living. Like other micro-entrepreneurs, their work is the only basic productive factor that the vast majority of rural businesswomen possess, and it needs to be strengthened by giving them access to, and the use of, goods and services adapted to their needs.

Capacity building and financial organization can enhance the potential of rural women involved in small businesses. Access to public goods and productive assets is a determining factor if they are to make the qualitative leaps that will unleash their true potential.

6. SELECTED INITIATIVES:

6.1 Empowerment of Caribbean Rural Women Micro-Entrepreneurs:

Thirty rural women micro-entrepreneurs from twelve countries across the Caribbean have benefited from an important training exercise that will allow them to attain greater gender equality and further exploit business

opportunities in an effort to increase productivity. This effort was aimed at achieving the long-term Millennium Development Goal (MDG) of ending poverty and hunger in the Caribbean region.

The five-day workshop, held in Saint Lucia from June 21-25, 2010, was facilitated by the Inter-American Institute for Co-operation on Agriculture (IICA), under a UNIFEM-funded project entitled "*Capacity Building for the Caribbean Network of Rural Women Producers (CANROP)*". The participants were members of the executive committees of national chapters of the CANROP from:

- a) *Antigua,*
- b) *The Bahamas,*
- c) *Barbados,*
- d) *Dominica,*
- e) *Grenada,*
- f) *Guyana,*
- g) *Jamaica,*
- h) *St. Kitts,*
- i) *St. Lucia,*
- j) *St. Vincent and the Grenadines,*
- k) *Suriname and Trinidad, and*
- l) *Tobago.*

The women were exposed to an intensive and interactive "*Train the Trainer*" exercise in:

- a) *entrepreneurship,*
- b) *financial management,*
- c) *strategic planning,*
- d) *social skills, and*
- e) *networking.*

The skills honed at the workshop will:

- a) *empower the women to effectively represent themselves in the ever-evolving business and social environments, and*
- b) *enable them to deal more positively with change to meet global requirements.*

Those trained at the workshop are expected to maintain their role as leaders who will go back to their respective groups and transfer knowledge and skills at local levels. The multiplier effect will broaden the knowledge and skill base in management, entrepreneurship and productivity among women in the Caribbean region and ensure the sustainability of the women's network which is a unique vehicle for engendering the kind of development needed within the private sector in the Caribbean.

Recognizing that women play a key role in the attainment of the MDGs especially as they relate to ending poverty and hunger and promoting gender equality and empowerment of women, IICA continues to provide the necessary support for the growth and development of the women's network. Efforts will continue to invest in women through capacity building and knowledge transfer in areas identified by women as necessary for their further development within a framework for capacity building in rural development.

CANROP was established under the guidance of IICA in 1999. It is an umbrella organization which incorporates 12 national chapters, whose members are mainly rural women micro-entrepreneurs involved in a range of business activities from agricultural production to small-scale processing, craft and services. Its mission is to empower rural women to improve their socio-economic position and participation through:

- o *demand driven training,*
- o *cultural exchange,*
- o *networking,*
- o *product development, and*
- o *inter- and intra-regional trade.*

6.2 Women and Small Business (Microenterprise) - South Western Region Small Farmers Project:

This is a participatory planning exercise that involved eleven prospective provinces and a large number of two to three-day workshops. In addition, the new project, as appraised in 1997, will improve targeting of women's self-help groups, by:

- § increasing the number of women involved in project management and implementation, especially as field extension workers; and
- § sensitizing managers and implementers to gender issues.

A particularly successful approach has been implemented in the Dominican Republic, where a project created new income-earning opportunities for rural women by developing organizations with both social and economic functions. By diversifying and intensifying agricultural production, enlarging the agricultural area, expanding marketing and improving technology, the project enabled women to add value to their products.

While credit is a problem for all small businesses, the lack of access to credit and

financial services is particularly acute for women. In some countries, banking laws contain discriminatory provisions. Inheritance laws, property rights and matrimonial property rules can also work against women. Undercapitalized from the outset, women's microenterprises tend to start smaller and grow more slowly.

Women in developing countries must often rely on informal financing sources that demand high interest. The projects of the International Fund for Agricultural Development (IFAD):

- *have been innovative and successful in providing women with microfinance for microenterprises, and*
- *have initiated the process of linking these enterprises with the formal commercial financial sector.*

IFAD's goal is to empower poor rural women and men in developing countries to achieve higher incomes and improved food security. The IFAD, a specialized agency of the United Nations, was established as an international financial institution in 1977 as one of the major outcomes of the 1974 World Food Conference.

7. MICROFINANCE INVESTMENT IN LATIN AMERICA AND THE CARIBBEAN:

Together with South East Asia, the Latin America and Caribbean region is one of the first where microfinance began in the late 1970's. Latin American microfinance institutions have had great success in expanding financial services to underserved populations. The number of clients has grown in recent years, expanding outreach to approximately 8 million households in 2007, up from 1.8 million in 2001. Over 700 institutions provide more than US\$9 billion in credit. However, the substantial rapid growth is not equally distributed and there is enormous variation in regulation business environment for microfinance among the 25 countries in the region. The Inter-American Development Bank (IDB) and Multilateral Investment Fund (MIF) estimate that regulated financial institutions dominate the sector, with almost 70% of total volume and 50% of borrowers in 2008 (Microfinance in Latin America and the Caribbean, Inter-American Development Bank, 2008).

One of the largest international microfinance Networks, the ACCION, is an NGO that provides technical service and consulting. Headquartered in the United States, it is an

innovator in financial access, having pioneered many of the best practices and emerging standards in the industry. It provides a full range of technical assistance, management services and investment and governance support to help financial institutions build institutional capacity and financial strength to serve low-income households.

Its emphasis on commercial viability and institutional growth has helped several organizations and self-help groups reach financial self-sufficiency. Established in 1961 and a leader in microfinance since 1973, the ACCION has over 45 years of experience in the field of international economic development. The ACCION partners with 32 microfinance organizations throughout:

- a) *Latin America,*
- b) *the Caribbean,*
- c) *Asia, and*
- d) *Africa.*

8. FINAL CONSIDERATIONS:

Women around the world, especially in developing countries, are key players in the management of natural resources and the development of healthy communities. As the primary caretakers of children and the family, they are responsible for nutrition, health and management of the household. As managers of the household, they also engage in environmental activities, often assuming the roles of food producer, animal tender, and water and fuel collector. They represent approximately half of most countries' population and therefore half of the potential labor force. Yet despite their significant contributions to the well-being of society, their voices remain under-represented at all levels of the decision-making processes on issues related to the environment and development.

In the last two decades, the voices of women are increasingly being heard. Their full equality, participation and leadership are being supported and promoted at the local, national and international level through countless programs. Microenterprise is one such program that has spread across developing nations targeting rural women, particularly in Latin America and the Caribbean.

Hailed as a form of economic salvation, microenterprises have helped women generate income, overcome gender barriers, develop invaluable leadership skills, a remarkable entrepreneurial spirit and a strong

sense of activism. Female-led microenterprises can have a positive impact on multiple levels - economic, environmental and social - which essentially reflects the goals of "sustainable development".

To tap the potential of small rural businesses as generators of substantive economic and social opportunities, it is necessary to analyse the trends in rural and urban labour markets. However, there are disparities in the integration of rural women workers into labour markets that undermine their human development and the productivity of economic activities. But these are the conditions under which rural businesswomen must struggle to find new work options, through innovative initiatives that could be underpinned by public and private institutions.

The consolidation of these efforts poses two key challenges:

- § Promotion of the organization of rural women producers at levels that substantially increase their opportunities and benefits, and their impact on the economic development of territories (i.e., networks, consortia, corporations).
- § Formulation and management of differentiated policies, strategies and investments designed to consolidate the different types and groups of small businesses, including investment in capacity building and public goods and services at the territorial level.

The case studies and other information presented in this paper show that microenterprises among rural women have taken root in varied settings. A particularly successful approach has been implemented in the Dominican Republic, where a project created new income-earning opportunities for rural women by developing organizations with both social and economic functions. By diversifying and intensifying agricultural production, enlarging the agricultural area, expanding marketing and improving technology, the project enabled women to add value to their products. The new initiatives and government interventions are expected to

further improve targeting of women's self-help groups, by:

- *increasing the number of women involved in project management and implementation, especially as field extension workers, and*
- *sensitizing managers and implementers to gender issues.*

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