

“Trying to Get a Future”
MICROCREDIT IN VICTORIA

by
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ABSTRACT

Microcredit is considered a viable tool for the reduction of poverty in developing countries. It involves the dispensation of small loans, primarily to women who cannot access loans from conventional lending institutions. Microcredit strategies employed in Victoria are derived from those used in other parts of the world, but they are unique to their particular social and economic context. This study is concerned with the use of microcredit as a means to alleviate women's poverty in Victoria.

The purpose of this research was to determine women's experiences while participating in, or organizing, microcredit programs in Victoria between February 1997 and June 1998. The study focussed on three organizations with microlending components operating in and around Victoria. Research methods included (1) a literature review, (2) participant observation in community economic development organizations, (3) personal communication with program administrators of three lending organizations and six economic development organizations, and (4) semi-structured interviews with program administrators and women participants in microcredit programs. Data gathered through participant observation, personal communication, and semi-structured interviews describe the benefits and difficulties involved in the creation and utilization of microcredit in Victoria. My analysis of this data is compared with benefits and difficulties of microcredit schemes described in studies based on fieldwork conducted elsewhere by Adams (1992), Ardener (1964, 1996), Bouman (1977), and Geertz (1962), among others.

The constructive objective of my analysis is to outline the complexity of issues surrounding the implementation and sustainability of microcredit within a specific social and

economic environment. This study suggests that microcredit programs did not emerge in Victoria as fully developed and discrete entities. Their emergence was conditioned by the dynamic and persistent socially minded initiatives influenced by women's poverty and community cooperation. The success of microcredit programs available to women in Victoria was dependent upon the viability of individual business plans, the appropriateness of specific programs, the complementarity of government policy, and the level of cooperation between loan recipients.

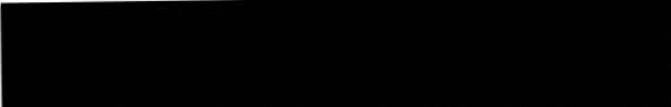
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DEDICATION

To my grandmother, Olive May Hall (1912-1995), for teaching me the value of inner strength, fortitude and compassion.

INTRODUCTION

In Canada in the early 1990s, reductions in social welfare programs had a negative impact on those who relied on these services. This impact was exacerbated by the lack of sufficient adequately paid positions within the workforce (Nash 1995:151; Myles 1996:151). Women bore a disproportionate burden of poverty under these conditions of economic restructuring.

As a way of dealing with these difficulties, women formulated strategies for economic change. In Victoria, British Columbia, these strategies included the implementation of microcredit programs. Microcredit creates options for women who have limited access to conventional types of funding. Through microcredit, loans are made available to women to start a small business.

In Victoria in the 1990s, networks were formed to facilitate the introduction of microcredit. These local initiatives offered community-based alternatives to more conventional types of lending. The priorities of the conventional lending institution supercede the needs of the borrowers. Contrary to conventional banking whereby collateral is required for the dispensation of credit, microcredit involves character-based lending whereby the character of the borrower acts as a substitute for hard collateral.¹ Dispensers of microcredit consider the reputation, initiative and integrity of the loan recipient as sufficient collateral for borrowing purposes (Calmeadow 1994:Part 1:2).

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Character-based credit is also a part of traditional financing but in the case of traditional finance, the borrower is also required to have hard assets in order to borrow money on credit. With non-traditional types of lending, the character of an individual is sufficient enough on its own. In order to prove that a person is of good character, community members, such as social assistance caseworkers, members of the clergy or organizers of community organizations vouch for the reputation of the borrower. This implies that the borrower has to be known to members of a specific community for a duration of time.

Rotating savings and credit associations (ROSCAs) are a primary example of character-based, informal financing.² ROSCAs operate in both developing and developed nations. They may have certain advantages over formal financing institutions, however, this study also illustrates that adapting an informal strategy to a formal system can be problematic.

Context of Fieldwork

Data for this study was collected during fieldwork conducted between February 1997 and June 1998. The method employed in this study was one of participant observation and semi-structured interviews. The participant observation aspect consisted of attendance at public lectures, meetings, conferences and information sessions in Victoria which addressed local and international micro-credit and women's poverty. I also participated in workshops on a variety of subjects relevant to community economic development. Topical semi-structured interviews³ were conducted with people who facilitated the creation of microcredit and women who participated in these particular programs. This comprehensive approach was employed because the general and specific information regarding microcredit programs in Victoria was not readily available or well known by the general public.

With the consideration of suggestions made by the interview participants, this research will serve as a useful complement to the ongoing formulation of microcredit associations and the

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Informal finance is defined as “all financial transactions, loans and deposits, occurring outside the regulation of a central monetary or financial market authority — the regulated activities being labeled as formal finance” (Adams and Fitchett 1992:2).

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Topical interviews are conducted in order to “learn about specific events or processes” (Rubin and Rubin 1995:6).

implementation of their plans. By doing so it is hoped that potential difficulties in the formulation of microcredit services will be identified, thus facilitating their adaptation to changing circumstances.

Considerable effort was invested in making the research process as reciprocal as possible. This was in keeping with a feminist perspective which espouses that research should focus on “agendas of mutual concern and knowledge constructed in consort with others” (Whittaker 1994:358). During my attendance at organizational meetings and workshops, I discussed strategy with members of organizations concerned with community economic development and microcredit. Some of these organizations kept my interview questions as considerations for future plans.

During preliminary conversations with interviewees I disseminated information regarding the types of microcredit available to women in Victoria and where they could access additional information. Interviewees were given a copy of the interview questions prior to the actual interview so they would have adequate time to become acquainted with the objectives of the research. In addition, this allowed respondents time to prepare their answers and consider other issues related to microcredit which the prepared questions did not address directly. Women I interviewed who had participated in programs with a microcredit component were encouraged by the fact that their views regarding the programs would contribute to the future plans of the organizations.

These women I interviewed held a wide variety of opinions. This was in keeping with the idea that participants in any planned structural change do not act as an homogeneous entity. This notion is in agreement with Conrad Kottak’s (1991:431) suggestion that participants in this

type of study are “active individuals with their own strategies, organizational patterns, beliefs, perceptions of needs, motivations, and desires to help plan and implement changes that will affect their own lives and those of ensuing generations.” I also believe that the healthy diversity of opinion evident in this study will serve to enhance the ongoing formation of microcredit associations and the implementation of their plans.

As well as aiding microcredit associations, this study of microcredit serves to document a particular aspect of women’s history. Often in the struggle to implement new ideas, the early phases of innovative social forms get lost (Rae-Baxter 1996 personal communication). As Matwychuk and Moss (1996:14) point out, “not only are the intellectual histories of women important, but also the histories of women’s concrete everyday lives comprising communities, academe, activism, practices and theory.” To this I would add: it is imperative that we recognize the contributions which individuals have made to these various social forms. It is also hoped that, at least in a small way, this study will further this recognition.

Overview of the Thesis

Chapter Two describes the positive and negative attributes of rotating savings and credit associations (ROSCAs). A brief history of the prevailing theories and trends regarding the emergence, efflorescence, decline, and reemergence of ROSCAs is outlined. The influence of international and national alternative financing institutions on microcredit programs in Victoria is examined.

Chapter Three summarizes the findings of several previous studies on poverty in the Victoria area, with a particular emphasis on women. These findings provide the context within

which the need for microcredit programs for women in Victoria is made evident. This chapter also discusses the difficulties involved in the implementation of such programs.

Chapter Four provides information on the research design and the methodology employed in the study. This includes details regarding (1) my attendance at public lectures, meetings, conferences and information sessions which addressed local and international microcredit and women's poverty, (2) my participation in community economic development workshops, and (3) the interview questions, structure and schedule.

Chapter Five provides a brief history of microcredit in Victoria. The specific difficulties and triumphs encountered by potential and actual lenders and borrowers involved in microcredit programs are outlined. In addition, the efficacy of programs in Victoria regarding participant cooperation is examined.

Chapter Six discusses women's positive and negative experiences with microcredit programs in Victoria. These experiences are compared with those of women in other countries. Finally, suggestions for the future use of microcredit in Victoria and similar locales are offered.

CHAPTER TWO: INFLUENCES

Informal types of financing have emerged, flourished, waned and reemerged throughout the decades. As informal finance is often an unregulated type of financing, adapting this strategy can be problematic in economies where control over resources is highly regulated and monitored. This in turn presents considerable problems for organizations and individuals who attempt to employ innovative techniques in solving socioeconomic problems.

This chapter reviews the research done on, and theoretical perspectives related to, rotating saving and credit associations (ROSCAs). The advantages, applications of, and difficulties with ROSCAs are also outlined. Finally, the emergence of alternative financing institutions and their influence on microcredit programs in Victoria and Vancouver are examined. These alternative financing institutions include credit unions in British Columbia, the Grameen Bank, ACCION International, and the Calmeadow Foundation Peer Assisted Lending (PAL) program.

Background

Since the early 1950s, anthropologists have documented the use of small-scale systems of financing, such as rotating savings and credit associations (ROSCAs) in both developing and developed countries. ROSCAs have been defined as associations formed “upon a core of participants who agree to make regular contributions to a fund which is given, in whole or in part, to each contributor in rotation” (Ardener 1964:201). These associations are essentially a type of self-help financing whereby members of a select group of people contribute a fixed amount of money to a collective fund. The entire fund is then distributed to each member of the group in turn at fixed intervals.

ROSCAs appear to be an ubiquitous phenomenon and social scientists have speculated on the reasons for their emergence. They have also attempted to predict how long such relatively autonomous systems would endure within economies which are becoming increasingly globalized.

Some of the earliest research on ROSCAs stemmed from ethnographic fieldwork in West Africa conducted by Shirley Ardener (1953, 1964). She analyzed informal systems and speculated on their significance as cultural phenomena. She found that ROSCAs existed in both rural and urban societies. Ardener also noted the social, as well as economic, functions of ROSCAs and recognized their importance and relevance to women.

Clifford Geertz (1962) examined rotating credit associations in Java, China, Japan, Vietnam and Africa. He (1962:262) described ROSCAs as useful in easing the transition from an exchanged-based agrarian existence to a commercialized cash economy. According to Geertz's (1962:261) "middle rung" theory of economic change, small-scale, informal economic systems were temporary adaptations which would eventually become submerged within formal, hierarchically structured economic systems. In other words, Geertz's analysis suggested that informal finance is an adventitious, transitory adjustment to economic stress (Bouman and Hospes 1994:4).

Geertz presumed that the utility of such small-scale structures would diminish with the transition from an exchanged-based existence to a commercialized economy. The small-scale structures would eventually become submerged within more highly bureaucratized types of banking. Contrary to this assumption, ROSCAs have continued to flourish within a variety of economic conditions throughout the world despite the introduction of more 'modernized' systems

of banking (Velez-Ibanez 1982; Ardener 1996). In essence, ROSCAs are adaptable. In some cases, they exist alongside formal banking institutions. They have been able to adapt and flourish, in part, because they fulfill social as well as economic needs while formalized methods of banking focus primarily on economic factors.

Although ROSCAs are perceived, by some, as a type of savings and credit best suited to marginalized individuals, in some cases prosperous individuals choose to use informal lending and savings facilities within their community (Velez-Ibanez 1982; Bouman 1995:374; Ardener 1996). Ironically, ROSCAs have been documented as operating “among employees in the International Monetary Fund in Washington and among employees of the Central Banks in Belize, Bolivia, the Dominican Republic, and the Philippines” (Adams and Canavesi de Sahonero 1989:220). Bouman and Hospes (1994:4) describe this phenomenon as a “deliberate non-use of [formal] financial services.”

The significance of rotating credit associations has not diminished with the transition from exchange-based to commercialized economies. Instead, their use has increased in recent years and they continue to be one of the many strategies people employ for economic survival. In fact, one of the strengths of rotating credit associations is their ability to address multiple problems in a variety of circumstances.

Advantages and Applications of Small-scale Lending

This section outlines the advantages and applications of ROSCAs. Various examples of these small-scale lending associations illustrate their ability to provide capital to those who would not otherwise have access to it, to act as insurance in times of crisis, to contribute to the

development of communities in order to alleviate poverty, and/or to provide a link between rural and urban communities, among other aspects. Often several of these functions are combined. There is no one function which is characteristic of a particular geographic region and the same type of ROSCA may be found among both low and high income groups.

The popularity of informal systems of finance is due, in part, to the fact that they fulfill a variety of needs and functions not satisfied by more formalized systems. In addition, ROSCAs are a relatively spontaneous and flexible means of financing. These attributes make ROSCAs a feasible and relatively simple means of effecting positive change in people's circumstances. They are practical and they work.

The central advantage of ROSCAs is their potential to grant individuals access to a relatively large sum of capital within a predetermined, often short, period of time. Savings and credit associations usually consist of a small number of members ranging in size from 12 to 100 people. All of the members pool their savings and then immediately redistribute this larger amount to one of the members. At each meeting another member receives the pooled savings until all have had their turn and the rotation is complete. At this point the rotation may begin again or the group may dissolve (Geertz 1962; Ardener 1964; Velez-Ibanez 1983; Bouman 1994a). This system is applicable in a variety of social and economic environments.

ROSCAs are particularly appealing to people, especially women, engaged in informal economies. The informal sector includes those who run small business but who do not pay taxes, register businesses, or are not involved with state-sanctioned authorities. People who run these small businesses are often unable, or reluctant, to use the services of national banks "for fear that incomes may be made known to tax or other government departments" (Ardener 1964:217). The

extensive involvement of women in the informal economies of developing countries is a result of their lower status, inferior education, and fewer employment opportunities in comparison to men.⁴

Some women obviously turn to ROSCAs out of necessity. They may form their own savings and lending associations because they do not have adequate access to formal banking institutions. In some countries, laws or social customs make it difficult for women to own assets such as land or buildings which may be used as collateral (Niger-Thomas 1996:97). Because of these restrictions, women are effectively prevented from obtaining conventional bank loans. ROSCAs may be a woman's only means out of the grip of grinding, oppressive poverty.

ROSCAs not only offer long term hope; they can address urgent concerns. They can act as a form of insurance in cases of emergencies (Bouman 1994b:375). It is often possible for members to exchange their order of rotation when one of the members is in immediate need of money (Ardener 1996:3). Geertz found this to be the case among those who participated in the *arisans* in Eastern Java (1962:247).

In more recent studies on the use of ROSCAs by women in the Caribbean, Senior (1991) found that the credit associations were an integral part of a wider network of mutual exchange wherein "cash, goods and services" (Senior in, Besson 1996:272) were shared. "These networks were of major significance in the survival strategies of Caribbean women, often Eurocentrically described as having no visible means of support" (Besson 1996:272). In this way, ROSCAs, as well as other entities which facilitate exchange within social networks, foster a sense of security

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For a detailed discussion of the relationships between women's status, level of education, and employment in informal economies, see Moore (1988:73-127).

in times of need. In situations where credit associations are formed by friends and/or relatives, the members have the advantage of exchanging money with their peers and those who they are comfortable with. The problem of default is usually minimal among those who know each other (Bouman 1977; Velez-Ibanez 1983).

There is often a social element to the formation and perpetuation of rotating credit associations. Therefore members are able to save and share money in an environment which may be both supportive and enjoyable. Since meetings are a social event, information is exchanged which may or may not be economically related (Ardener 1964; Senior in, Besson 1996). Thus the event of savings can also act as a support network for purposes of a general and diverse nature. In addition, the convivial atmosphere which often accompanies ROSCA meetings helps to make the task of saving a pleasurable one. The dynamics of support and obligation between the members of the group help to ensure the success and endurance of the ROSCA for as long as it is needed. In this way, the ROSCA is fulfilling a dual-purpose role — it encourages the individual to meet an objective they have set for themselves and it allows them to contribute to the communal interests of the group. The network of savers and lenders in ROSCA clubs serve as an impetus for participants to “save more than they might otherwise do” (Adams and Canavesi de Sahonero 1989:220).

Informal lending associations also have advantages which help to offset the stigma of shame attached to poverty. Those who are illiterate are able to participate in the exchange and lending of money without the intimidation and inconvenience of dealing with written paper work. Within formal lending institutions, the borrower is made to feel inferior. Anyone who requires money “is largely in the position of a supplicant. In a rotating credit association, the recipient of

a fund, far from suffering loss of dignity, is often the member of honour or host at a feast or some other form of entertainment” (Ardener 1964:221).

ROSCAs may be used as a means to collect funds for community projects or ceremonial purposes (Geertz 1962:247; Bouman 1994b:375). ROSCAs can be formed for less altruistic purposes, such as the procurement of material goods or to highlight and solidify the status of elite individuals (Geertz 1962:248; Shanmugam 1991:215; Adams and Canavesi de Sahonero 1989:221). Funds raised through ROSCA meetings are sometimes contributed towards the economic development of their community. For instance, in 1977, Bouman noted that women in Cameroon invested in community-oriented projects which benefited both individuals and the collective whole. He noted that “it is quite common for women in Cameroon to pool their savings for the purchase of a cornmill to relieve themselves of the tedious task of grinding maize. The time gained is often devoted to agriculture or petty trade” (Bouman 1977:189).

In addition to their contributions to community projects, ROSCAs are often used to acquire commodity goods. This function is both communally and individually-oriented since several people co-operate in order to acquire individual material wealth or to highlight the status of their group. This strategy is employed by both low-income and high-income groups. According to Ardener (1964), this type of rotating credit association was in existence in the Sudan as early as the 1920s. They were referred to as *khatta*, meaning ‘putting down’ and they were apparently started by “members of the middle-age group of women in the central townships who wanted to collect sums to buy gold ornaments for their daughters’ weddings” (Ardener 1964:208).

Rotating credit associations also create links between rural and urban economies. Those who live in the city send funds acquired through ROSCA meetings to the rural region in which

they were born (Bouman 1977:189). This type of linkage can also extend across international borders. In a recent study on ROSCA activity in Mamfe, Cameroon, Margaret Niger-Thomas (1996:105) discovered that cash acquired through indigenous savings associations (*njanji*) is used for “personal or family building projects, to send a child overseas for further education, or to pay school fees.” She also found that Manyu women living in London organized *njanji* meetings in an effort to raise money to send home. These funds were sent back to Cameroon to be used in a building project in progress, “to acquire a piece of land for a future project, or to renovate their family houses in the village and give them a modern appearance” (Niger-Thomas 1996:108).

ROSCAs are often used in developing countries to solve economic problems. Drawing on their experience, immigrants in developed countries create alternative financing associations based on models which exist in their homeland. This practice has been initiated by Eritrean women, South Asian women and Somali women in England, as well as Korean women in North America (Almedom 1995; Srinivasan 1995; Summerfield 1995; Light and Deng 1995). In addition, members of the Philippine Women Centre in Vancouver, formed a *paluwagan*, a Philippine ROSCA, to help each other with their financial difficulties (Kelly 1995:108).

The examples presented above illustrate the variety of applications and advantages of ROSCAs. They demonstrate the ability of ROSCAs to fulfill a variety of needs and functions not often addressed by more formalized saving and lending systems. In addition, these examples reinforce the idea that ROSCAs are a relatively spontaneous, flexible, and feasible means of creating positive change in people’s lives. These examples also demonstrate that ROSCAs are able to succeed in disparate economic environment, and that they are transferable from one type of society to another.

Difficulties

Despite the numerous advantages which ROSCAs have, there are some disadvantages to this co-operative system. The possibilities of default and corruption exist. However, if a member fails to meet their monthly contribution, the organizer can simply deduct the amount owed to that member from their future lump sum payment (Shanmugam 1991:214). Corrupt organizers could abscond with the accumulated contributions of members, but the possibility of compromising one's chances of joining or organizing another credit association usually prevents this from happening.

In some countries, for example Malaysia, the possibility of legal suits related to default and corruption has resulted in ROSCAs being declared illegal. ROSCA members in Malaysia have been able to get around the problem of illegality through creative means. "An organizer of discounting ROSCAs said that while recruiting members for his group, he always ensured that personnel from the police force participated, so that if ever there was to be a police raid they would know beforehand!" (Shanmugam 1991:219). Despite this humorous example, the fear of corruption is heightened, in part, because of the proliferation of pyramid schemes throughout the world.⁵ This fear can make it difficult for legitimate ROSCA organizers to convince ill-informed bureaucrats or potential borrowers that, unlike pyramid schemes, the possibility for corruption within ROSCAs is minimal. The fundamental difference between ROSCAs and pyramid schemes is that in a ROSCA the amount of money taken out by individuals is repaid,

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One of the most devastating, documented examples of a corrupt pyramid scheme comes from Albania. 1,500 people died in the chaos and violence which followed the collapse of government supported financial pyramid schemes in 1997. 50% of Albanians lost their meagre life savings and total civil war nearly erupted (Vesilind 2000:60).

whereas in a pyramid scheme people expect that eventually those at the bottom of the pyramid — those who have most recently put money into the scheme — will not receive a return. Therefore, the money in a ROSCA rotates whereas in a pyramid scheme it is only dispersed upward, to the top of the pyramid. Furthermore, ROSCA members usually know each other, or at least meet face-to-face, whereas most people need not know, nor even meet, other participants in a pyramid scheme.

ROSCAs are thought of as reliable sources of insurance in times of crisis but this may not always be the case if financial problems are at a crisis point in the community. Theoretically, the flexibility of ROSCAs allows for the alteration of the rotation order to suit those who are most in need of the fund. Yet, there may be cases when all the members are in need of emergency loans at once and the funds available are not adequate to meet everyone's needs (Besley, Coate and Loury 1993:793).

One other problem with ROSCAs is that they may not provide a solution to poverty for the very destitute. One still requires, even meagre, disposable monetary resources to participate in this type of economic strategy. In addition, people must be prepared to have their small investment inaccessible for a period of time. These difficulties may be seen more as limitations. They do not represent impermeable barriers to the effective utilization of ROSCAs as a means to effect positive change in people's lives.

Theoretical Perspectives on ROSCAs

This section outlines the prevailing theories, concepts and ideas regarding the emergence, growth and endurance of ROSCAs. These include Clifford Geertz's (1962) "middle rung" theory,

the concept of 'spontaneous cooperation,' and ideas regarding the persistence of individual ROSCAs, the origin of ROSCAs, and the importance of social ties to the success of ROSCAs.

Geertz takes the position that informal economic systems such as ROSCAs are a "middle rung" phenomena. That is, he sees them as functioning as "an educational mechanism for a people moving from a static economy to a dynamic one" (1962:242). For Geertz, a rotating credit association is "essentially a device by means of which traditionalistic forms of social relationship are mobilized so as to fulfil non-traditionalistic economic functions" (1962:242). He describes ROSCAs as useful in easing the transition from a non-monetized agrarian existence to a more commercialized cash economy (Geertz 1962:262). Those who participate in such micro-lending schemes are, according to Geertz (1962:245), holding on to the traditional values of the past while experimenting with the more modern economic systems of the future. He predicted that along with this change in economy, an alteration of values would inevitably take place. According to this 'continuum' theory of economic change, rotating credit associations exist in a liminal stage and act as a rite of passage to a perceivedly inevitable evolution towards commercial ventures (Geertz 1962:261). Implicit in this argument are two assumptions: first, complexity and dynamism are solely characteristics of urban, bureaucratized societies and second, small-scale informal economic systems are merely temporary adaptations which eventually become submerged in formal, hierarchically institutionalized economic systems.

However, other studies indicate that small-scale ventures do not always become submerged within larger systems, but continue to exist in conjunction with, or parallel to, more formal, hierarchical institutions. In these studies, ROSCAs are seen to be an expression of spontaneous cooperation between those who have close personal relationships, in a variety of

stressful settings (Velez-Ibanez 1982; Craig 1993; Bouman 1995; Niger-Thomas 1996; Ardener 1996). “In these settings, when common action is required, individuals are generally quick to cooperate because of the strength of the social ties between them” (Craig 1993:12).

Ardener offers further clarification of the idea that small-scale saving and lending associations are a persistent and enduring phenomenon even in formal, hierarchically institutionalized economic systems. She argues that ROSCAs are distinguished from other mutual benefit clubs or cooperative endeavours by their two elements of rotation and regularity (Ardener 1964:201). Ardener suggests that her inclusion of regularity differs in a slight, but important, way from Geertz’s suggestion that the basic principle on which ROSCAs are founded involves the “rotating access to a continually reconstituted capital fund” (Geertz 1962:243, in Ardener 1964:201). However, a close reading of Geertz (1962:243) reveals that he also believed that regularity was a fundamental feature in the persistence of ROSCAs. In fact, he (1964:245) argues that it is this regularity that breaks down in the face of urbanization and modernization. It seems that Ardener and Geertz agree that a fundamental aspect of ROSCAs is their regularity. Where Geertz might be wrong is his assumption that this regularity is not transferable to the modern, urban environment. If people are able to establish and maintain close social ties, regardless of their environment, they may be able to sustain the high level of cooperation — and therefore the regularity — necessary for the existence of ROSCAs.

Ardener emphasized that social aspects are integral to the adaptability of informal savings associations. In her 1964 survey of rotating credit associations, Ardener (1964:207) reported that feasting and other forms of entertainment were a fundamental part of *mahodisana*, a women’s rotating credit system in South Africa. This necessary combination of social and economic

aspects reinforces the notion that the social ties are instrumental in the persistence of ROSCAs. The members' social connections also help to alleviate problems related to delinquency (Besley, Coate and Loury 1993:805).

Ideas regarding the social aspects of ROSCAs are affected by perceptions of the origins of ROSCAs. For instance, it is because of their presumed ancient roots that savings or contributions clubs are described, by some, as a primitive pastime. For example, in Ghana the women's savings association system known as *esusu* was considered "a social evil" because of its primitiveness (Ardener 1964:206; Bortei-Doku and Aryeety 1996). The Ghana Evening News (March 12 1962) reported that over 500 women at a mass rally were advised that the "susu" system of saving and credit was both "dangerous and primitive" and they were urged instead to save with the Ghana Commercial Bank (Ardener 1964:206).

Others perceive saving and credit association's ancient roots as a positive attribute. Their origination from indigenous systems of cooperation is seen as evidence that people have been able to cooperate throughout their history. For example, Niger-Thomas (1996:98) describes the *njangi* form of rotating credit in Cameroon as evolving from "traditional gatherings in villages in which the settlement of disputes brought people together." These meetings were originally a forum for people to meet "at agreed times for a common purpose" (Niger-Thomas 1996:98). In this way, the informal credit associations can be seen as an extension of systems of co-operation which were already in existence before the market economy conditioned relationships between the members of a community. This example also illustrates the ability of saving and credit associations to adapt to changing social and economic conditions.

Formal Alternative Financing Institutions

The informal saving and lending associations discussed above share characteristics with formal alternative financing institutions. Some of these formal alternative financing institutions incorporate specific elements of informal saving and credit associations: (1) they emphasize character-based lending; (2) they involve aspects of self-help and/or self-selection; (3) they address social, as well as, economic needs; and (4) they foster cooperation between members of a group in order to ensure the success of individuals. This section briefly examines the creation and growth of four formal alternative financing institutions which exist outside of the mainstream of hierarchical lending institutions: credit unions in British Columbia, the Grameen Bank, ACCION International, and the Calmeadow Foundation Peer Assisted Lending (PAL) program.

Credit unions in British Columbia have their roots in cooperative systems which developed in Europe, primarily England and Germany, in the 19th century. The Grameen Bank, ACCION International, and the Calmeadow Foundation are all microlending institutions which emerged in the last half of the 20th century. This section also describes the influence of these institutions on microcredit programs in Victoria and Vancouver in the 1990s.

Credit Unions in British Columbia

From their roots in the cooperatives of the 19th century, through their formation during the depression of the 1930s, to their peak in the 1960s, credit unions in British Columbia have attempted to aid those who existed on minimal incomes. The 19th century trend toward a collective solution to the problem of inadequate financing was influenced by European innovators in cooperation. Foremost of these innovators was the British Rochdale Pioneers Society which

was created in Rochdale, England, in 1844 by a number of workers, mostly weavers. This Society spawned a ‘utopian’ movement which sought to create an ideal society for workers and consumers exploited by the capitalist system which was, at least in part, a bi-product of the Industrial Revolution. The Rochdale movement gave people the opportunity to collectively own and control businesses. It stressed (1) a democratic, open membership, (2) fixed and limited interest on capital,⁶ (3) profit sharing through the distribution of dividends, (4) political and religious neutrality, and (5) education⁷ (Birchall 1994:54-62).

The Rochdale experiment was replicated and built upon throughout industrial Britain for the remainder of the nineteenth century. By the early 1900s, the resultant movement was feeding one-quarter of the population of Great Britain; it was operating over 20 factories; it owned tea plantations in India and a 10,000-acre farm in Saskatchewan; and it had become a significant political force. (MacPherson 1995:12)

Cooperative banking began in Germany shortly after the creation of Rochdale in England. In 1846, when crop failure occurred in a rural agricultural area, Friedrich Raiffeisen and his friends bought several cartloads of grain from a wholesaler by pooling their money. They then lent the grain to local farmers on credit. This was the beginning of a rural credit cooperative. By 1862, Raiffeisen had founded a loan society for farmers. He later created the General Union of Rural Cooperative Societies in 1877 and by 1905 rural credit cooperatives consisted of 13,000

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“‘Fixed’ means that interest does not rise or fall with profits as it does in a capitalist company, and ‘limited’ means that the Society will only pay out for capital what it absolutely has to in order to finance its own development” (Birchall 1994:56).

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This famous principle “appears in the 1854 statutes, that a separate and distinct fund be set up for the ‘intellectual improvement of members’ and their families” (Birchall 1994:61), thus emphasizing social as well as economic well being.

societies (Birchall 1994:169-173).

Around the time that Raiffeisen introduced credit cooperatives to rural Germany, Hermann Schulze-Delitzsch began setting up cooperative banking in the industrialized areas of Germany (Birchall 1994:173). This type of banking was formed by associations of shop-keepers, manufacturers and craftsmen for the purpose of mutual credit (Lambert 1963:95). “Schulze-Delitzsch felt that members should invest real share capital, while Raiffeisen wanted the poorer farmers to become members only on a nominal shareholding” (Birchall 1994:174).

These and other cooperative endeavours in Europe had an impact on the development of cooperatives in British Columbia, Canada. As MacPherson (1995:13) notes,

Many of the British immigrants who came to British Columbia before and after World War One had been raised within the British movement; some had even paid for their voyages to Canada by using the ‘divy’ or dividend that had been accumulated in their local coops. The British movement, therefore, would help shape the ideological underpinnings of the British Columbian movement, in both its credit union and broadly cooperative forms. From its principles and heroic story, many British Columbians would draw inspiration and sustenance as the twentieth century unfolded.

The British Columbia provincial government encouraged marketing co-operatives as early as the 1890s (MacPherson 1995:19). This early interest laid the groundwork for better organized consumer and marketing cooperatives which became prevalent in the 1930s. Both of these types of cooperatives were influential in the establishment of credit unions in British Columbia.

The creation of credit unions in British Columbia was based on a cooperative ideology whereby people acting together were “able to take control of their own economic affairs” (MacPherson 1995:20). This was achieved by employing democratic principles which stressed that (1) financial profits were distributed on the basis of participation rather than investment, and

(2) social aspects of financial endeavours were considered equally as important as economic goals (MacPherson 1995:20). Credit unions were based on the cooperative impetus toward a greater well-being for all. They strove to meet the needs of those who would not normally have access to formal financial institutions. With the introduction of credit unions, people who did not have sufficient collateral to borrow money, were able to obtain credit on the strength of their personal character and reputation.

The first credit unions were essentially self-help organizations started with funds from their own members. One such organization, the Amalgamated Civil Servants Credit Union (Vancouver), was formalized in 1938. This credit union began as an informal self-help banking system consisting of Vancouver postal employees who created “a pool of money to which each donated some funds and from which each borrowed small amounts when hard pressed for cash” (MacPherson 1995:26).

Credit unions in British Columbia have undergone ideological change since their beginnings in the mid-twentieth century when they were devoted to assisting the poor and disadvantaged. After World War II, credit unions became increasingly involved in more conventional banking practices — providing loans at conventional banking industry rates for cars and homes. For instance, by 1960, more than 70% of a Vancouver credit union’s loans were in mortgages (MacPherson 1995:109). Thus, credit unions had become more concerned with organization, efficiency, and the promulgation of middle class values rather than adhering to their original purpose of emancipating the poor and disadvantaged through cooperation (MacPherson 1987:229). In spite of this trend to corporate efficiency, some credit unions, such as Pacific Coast Savings Credit Union and VanCity Credit Union, have recently returned to financing strategies

directed at the poor.

As part of this return to a more socially minded approach, some credit unions have provided funds and services for microcredit programs. Microcredit programs in Victoria and Vancouver have also been influenced by financing strategies employed in developing countries: the Grameen Bank, ACCION International, and the Calmeadow Foundation.

The Grameen Bank

The Grameen Bank was established in Bangladesh in 1977 by Muhammad Yunus, a professor of economics at Chittagong University. Yunus sought to find a solution to the poverty which resulted from the 1974 famine in his country.

While people were dying of hunger on the streets, I was teaching elegant theories of economics. I started hating myself for the arrogance of pretending I had answers. We university professors were all so intelligent, but we knew absolutely nothing about the poverty surrounding us. Why did people who worked 12 hours a day, seven days a week, not have enough food to eat? I decided that the poor themselves would be my teachers. I began to study them and question them on their lives. (<http://grameen-info.org/agrameen/profile.php3?profile=2>)

After interviewing several people working in the village of Jobra, Yunus and his graduate students discovered that, for many people, poverty was due to a lack of capital. People who made goods to sell, had to borrow money for raw materials from local money-lenders who charged high interest rates (Counts 1993:15-16). After repaying their loans to the money-lenders these small-scale entrepreneurs were left with very little profit.

In 1976 Yunus began to distribute small loans to Jobra vendors out of his own pocket to see if capital input would help to alleviate the poverty he saw. By 1979 he had convinced the

Central Bank in Bangladesh to help fund the Grameen project ('rural bank' in Bengali). This collaboration with an established lending institution sets the Grameen Bank apart from ROSCAs, in that the loan funds come from a source other than the lending group itself. In spite of this difference, some of the central features of the Grameen Bank system are very similar to those of ROSCAs. In fact, ROSCAs such as India's chit funds⁸ are believed to be an inspiration for the creation of the Grameen Bank (Ardener 1996:3).

With the backing of the Central Bank, Yunus distributed more loans to people with very small businesses, who had no collateral. These microentrepreneurs were primarily women "who traditionally have the least economic opportunity in Bangladeshi society" (<http://grameen-info.org/agrameen/profile.php3?profile=2>). Yunus found that these women were quite industrious and, most importantly, they repaid their debts on time.

After this initial success, the bank organized landless villagers into small groups which met regularly to establish business plans and to approve and oversee loans. Loans were initially used for buying cattle, planting and trading rice, and setting up small grocery shops.⁹ The success of the group depended on each individual loan recipient repaying their loan on time (Dauncey 1996:195-196). After each successful repayment of a loan, the borrower was able to increase the

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Chit funds are highly, commercially organized rotating credit associations begun in southern India in the early 20th century. They developed from earlier, less structured lending circles known as *kameti*. Chit funds are now found throughout India and many are regulated under the Chit Fund Act of 1982 (Ardener 1964:203; Sethi 1996:164-165).

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Based on what they told the Grameen Bank workers, women were using the money for these purposes. However, Helen Todd, a journalist, later discovered that some women were actually using the loan money to buy land (Todd 1996:11-18). This provided women with collateral and was therefore a more effective use of their funds. Women were making an effort to end their cycle of poverty by securing equity.

amount of their subsequent loan (<http://grameen-info.org/agrameen/profile.php3?profile=2>).

The Grameen Bank is upheld as a successful development project as it has given loans to the very poorest Bangladeshi; i.e. beggars, illiterates and widows, a sector of the informal economy which, by conventional standards, is not perceived to be credit worthy. Contrary to conventional expectations, Grameen “claims a repayment rate of 99 per cent.” As the Grameen Bank became successful it employed cooperative principles in its management strategy. “92 per cent of its shares are owned by the borrowers themselves (the balance is owned by the government), it is truly a bank for, and of, the poor” (<http://grameen-info.org/agrameen/profile.php3?profile=2>).

With the help of Accion International, a non-profit organization located in Boston, Grameen banking operations have been established in developing countries in Asia and South America (Dauncey 1996:196).

ACCION International

ACCION International is a nonprofit organization dedicated to fighting poverty through the implementation of microlending programs. The organization was founded in 1961 by Joseph Blatchford, an American law student. Blatchford wanted to help alleviate the poverty he had witnessed in Latin American cities while on a goodwill tennis tour. He and his fellow law students raised “\$90,000 from private companies to start a new kind of organization, a community development effort designed to help the poor help themselves” (<http://www.accion.org>).

Initially, ACCION volunteers dedicated themselves to community development projects in Venezuela. There they installed electricity and sewer lines, started training and nutrition

programs, and built schools and community centres (<http://www.accion.org>). In the early 1970s, ACCION's organizers decided to address, what they saw as, the cause of urban poverty in Latin America. They recognized that rural migrants who flocked to the cities looking for better opportunities had difficulty finding adequate employment.

Unable to find work, and lacking a social safety net, many of these urban poor started their own small enterprises. They wove belts, banged out pots and sold potatoes. But they had no way to grow their tiny businesses. To buy supplies, they often borrowed from local loan sharks at rates as high as ten percent a day. Most of their profits went to interest payments, leaving them locked in a daily struggle for survival. (<http://www.accion.org>)

In 1973, ACCION staff in Recife, Brazil observed the prevalence of these informal businesses.

If these small-scale entrepreneurs could borrow capital at commercial interest rates, they wondered, could they lift themselves out of poverty? ACCION's Recife program coined the term "microenterprise" and began issuing small loans (<http://www.accion.org/about/main.asp>).

ACCION's program was a huge success. This success resulted in the introduction of similar innovative financing strategies in North America.

Calmeadow Foundation Peer Assisted Lending Program

The initiatives of ACCION International influenced peer assisted lending organizations in Canada. Martin Connell and his wife, Linda Haynes, "created Calmeadow in 1983 as a locus for their personal philanthropy" (Gill 1995:7). Martin Connell is heir to the Conwest Exploration mining and oil and gas company (Gill 1995:6). He and his wife have used their financial acumen and monetary resources to effect positive change through the creation of alternative lending practices. The couple had travelled in Bangladesh, India, Central America and Brazil for Canadian

aid organizations in order to see how they could help impoverished people. Initially they created a private foundation but at the same time were searching for a model for economic development. When Connell learned about ACCION, he realized that microlending was the type of philanthropic endeavour which could actually help people become self-sufficient.

I knew then that micro-enterprise credit was the big idea that I had been searching for and that I could spend the rest of my life being deeply involved in. Aid was still thought of as charity then, there was no concept of sustainability, but I couldn't see the sense of just giving until you ran out of money. (Connell in, Gill 1995:7)

The success of ACCION — 98% of the loans were repaid and borrowers were becoming self-sufficient — led Connell to join forces with ACCION International and two other partners in 1992 to form the “first fully-private commercial bank servicing small-scale enterprises: BancoSol” (Gill 1995:7).

BancoSol is headquartered in Bolivia and distributes small loans to market vendors, sandal makers, and seamstresses with the first loans averaging about \$125 in American currency (<http://www.accion.org/about/main.asp>). By creating a bank for the express purpose of serving microentrepreneurs, Calmeadow and ACCION were able to establish a large pool of capital for this service alone. As a poignant illustration of its success, BancoSol currently serves almost 40% of Bolivia's banking customers (<http://www.accion.org/about/main.asp>).

In addition to their international initiatives with ACCION, Calmeadow created microcredit programs in North America. In British Columbia, the Peer Assisted Lending (PAL) program was created in 1994 under the title of Calmeadow West. The program, then known as communi-K, was based in Vancouver and expanded up the Fraser Valley (Gill 1995:8). Communi-K offered loans to a variety of microbusinesses: graphic design and publishing, daycare, janitorial,

landscaping, health and fitness services, educational services, photography, clothing manufacturing, jewellery production, and catering. In order to be eligible for loans, self-employed people formed peer lending groups of four to seven individuals. Each lending group could accept one person who does not have experience operating their own business. Loan amounts ranged from \$500 to \$5,000, increasing after each successful repayment of a loan. “Loan approval [was] based on the confidence fellow group members have in each other’s commitment, resourcefulness and ability to repay” (communi-K 1998). This program was transferred to the VanCity Credit Union in 1996 and is now known as the VanCity Peer Lending Program (Kane 1996). The credit union continues to operate the program in a similar manner.

Initiatives for a peer assisted lending program in Victoria were inspired by Calmeadow and communi-K. Other microenterprise programs available to women in Victoria have taken inspiration and ideas from these and other successful microcredit programs described above. These will be discussed in Chapter Five.

CHAPTER THREE: LOCAL BACKGROUND

Systems of small-scale lending and saving are found in various locales throughout the world. While alternative economic strategies employed in Victoria share some similarities with those used in other parts of the world, they are unique due to the fact that they are created within a specific socioeconomic environment.

In order to understand the context within which the need for alternative financing is determined, it is important to examine current social and economic conditions in the Victoria Capital Regional District (CRD).¹⁰ Situated at the south end of Vancouver Island, the Victoria CRD has a population of 317,989 (BC Stats 1998). Throughout the year, approximately 2,726,300 visitors are attracted to Vancouver Island due to its mild climate and picturesque scenery (BC Stats 1993). Because Victoria and the surrounding region give the appearance of prosperity,¹¹ visitors might have the impression that poverty is nonexistence in this part of British Columbia. Yet, many women in Victoria experience economic difficulties on a daily basis.

This chapter examines women's poverty in Victoria and addresses the difficulties involved in the implementation of local alternative financing programs. In addition, the findings of four previous studies have been summarized in this chapter: (1) the 1998 statistical profile of the Victoria CRD compiled by the British Columbia Statistics Branch; (2) the 1998 statistical profile

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Throughout the thesis the term Victoria refers to the municipality of Victoria and the immediately surrounding municipalities of Oak Bay, Saanich, Esquimalt, View Royal, Langford and Colwood. The Victoria CRD includes these municipalities as well as the outlying areas of Port Renfrew, Sooke, Metchosin, Shawnigan Lake, Sidney, and the Southern Gulf Islands.

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“Over fifteen percent of Capital Region residents are classified as ‘poor’— which is low when compared to the 20% reported for BC and the rest of Canada” (Goldburn and Seright 2000:55).

of women in British Columbia compiled by the British Columbia Ministry of Women's Equality; (3) the 1984 qualitative study of poverty in Victoria conducted by Women for Economic Survival; and (4) the 1992 alternative financing feasibility study conducted by the Victoria Community Alternatives for Economic Development Society. The findings of these four studies exemplify some of the problems and difficulties women face in Victoria.

The Gender Wage Gap

Like most women in Canada, women in British Columbia's capital earn considerably less than men. The average total income¹² of males is \$32,892 per annum while the average total income of females amounts to \$22,053, leaving women to exist on an income equivalent to 67% of that of men. This figure falls below the provincial Gender Wage Gap¹³ of 73% (Ministry of Women's Equality 1998). More than three times as many males as females fall within the highest total income bracket of \$60,000 and over with 13,950 men and 4,500 women earning this amount (BC Stats 1998). Approximately 28% of males and 41% of females in the CRD earn less than \$14,999 per year, thus falling below the (official) poverty line (BC Stats 1998).

Composition of Families

As noted in the National Council of Welfare Poverty Profile 1995 (1997:1), "families

¹²

Total income includes employment income, income from programs like employment insurance and income assistance (BC Ministry of Women's Equality 1998:8).

¹³

The Gender Wage Gap is the percentage of difference between the estimated average earnings of a woman working full-time and full-year and the estimated average earnings of a man working full-time and full-year (BC Ministry of Women's Equality 1998:9).

headed by single-parent mothers and ‘unattached’ people or people living outside of families [are] among the groups of Canadians most likely to be poor.” This pattern holds true even within the relatively prosperous Capital Regional District of Victoria. Husband and wife families have an average income of \$63,517. Male lone-parent families have a total average income of \$43,054 while female lone-parent families have a total average income of \$30,666. This represents a vast difference between female lone-parent families and other types of families. The income of female lone-parent families is only 71.2% of male lone-parent families and an even more dramatic 48.3% of husband and wife families. Not only do female single parents have twice the work of a parent who has a spouse, they have to do that work with less than half the money. These differences are even more significant considering the fact that women raising children on their own make up 83% of all lone-parent families in the CRD and 12% of all families in the CRD (BC Stats 1998). These statistics for the Capital Regional District of Victoria exemplify the national problem of female single-parent poverty: “Lone-parent families headed by women have the lowest incomes of all family types in Canada. In 1995, 52% of women who were lone-parents fell below Statistics Canada’s low income cutoff” (BC Ministry of Women’s Equality 1998).

Women and Aging

Women in Victoria comprise 65% of people over 65 years of age while men make up only 34.6% of the senior population (BC Stats 1998). Since women typically earn less than men throughout their lifetime, the possibility of having financial difficulties in their later years is great (National Council of Welfare 1997). Recent statistics indicate that across Canada women experience increasing poverty as they age. For women who are 75-84 the poverty rate is 26.6%,

the equivalent of more than triple that of men of the same age. Women who live beyond age 85 have a poverty rate of 36.7% while for men it is 14.7% at this time in their life (National Council of Welfare 1997:35).

Qualitative Perspectives

In 1984, a qualitative study of women's poverty on Vancouver Island and the Gulf Islands was undertaken by a Victoria-based group of women (Women for Economic Survival 1984). The study was conducted in order to understand how women were coping with the recession of the early 1980s. Although there have been many fluctuations in the economy since this study was conducted, many of the problems described by the research participants in 1984 are similar to those described by women I interviewed and spoke to informally during my research in 1997 and 1998.

The difficulties described by women living in poverty bring to the fore the complexity of issues involved in trying to create alternative strategies for economic control such as lending circles, and microcredit programs. The above mentioned study was based on an extensive survey conducted on Vancouver Island in the early 1980s. It concluded that women's poverty is situated within a multitude of contingent problems: low levels of education, sexual harassment, physical disabilities and health problems, cultural differences, social alienation, psychological problems characterized by diminished self-confidence, stigmatization, and feelings of shame and embarrassment, difficulties in personal relationships leading to separation and divorce, and a lack of adequate childcare facilities and affordable housing (Women For Economic Survival 1984).

The following excerpts from Women and Economic Hard Times: a record (Women for

Economic Survival 1984), bring into focus the problems encountered by women facing economic difficulties. These women's accounts emphasize that economics is not a mathematical abstraction, but is, instead, a manifestation of human interaction which is seldom exclusively monetarily-driven. Anthropologists have understood this for decades and it has long been a central premise within the discipline that economic structures are the product of a complex combination of social, cultural, cognitive and political factors. "Economy is ultimately not about money, but about people" (Barth 1997:237).

Long-term poverty affects personal identity in that it fosters self-blaming, a loss of dignity, general anxiety, and uncertainty about the future. Unable to rely on the possibility of permanent employment, the following women express the fears which they faced on a daily basis. "You try to take one day at a time. However, you are never able to cope with a temporary position, not knowing if you will have a job the following day" (Kate, in Women for Economic Survival 1994:8). "I have been on two job creation projects which always ended within two to six months which is very hard because you can't plan for tomorrow" (Linda, in Women for Economic Survival 1994:8). "It's terrifying to work your way from the bottom to the top and think you're going to fall back down" (Hannah, in Women for Economic Survival 1994:8).

There are considerable time constraints placed on women living in poverty as they try to juggle the overwhelming number of tasks needed to survive on a low income (Women for Economic Survival 1984). Since some women spend an inordinate amount of time trying to make ends meet, they do not have adequate time to pursue further education, find appropriate employment or socialize. One woman expressed her frustration in trying to cope with this problem:

Coping and surviving in hard times takes an incredible amount of time and energy. I am often angry and frustrated at the lack of choices and control. I try to remember that these can be challenging opportunities to learn and grow and that I can be creative about it. But when I'm so often tired, hungry, and struggling, it's very difficult. (Women for Economic Survival 1984:5)

The inordinate amount of time spent trying to eke out an existence leads to isolation, which, in turn, results in a lack of support from outside sources. Carol found that her social ties were diminished when she lost her job.

For myself, I found it devastating when the recession started because I finally had got into the work force and finally had got a decent job. I got paid equal to men. I worked in a mill and I was divorced and going to school full-time as well. So economically and family-wise — because I considered all the people I worked with my family — I was cut off from everything, absolutely everything. When I was finally beginning to feel some sense of self-esteem, it was just completely taken away. No matter how hard I had worked on the job or what I did, it didn't matter. It was taken right out of my hands, so I felt for myself the complete loss of control of my life. I thought it was just temporary even though intellectually I knew that this was going to happen. (Women for Economic Survival 1984:7)

The negative stigma attached to recipients of social assistance, income assistance and employment insurance benefits adds to the burden of those who are already carrying an unwieldy psychological load. Wendy tells of the unforgettable scars:

I hate that word 'welfare.' You wear it all your life. Having been on welfare (I was on it six years), I know you still wear the 'W'— either on your forehead or in your heart. When school starts, I panic inside my head and my heart, and I've got no kids anymore! I carry it like a big cross all the time. (Women for Economic Survival 1984:7)

And what is even more cruel, children are frequently the victims of unthinking bigots. The children are taunted with the vicious label of ‘welfare bums’:

There’s always that finger that gets pointed at them that says, ‘Well, you can’t go because you don’t have the money.’ After a while, they begin to feel socially left out because they’re not taking part in any of these things. And my son has enough problems now getting along with people his own age without adding that to it, and I think being poor is part of the problem. (Women for Economic Survival 1984:7)

These economic and psychological factors are compounded by the fact that these impoverished women live in a society which promotes an ideology based on consumerism, competition and independence where the market economy prevails. Cass talked about the social isolation that one endures when living in a culture which places a premium on material wealth.

This society is so geared to having these things: nice house, car, etc. If you don’t have it, well, it’s like you’re ostracized and there’s more and more people that are being ostracized and more and more people that are becoming low income and poverty level. (Women for Economic Survival 1984:19)

Alternative Financing in Victoria: A Feasibility Study

Given the gravity of women’s poverty in Victoria, women have collaborated to find ways to remedy the situation. In 1992, the Victoria Community Alternatives for Economic Development Society (VCAEDS) commissioned a study in order to find an effective means of creating employment for women. Data for this study, carried out in 1992 by the now disbanded Women’s Enterprise Centre, was gathered through focus group discussions. There were five focus groups in total, two consisted of new business women, two were made up of established business women and one group consisted of community agency personnel (VCAEDS1992:14).

The project was commissioned by the Victoria Community Alternatives for Economic

Development Society. This nonprofit society was “incorporated in 1985 and committed to encourage financial independence and community economic development through self-employment” (VCAEDS 1992:1).

Research was conducted by the society for three primary purposes.

First, the society wanted to determine what training and support programs would be most useful to low income women who have started or want to start their own businesses, and how much if anything are they able to pay for such services. Next, they wanted to find out if established business women in the community would support a Business Coach Program and an Alternative Loan Fund. Finally, the society wanted to get some insight into how interested, knowledgeable and supportive selected community agency personnel are of the idea of expanding the self-employment option to low income women. (VCAEDS 1992:1)

During focus group discussions with women who were in the incipient stages of their business, the WEC researchers discovered that financial assistance was indeed a priority for women of low-income.

In both groups of new business women, the need for money for their businesses was a major issue. One woman said she had no assets acceptable to banks (car, house) and was unable to get a line of credit or a loan. She said this causes hardship with regard to her cash flow, as customers don’t always pay within 30 days. Another woman said that to her mind, financing was the number one problem for people in cottage industries of home based businesses, and it is a problem for which there is no existing solution. Government assisted financial programs are not geared to business on this level, she said. She felt that very small businesses would be supported enormously by having something like student loans available, loans that are guaranteed and repayable. (VCAEDS 1992:15)

While conducting the research for this study, members of the Women’s Enterprise Centre discovered that the problem of adequate financing was compounded by other difficulties such as

a lack of self-confidence, isolation, the absence of a support network and problems in finding work experience relevant to their chosen field (VCAEDS 1992:15).

When asked if they would support an alternative loan fund, local established businesswomen varied in their responses. Some women were sceptical about the potential for low-income women to be successful in business.

The general feeling among established business women in one of the groups is particularly important as it seems to represent an important sector of the business community. Members of this group expressed some very conservative opinions about the possibility of 'disadvantaged' women pursuing the option of self-employment. Basically they felt that going into business is not a good idea for such women. Some expressed the opinion that if you are on U.I. or have been 'dumped' by your spouse etc., you have 'set yourself to be dumped' or 'there's something terribly wrong with you if you can't get a job' or 'if you can't get a job, then you certainly can't start a business'....Part of what this group was saying was that women who are disadvantaged may need to work on their self-esteem and survival skills before they consider the option of self-employment. They felt that any help the Women's Enterprise Centre gave had to start from this point and that disadvantaged women had to take a number of steps prior to leaping into business for themselves. (VCAEDS 1992:23)

Other established business women suggested that they would help women to get established in small business if they could make room in their own busy schedules. These women recognized the need for a well managed alternative loan fund, and believed that there was support for it in the business community. In order to prevent women from obtaining loans they could not pay back, it was suggested that the loan fund be tied to a business coach program (VCAEDS 1992:8-10).

Conditions

Statistics consistently show that women are in need of economic as well as social support in order to exist above the poverty level and to improve their living conditions. Studies such as those undertaken by the Victoria Community Alternatives for Economic Society suggest that the need for alternative financing for women is great.

The types of microcredit which are created in Victoria are conditioned by the perception of the need for such a service, the cooperation between members of a specific community, and the availability of funding. These factors constrain or aid practitioners in their attempts to put plans into effect. This in turn affects the types of microcredit which can be offered to loan recipients.

CHAPTER FOUR: METHODOLOGY

Microcredit is considered a viable tool for the reduction of poverty in developing countries. This study was guided by the premise that the most successful alternative financing associations are those which are generated from within pre-existing social groups, address local needs, and serve a variety of social functions (Bouman 1995:382). Microcredit strategies employed in Victoria are derived from those used in other parts of the world, but they are unique to their particular social and economic context.

An extensive literature review was undertaken in order to establish the functions, advantages, and disadvantages of alternative financing associations and institutions internationally. Fieldwork, consisting of participant observation and semi-structured interviews, was conducted in Victoria in order to discern the difficulties and triumphs experienced by organizers of and participants in microcredit programs locally. This methodology facilitated a meaningful comparison of local and international alternative financing associations and institutions.

Literature Review

A review of the available literature regarding microlending, women and business, poverty, and international development established the theoretical and contextual background for the study. Reports, ethnographies, journal articles, and edited volumes written by anthropologists and other social scientists provided the information on international alternative financing associations and institutions. Local, provincial and federal government reports on poverty and provincial census data provided information regarding the local socioeconomic conditions. Local publications such

as Monday Magazine, Focus on Women magazine and the Times Colonist provided information on microcredit both locally and internationally. Reports published by local and provincial women's organizations such as the Victoria Status of Women Action Group and the BC Ministry of Women's Equality provided data on women's poverty, alternative financing, and women and business. Reports, handbooks, information packages, and pamphlets published by national and provincial microcredit and microenterprise organizations contained information regarding microcredit methodology and practice, as well as histories of the organizations. The internet was used to obtain further information on organizations which offer microcredit locally and/or internationally.

Field Research

The study was conducted to answer the following questions: (1) What problems or triumphs did people experience while creating microcredit programs or microenterprise programs in Victoria? and (2) What experiences have women in Victoria had while participating in microcredit programs or programs with a microcredit component? Data for this study was collected during fieldwork conducted between February 1997 and June 1998. This fieldwork took the form of participant observation and semi-structured interviews.

Participant observation was necessary to acquire contextual information regarding social and economic conditions in Victoria. During the research process, I assisted one of the organizers of a peer assisted lending program in Victoria in order to witness firsthand the types of problems involved in establishing a microcredit program. I also took on this responsibility in an effort to make the research process reciprocal and to focus on "agendas of mutual concern and knowledge

constructed in consort with others ” (Whittaker 1994:358).

During May and June 1997, I participated in seven Community Economic Development (CED) workshops which involved: (1) an introduction to community economic development; (2) an assessment of local community assets; (3) instruction on capacity building; (4) a strategic planning session for CED organizations; (5) instruction on steps toward creating specific business ventures; (6) information on business plan development; and (7) information on financing opportunities available for supporting CED businesses. I participated in these workshops to assist in the development of peer assisted lending in Victoria and to gather information on the potential efficacy of this service. During the workshops I assisted the organizer of a peer assisted lending program who sought to offer microcredit to CED businesses. We exchanged information and strategy regarding microcredit services and I attended meetings and took notes for the organizer when she was unable to attend workshops or meetings.

In addition to learning more about microcredit and financing during the workshops, I was able to get a sense of other issues regarding women and poverty by talking informally to other people at the workshops who were also interested in community economic development. I got to know many of the participants well as the workshops were intensive and we spent eight hours together each day. These people included administrators of a local credit union, a director of an international development organization, a former director of a women’s transition house project, the director of a local organization which creates employment projects for women, members of the Victoria Street Community Association, members of the Victoria Native Friendship Centre, and Guy Dauncey, a local expert on alternative financing and author of After the Crash.

A director of a local advocacy organization provided me with a list of names of people

potentially knowledgeable about the research subject matter (see Appendix A). Through contacts established during preliminary background research I located “fugitive literature”¹⁴ on microcredit, peer assisted lending, lending circles and other forms of alternative financing. This literature was in the possession of various community organizations such as VIDEA, Bridges for Women Society, RESULTS Canada (Victoria chapter). In addition to providing me with literature on lending circles, community economic development, local microcredit, international microcredit and other types of alternative financing, these organizations were helpful in furthering my understanding of these subjects. VIDEA served as a bridge to community economic development and its relationship to microcredit.

While collecting a report at the Bridges for Women Society, I attended an open house where I talked with women who were finishing the Bridges employability training program and considering starting a microbusiness. Some of them were considering participating in a local microenterprise program which offered small loans to women. This informal communication was informative regarding women’s expectations surrounding employment potential, and allowed me to put a human face on women’s poverty in Victoria.

I also attended RESULTS Canada meetings hosted by the Victoria chapter. RESULTS members provided information about microcredit use locally and internationally. I also attended an information session on microcredit organized by RESULTS at the Victoria Café Simpatico. At this session a video on the Grameen Bank was shown, RESULTS representatives gave presentations about their work, and one woman gave a testimonial about her experiences with a

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Fugitive literature is not generally published “in traditional formats” (van Willigen 1993:17), nor is it found in repositories commonly used by academics.

local woman's microenterprise program. Members and organizers of the Victoria peer assisted lending program and the local microenterprise program were in attendance. Through an accumulation of the contacts established at VIDEA, Bridges for Women Society, and RESULTS I was able to identify potential interview participants.

Interviews

Semi-formal interviews were conducted with one organizer of a peer assisted lending program and three participants in a microenterprise program which offered small loans to women for business purposes. All interview participants were given the questions prior to the interview so that they would have ample time to consider their answers and other relevant issues. The interviews took place at the women's homes and lasted from two to three hours depending on how extensive their answers were. Interviews were tape-recorded with the permission of the interviewees and then transcribed except in one case where one woman requested that she not be recorded. Notes were taken during that interview and she also gave me written information on the list of questions which I had given to her one week prior to the interview.

The interview questions given to the program organizers differed from those given to the program participants. Questions for program organizers addressed the organizational aspects of the programs as well as any problems encountered in the implementation of the programs. These questions were based on Shirley Ardener's (1964:223-226) field guide for studying ROSCAs. Questions for program participants focussed on the problems encountered and advantages gained by women who participated in a microenterprise program which offered small loans to women for business purposes. Questions for organizers and participants can be found in Appendix B.

CHAPTER FIVE: MICROCREDIT IN VICTORIA

This chapter provides a brief history of microcredit in Victoria. It outlines the primary characteristics of the two models for microlending used in Victoria: the peer assisted lending model and the individual lending model. The three organizations which offer alternative lending to women in Victoria are described: (1) a peer assisted lending organization, (2) an entrepreneurial training program, and (3) an entrepreneurial training and business support service. The first two of these organizations are based in Victoria. The third is based in Kelowna but it offers its services to women throughout British Columbia. The methods by which people became aware of these organizations are also discussed. The expectations and experiences of microcredit organizers, loan recipients and potential loan recipients are outlined. The difficulties and triumphs expressed by those involved in microcredit programs, both organizers and borrowers, are described. General suggestions by program participants regarding the alleviation of women's poverty are also presented. Pseudonyms are used for interview participants to comply with their expressed desire for anonymity.

The study was conducted within the Greater Victoria area from February 1997 to June 1998. During this time period, the two Victoria-based organizations which sought to offer microcredit for business start-up were in the formative stages of development. These organizations are not named to respect the expressed desire for anonymity by their members. The third association, The Women's Enterprise Society of British Columbia (WESBC), headquartered in Kelowna, was available to women entrepreneurs operating businesses throughout British Columbia. During the research period, 16% of women who used the Kelowna-based service lived on Vancouver Island (personal communication Patti Malone WESBC).

Local Peer Assisted and Individual Lending

‘Peer assisted lending’ is known by various interchangeable terms such as ‘solidarity group lending,’ ‘group-based credit’ or ‘lending circles.’ This method of alternative financing involves a small number of people acquiring individual loans in a group format.¹⁵ The group is ultimately responsible for the loans to the individuals. The theory behind peer assisted lending is that the support of the group will help individuals to be successful in repaying loans borrowed from a lending body. In addition, by being part of a group, members may benefit from exchanging ideas not directly related to credit. The obligation to others, both economic and social, acts as further incentive to repay the loans.

From the point of view of lenders and philanthropists who contribute funds for small loans, the group solidarity method helps to assuage fears of risk¹⁶ and to reduce administrative costs. Since the members of a lending circle are mutually dependent, they assume part of the risk which otherwise would be placed entirely on the lending institution. It is this dependency which offsets the need for collateral. Administrative costs are minimized because a number of individuals are served at the same time (Calmeadow 1994:(3)1) and loan recipients assume some administrative tasks, i.e. they review each other’s loan applications.

Small loans may be provided to prospective entrepreneurs on an individual basis. Some

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Peer assisted lending emphasizes character-based lending, involves aspects of self-help and/or self-selection, addresses social, as well as, economic needs, and fosters cooperation between members of a group in order to ensure the success of individuals.

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Alternative types of financing such as microlending (loaning small amounts) are considered by economists and financiers to be a high risk investment due to the fact that the loans are often distributed to borrowers with limited income and minimal credit rating.

organizations may loan money to individuals who have difficulty obtaining financing from institutions which follow traditional criteria for lending such as extensive collateral or a substantial credit history. Although the loans are acquired on an individual basis, each loan recipient receives the support of the organization during the planning stages of their business.

Organizations which employ either peer assisted or individual lending methods of financing follow similar principles: the organizations distribute small loans to people of minimal income, they serve as an alternative to conventional banking, and they consider personal character, reputation, honesty, and 'sweat equity' as criteria for loan acquisition, in lieu of traditional asset-based collateral. In addition, these organizations share similar characteristics: a) they require a viable business plan for participation; b) they offer services such as mentoring and business advice; and c) they act as a lender of last resort.

Both peer assisted and individual methods of lending were introduced to potential borrowers in Greater Victoria during the 1990s. A Victoria peer assisted lending society was founded in 1995.¹⁷ This society is based on the Calmeadow model and facilitates small loans to self-selected lending circles for the purpose of financing small business. During the early stages of development, the organizing committee for the society consisted of six members. Eventually the committee was reduced to two members due to other personal and professional commitments. In subsequent years the organization became aligned with the local community economic development (CED) movement. This alignment resulted in the lending circle society changing its focus to assist people in community organizations. This meant that the focus of the society

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This group lends to men as well as women.

changed from offering loans to microentrepreneurs at large to lending to people with low-income who were part of a select number of community organizations which were members of the official Victoria Community Economic Development Corporation (CEDCO). Each of the organizations within the corporation have a specific mandate and/or purpose directed toward the betterment of their local community.¹⁸ In order to participate in this peer assisted lending program people need to have a viable business plan and be willing to work in a group of other borrowers. Participants also need to have a source of income other than the loans available through this organization.

This type of financing is defined as semi-formal, as are most types of alternative financing in North America. It is semi-formal as it possesses both informal and formal aspects of credit acquisition. Semi-formal associations are usually guided by an administrative group which acts as an intermediary between donor institutions and those receiving small loans as opposed to informal lending and saving clubs whereby the funds for loans are contributed by the group members themselves. This model is “based on the way informal credit markets work” (Christen 1992:282). For instance, default is avoided by “the solidarity group mechanism” (Christen 1992:284), a system which is employed in ROSCAs. Four to seven micro-entrepreneurs join the program as a group and share the responsibility of acquiring and repaying a business loan (Christen 1992:284). As is the case with ROSCAs elsewhere, PAL group members in Canada administer the loans themselves and decide who will receive the first loan. Peer pressure serves

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For the purposes of this research, community is taken to mean the people living within the same geographic location and/or people who are members of a specific interest group. My experience with community economic development is that these definitions of community are used interchangeably depending on the subject matter. During the workshops, it was apparent that the term community often seemed to refer only to those who had been, or intended to be members of the corporation for an extended period of time.

to ensure the repayment of the loans as the other members are dependent upon them. “Should one member default on a loan, then the others in the group pay the late portion and seek recovery directly from the delinquent member” (Christen 1992:284). The initial amount of loan to the group from the program fund is small. Funds for the loan come from donor institutions such as church organizations, credit unions or development organizations. Sometimes the funds given by these institutions are ‘matched’ by those raised by the administrative group. In the case of the peer assisted lending society in Victoria, the organizer was able to contribute her own funds and have a local credit union match that amount. The administrative organization is responsible for collecting the loans. As each loan amount is repaid, the group is able to acquire a larger amount (Christen 1992:284).

Another Victoria-based organization, formed in 1997, offered, and continues to offer, microcredit on an individual basis. The mandate of this society is to help single women with children create jobs for themselves. It uses a holistic approach whereby women receive entrepreneurial training as well as assistance in accessing start-up capital. Loans are acquired on an individual basis although each woman receives the support of other women receiving loans and the organization during the planning stages of their business. Funds for the loans come from a combination of fundraising drives and monthly pledges made by philanthropic members of the community. In order to be eligible for this entrepreneurial program, women needed to develop a viable business plan and be collecting benefits from Employment Insurance, Income Assistance, or Social Assistance.

Since 1996, the Kelowna-based WESBC has offered loans to women entrepreneurs who

are “unable to obtain traditional financing.”¹⁹ This society provides entrepreneurial training, business counselling, mentoring, networking and information services for women entrepreneurs. The organization is funded by Western Economic Diversification Canada and is directed by women from across Canada who have had difficulty acquiring funding for their own business ventures. The loan fund is available for women in a business which is at least 51% owned and controlled by women. Its mission is “to encourage the establishment and growth of women owned and controlled businesses in British Columbia in order to strengthen and diversify the British Columbia economy, encourage job creation through self-employment and business development, and promote economic equality between men and women” (www.wes.bc.ca).

In addition to local community organizations, microcredit is supported by advocacy groups such as RESULTS Canada. The Victoria chapter of RESULTS lobbies for changes in policy to facilitate the expedient delivery of small loans for entrepreneurs. Among other things, RESULTS proposes that

the seed money and the scaling-up of capital can in part be provided by governments. Legislative changes will be needed to provide a better context for microcredit and self-employment. At the international level, a better understanding of the power of microcredit and a commitment to channel a much larger part of our foreign aid through microcredit programs are crucial. (RESULTS Canada: www.results-resultats.ca)

RESULTS also lobbies commercial banks to become more involved in providing capital to community microlending groups (RESULTS Canada www.results-resultats.ca).

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The term traditional financing in this case refers to financing from a bank or credit union.

The Dissemination of Information on Microcredit

Representatives of groups offering small loans to entrepreneurs used various methods to inform potential borrowers. Contact with potential loan recipients was made informally through friends and acquaintances and more formally at meetings and conferences regarding community economic development and/or microlending. Women who used the resources of non-profit organizations were made aware of the organizations' plans to assist people with low income who wanted to become self-employed. Pamphlets were distributed at public meeting places, such as local cafés. Public interest was fostered by word-of-mouth. The local press was helpful in informing the public about the existence of microcredit programs. Press releases announcing the February 1997 microcredit summit in Washington, D.C. also piqued local interest in small-scale lending.

WESBC, located in Kelowna, had more formal methods of informing potential participants. This formality is primarily due to the distance factor. Upcoming WESBC workshops on various aspects of business were announced in the local publications such as Times Colonist, Focus on Women magazine and Monday Magazine. WESBC also sought to establish a mentorship program in Greater Victoria whereby local businesswomen would give guidance to new entrepreneurs. The director of WESBC gave a presentation about women as successful entrepreneurs at the University of Victoria Women's Conference in 1998.

Women who were enrolled in the Victoria-based organization which offered microcredit on an individual basis found out about the program through personal connections and institutional networks. Andrea learned of the program through her landlord who knew one of the women who was part of the organizing committee. Sandra "was called for an interview because [she] had an

application in somewhere else.” Marybeth learned of the program by word of mouth:

How it happened is that I was just finishing up a program at Camosun College. It’s a career crafting course called BEST Program. And I knew that I wasn’t quite ready to commit to working because I had some skill sets that I wanted to work on [such as] computer [skills] and some other things that I wanted to do first. And so the course was winding up at Camosun and I wondered what am I going to do now? And I think it was two days or so before we were finishing at Camosun that one of my classmates mentioned that a friend of his had told him about this program... and that it was for single moms who are on low income and it’s an entrepreneurial training program.

User Interest and Expectations

Local Victoria women who were interested in programs which offered business advice and microcredit differed in their level of skills, education and business experience. Their expectations therefore varied widely. Miranda was grateful that such a service was available: “I thought it was a good idea and the concept was excellent. There’s nothing out there for women to start in business. There is a lot to understand before you begin a business.”

Harriet had a specific idea of what she needed to become self-employed and believed that entrepreneurial training was quite appropriate for her purposes:

Well, I expected that I would be learning how to compile a business plan. I knew that I needed help with accounting and the fiscal planning, financial planning — pro forma income statements, et cetera. And that I needed to tune up on entrepreneurship — pioneering. I have all the characteristics of the typical entrepreneur. So I thought oh, that’s great. It just seemed perfect. And it was for women who were exactly like who I was. I was really excited about it.

Martina was enthusiastic about learning how to improve her existing business:

The reason I was interested in it is because I had my own business going and they were directing it at single moms with low income and I was really hoping to learn how I could run a business...a well-run business.

Women on low income had a number of specific problems starting their business. Jane wanted advice from experienced business people:

I wanted the support of knowing that I could [run my own business] and I wanted to know that I was on the right track. I did not want \$2000 but I wanted the legalities and the hands-on [approach of] talking to people who were in the business.

Diane looked forward to using this particular type of business training to compliment her previous education:

It just seemed perfect because I was going to be able to continue doing some more learning and training and developing my business plan and getting all the help that I needed to do that. I had actually done some research into some entrepreneurial training programs and nothing seems to really fit the category of the needs that I had until I found out about [this program], and it just seemed like a perfect fit.

Women sought education through a combination of programs and services provided by non-profit organizations and the provincial government before using facilities which offered microcredit. Social services such as single parent information centres, literacy organizations, employability training programs, bridging programs and business training programs were used by women in an effort to combat their low income status.

During her interview, Mary commented that she had some experience with other types of training before joining a group which offered microcredit: "When I was on EI, I went through the computerized accounting [program]....that's not really an organization....its all pretty much the

same to me....” Alice noted that when she spoke with other women in the same group, she discovered that many people had used the services of other organizations. She remarked that “a lot of other women in the program had been through other courses and programs [such as] job search and therapy and they talked about other groups a lot.”

Social services caseworkers also helped women in finding new career paths. Elizabeth stated that this was the case in her own journey toward self-determination:

I’ve done it in stages and to her credit, my [case] worker at the Ministry of Education Skills and Training was very, very supportive and intuitive as well. She’s worked with women in transition a lot. And she got me into the Directions [program] first which is basically a group support type of [program where you are] learning [about] your feelings and day to day sort of coping skills, training, that type of thing, exploration. And then from there — after getting those bits and pieces, grieving over the divorce — from there I went on into the Camosun College which was like gearing up to what my interest aptitudes, skill sets, existing skill sets, job experience, what my pool [of abilities] was. And then also a lot of identification of jobs. [Such as] what types of occupations there are and how closely my skill sets resemble a person who would be in that type of position. You know the kind of tests....It was just a very good sequence. It worked out really well for me.

Difficulties Experienced by Program Organizers and Participants

This section outlines the expressed concerns of women who organized and participated in programs with a microcredit component. These concerns include those of a general nature, as well as specific, pragmatic ones. Organizers using the peer assisted lending model had difficulty finding potential borrowers with viable business plans who were interested in sharing business advice within a group atmosphere. Borrowers perceived microcredit to be limited in its efficacy and they expressed concern with the specific content of the programs. Government policy

regarding social assistance and employment income insurance constrained women's ability to receive microcredit loans. Participants also had difficulties of a more personal nature including emotional difficulties, appropriate education, and the availability of daycare.

Organizers sometimes had difficulties setting up lending circles because, in spite of their enthusiasm, they were unable to devote enough time to this enterprise due to other commitments. This problem was particularly acute in a Victoria peer lending society based on the Calmeadow model²⁰ founded in 1995. At its inception, the organizing committee consisted of five people. In spite of extensive effort having been put into research and program design, four members of the committee had to resign because of other personal and career commitments. Therefore the responsibility for continuation of the program fell on only one person. This person attempted to elicit assistance from individuals and institutions but in the end this proved futile. This program is no longer cited on the list of community organizations published by the Victoria Community Economic Development Corporation.

Any one group of women may have widely divergent needs and this creates challenges for organizers when providing education, training and loans to each individual within the group. Women intending to use alternative forms of financing also face difficulties in spite of their enthusiasm. Women entrepreneurs have a variety of different needs when starting a business or improving an existing one. When seeking the proper sources to facilitate success in business, women encountered barriers to finding appropriate information, daycare, mentorship and group support.

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This group intended to lend funds to men as well as women.

According to a study conducted by the British Columbia Businesswomen's Advocate, women seeking to be self-employed are at a disadvantage due to the lack of advice on establishing and maintaining a business and "a shortage of networks, role models and mentors" (BC Ministry of Small Business, Tourism and Culture 1991:3). In order to deal with this deficiency, organizations offering microcredit often try to link borrowers with mentors. As Miranda explains, this strategy had varying degrees of success.

Its really hard to get mentors that really want to do it. I had a mentor but there was really nothing she could — She gave me a pile of books this big and I thought how am I going to get through all of this ? And so she was really good but she was a single person and she was just — her work was her whole life. But she was good because she had sold her business so she had lots of time for me but the others didn't have much time with their mentors because the mentors were so busy. So it was hard to schedule mentorship programs because of the mentors. But I think they've changed that a little bit. And with my mentor, since she sold her business we just met somewhere and she talked about [her business] but it was not like I could work with her and see what she was doing.

Another negative aspect to mentoring was mentioned. Both new entrepreneurs and experienced businesswomen were sceptical about "educating the competition." In their 1992 study regarding the potential for start-up support for women micro-entrepreneurs, the Victoria Community Alternatives for Economic Development Society learned that some established businesswomen in Victoria were too busy to mentor new businesswomen and that some were reluctant to give advice to potential rivals.

Women starting their own business are also protective about their business ideas. Some women who participate in entrepreneurial workshops are reluctant to disclose their business plans or to share their ideas with other women still in business. As one of the interview participants

declared, “old businesses need new blood.” This woman felt that experienced businesswomen were benefiting from the creative inspiration of new entrepreneurs rather than vice versa.

Women in business also suffer from “a lack of operational and emotional support from family, friends and others” (BC Ministry of Small Business, Tourism and Culture 1991:3). Ideally, when lending and borrowing take place within a group atmosphere, the members of the group provide support for each other (Women Futures 1996:Lending Circles 3; Calmeadow 1994:3-1).

Although the exchange of business ideas and emotional support of other entrepreneurs is encouraging to some women, some find other aspects of the group situation a hindrance. June suggested that too much time was spent dealing with personal problems within her group. “You know, somebody would start complaining, whining and jerking about how tough their life is. It’s not good. Getting too many women in the same group with too many problems I guess.” Maria did not agree with some her fellow entrepreneurs’ perspectives on men. In regard to other members of her group, she said “there were too many lesbians with attitudes toward men that I don’t like.” Other women had personality conflicts with women who organized entrepreneurial training and microlending programs. Since a number of women in Victoria who create avenues to help other women have experienced problems similar to those they seek to aid, they have the potential to develop empathic relationships with them. Unfortunately, this potentially empathic perspective in relation to others, does not always prevent conflictual relationships between women. One woman who was in conflict with one of the organizers in her group felt she was judged too harshly and she remarked, “it helps to have been in a similar situation but it doesn’t make it right for people to criticize others.”

In addition to the difficulties discussed above, the amount of money loaned to borrowers also proved problematic. Some women who received loans or intended to borrow small loans for business purposes found the amount of the loans was insufficient. In developing countries small amounts of money are adequate to supplement microentrepreneurs but in North America, it seems that small loans are not sufficient. Prospective entrepreneurs in North America become trapped within an endless cycle of poverty despite their attempt to improve their circumstances. It should be remembered that the purpose of microcredit is to help individuals who lack collateral, a credit history, or an established business record regardless of where they live.

Eileen realized that lenders were reluctant to lend money to women with low income, but she felt that larger loans would be more appropriate for helping women to become self-employed.

I can understand everybody not wanting to take a chance on us. If I was to look at somebody without knowing them, sure they've got a part-time job, [they're a] single mother, renting, their car is starting to fall apart and they've got themselves into a situation. How much ambition do they have to actually keep up the payments and to keep a business going. But if you're going to start up a program to help these women a thousand dollars just doesn't cut it. That's basically [only enough for] business cards and advertising. And not even the advertising. Even \$5000 might be able to help people.

Gloria noted that in her group, women could borrow various amounts for business purposes but she stated that more money would be needed.

People can ask for different amounts but I believe the maximum in the first intake that any person could [receive] was \$1000....But it's very difficult to create a viable business with \$1000. I think by North American standards, a microloan for a person who is wanting to do a life-altering career change and begin a business, I think you're looking at between \$5000 and \$10,000 for startup money for the most modest business idea.

In Vancouver, British Columbia, participants of the Communi-K peer-group loan program were able to borrow funds for “purchasing bulk inventory, advertising, supplies, or small assets, such as computer, fax machine, or office furniture” (Kane 1996). In Victoria, loan funds are used for similar materials. Marie explained how she used her loan.

I wanted the loan so I could have it in my bank account for when I do business because a lot of times you have to put the money up front. And being on a tight budget that’s not always easy. So I wanted it to sit in my bank account so when [I need it] it’s there.

Lee expected that she would be able to ask for a larger loan than she received but was relatively pleased with the rate of interest on the amount she did receive.

I needed roughly \$10,000 to get where I wanted to actually be professional, have all my advertising and things like that. I wanted to apply for more than a \$1,000 and I don’t know if they were only able to give me a thousand or if they thought I could only pay for a thousand. So I took the thousand and over eighteen months I only had to pay \$15 or \$20 of interest, which is pretty good.

Some women did not take out loans available to them while they were receiving entrepreneurial training because they felt the loan amounts were too small to begin their own business. Sandra explained her decision not to borrow money which was available to her. It should be noted that even though Sandra did not take her loan, she recognized that the program had many benefits.

I didn’t even take my loan. I qualified, I was approved and my business plan was deemed viable but I decided not to. Because there were personal reasons for that too. I’m an impatient person so when I have something and I want to start it — to think that I have to do it incrementally is just too painful for me. I need immediate gratification. Even though I didn’t take advantage of the loans I just always approached the whole [program realizing] just how fortunate I was to be there and to have been chosen out of the hundreds of women who applied.

One of the other major difficulties faced by lenders and borrowers is government policy regarding those who receive social assistance.

There is an abundance of single mothers on income assistance that want to get off and become self-sufficient. I have met hundreds that possess skills and they could be assisted with the right program yet become locked into the welfare system, slaves to welfare. Why isn't the government assisting? Many desire to start a home-based business but lack the few hundred dollars start-up costs. This can lead to self-reliance. Any single mother who tries to start up a business to try to become self-reliant, is cut off [income assistance]. Where are the incentives? (Carr 1996:198)

June noted that there were further problems with borrowing even small sums of money while receiving social benefits. This condition was exacerbated by the fact that, the total amount of business sales had to be declared regardless of the amount of profit. Cassandra explained the problem in detail.

There are several layers to the problem. When you get income assistance or social assistance or UI, if you get a lump sum of money i.e a loan, you're supposed to claim it.²¹ Which means that it has to come off your subsequent cheques. Which means what's the point? And another part of the problem is that [for example] a woman who has begun working, running her own business and [collecting] social assistance and she's bringing in x amount of dollars with the new business and say its \$500. So she has \$500 in sales but the materials and expenses, for instance in [Jane's] case, were \$300 so really her profit is only \$200. Social Assistance doesn't care about the \$200. They just say no you've made \$500. You have to claim \$500. There's no way of supporting people while they're in that transition stage where they're not able to support themselves quite yet. But they want to be. So where's the motivation? There's no motivation.

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Not all incoming money is considered income. According to a representative at B.C. Human Resources Canada all income is to be reported. All income is then reviewed by an insurance representative and they decide which incoming monies are to be declared as income.

Alison expressed frustration over a similar problem with governmental policy.

When you're on social assistance you cannot start your own business. If you start your own business they cut you off. With UI you can stay on it for six months or a year.²² And I think they'll even extend it if you've started your own business. But I know they don't just cut you off, they give you some time where you can try and build up your business.

June put it more succinctly: "Red tape is a problem. We do not get any [social] assistance if we're self employed." April suggested that there is one option available but she was unclear as to procedure:

First you have to go through some sort of board. You take your business to the board, of a social assistance board and then they approve it or disapprove it and [someone] says as far as he knows there's no actual board that's there for people.

Simone explained that there is one instance where women can claim business expenses while receiving social assistance:

There is one job written right into the policy and guidelines of social assistance for what can be claimed as business expenses against the gross revenue of the person. And that's if you have a daycare. You can claim your expenses for food and such against the money that you're bringing in and apply them as business expenses. So if you're a good girl and you stay home and you look after kids, you can claim your business expenses and they won't take it all away from you. So they're saying if you want to be on social assistance and claim your business expenses you have to take care of children. Women. You know and I love children — don't get me wrong. I chose to stay home with my kids. I wanted to be home with my children. But my god, you know, give me a break. You know, there are other forms of business.

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According to BC Human Resources Development Canada, people may continue to receive Employment Insurance benefits while participating in government sponsored self-employment assistance programs. However, people who start their own business cease to be eligible for Employment Insurance benefits.

One board member suggested that government service providers are aware of their plight.

We've been very active in educating the government as to the policy and it's a very lengthy process to get policies changed. And most of the people we've spoken to were sympathetic and they could see the logic behind net expenses versus gross expenses. You know, gross pay versus net pay and all that kind of thing. But they were... I guess it would just be too much work for a worker to have to go over someone's books and analyse where there are expenses appropriate for the business. The monitoring would be complicated.

Some single parent women who intended to start their own business believed that, once they completed a self-employment or entrepreneurial training program, they would still have difficulty making the transition to self-employment because of problems with daycare. As Beth noted, "I'm not entitled to [subsidized] daycare if I start my own business." According to Cathy:

Single women aren't allowed to have respite care i.e. the children wouldn't be able to go to daycare unless they could have a bonafide reason for having the children in daycare as in they're going to school or they're working. There is one option and that is for one time in your life you can have what's called a job search daycare subsidy and you're given I believe four months of daycare but its one time in your life. You can only use it once. How they keep track of that I'm not exactly sure but I didn't want to take that risk of using up that one time only.

Because of the lack of subsidized daycare, women with low income have the double burden of having enough money to put into their business and childcare.

All of the above problems which women with low income encounter are usually compounded by, and intertwined with, non-economic difficulties. It has been suggested by development economists that a holistic approach to the study of economics is necessary due to the fact that "poor women do not view their lives in a fragmented manner separating the economic from non-economic aspects of their lives. They do not focus on economic inputs or credit in

isolation but view these elements as part of a total process” (Wignaraja 1990:35). In Andrea Carr’s (1996) book, Single Parent Voices: Facing Challenges and Sharing Insights, Carol, a resident of Surrey, British Columbia, explained the emotional difficulties she faced when she separated from her husband.

When I first became a single parent there was absolutely no help. I think most people would probably have caved in under that kind of pressure and circumstances. Family and friends at that period were just not around. But, I guess it is a case of, to survive you do what you have to do. (Carr 1996:45)

To me the single parent is the widow of this day. (Carr 1996:49)

Marianne suggested that employment alone is not sufficient enough to solve all the problems of women in transition from divorce, separation or bereavement.

You know, you can give a woman on assistance a job. She may not be able to work though. For the two years after... from the day that I left my husband, I would say for two years I was incapable of working. I was grieving deeply. I was traumatized. I was in crisis. I was completely overwhelmed with childcare and personal problems. I mean there’s more than just giving jobs to women. There’s a healing process that we go through.

Women who have used the services of non-profit organizations which employ a holistic approach have varying opinions on the inclusion of a personal development component in the programs. Some women preferred that business education remain separate. Sarah suggested:

too much time was spent on personal development. After all of that I felt emotionally drained....Anyway, I had already gone to college and had an evaluation of my emotional problems. Don’t try to combine counselling with business ideas. Have somewhere else for people to go to get counselling or resolve their problems first. Some women who joined the program are there because they’ve done something in their life and they should be respected for this.

Other women felt that some attention to personal difficulties could be beneficial. One of the participants, who was also a board member of one of the Victoria-based organizations noted:

the women wanted to have a more business-oriented training as opposed to personal development. Because a lot of the women have already gone through Directions or other women's programs, they felt they were ready for the business [training] and they had done their personal work. I think that there's always room for more personal development no matter how much you've already done. I think the women who get triggered by personal development are the ones who need the help the most.

When taking entrepreneurial training Miranda was somewhat disappointed with the course content but noted that other women benefited from their training.

They did a little bit about dealing with customers but I wanted to know more about the books and problem solving. They did a little bit about it but I guess they didn't go into it to the degree that I wanted. And they were talking about money and they were [intending] to lend enough money for people to start up their businesses....There's no in-between where you can get the help at the level that you want. I really did think that this program was really quite unique. And I was prepared for the hardest. The first day I was there I had pen and paper ready to take notes. I was just all for it. And I was even bringing work home to read because I was in the mode of education. I didn't get it. I didn't get any education, I mean academic education, at all — that I can use in my business. So it was frustrating for me.

In spite of all the problems described above, organizers and most participants were hopeful that, through education and an increased public awareness, programs with a microcredit component could be expanded in British Columbia. People recognized the potential of these programs. It was generally felt that the problems could be overcome, and most of the difficulties could be addressed as organizers gained experience.

Benefits of Programs with a Microcredit Component

Despite the problems mentioned above, women who participated in programs with a microcredit component, noted that the programs had several benefits including education, business training, and group support. The concept of business training for women combined with financial assistance was welcomed. Women acknowledged the effort which went into designing and organizing the programs. As Lori noted: “these women really mean well and they’re in a position to do so much good. They had an idea and knew that women needed something like this. I like the idea of wanting to help women.”

Lorraine was impressed with the originality of the concept and was grateful to have participated in the program. She felt some other women were negative and overly critical of the program as a result of their life circumstances.

I know there’s nothing like it on the island. I know for a fact there isn’t. And the mandate of the society is to empower single women with children and help women create jobs for themselves. And I don’t think any program really is that specific.

It’s very unique. There’s a great deal of vision. Some of the women on the board and the facilitators and [others]. These women are so giving....I just think it’s so important just doing such important work.

Even though I didn’t take advantage of the loans I just always approached the whole thing as just how fortunate I was to be there and to have been chosen out of the hundreds of women who applied and I [thought] wow! this is so special to be part of the first group. And I couldn’t really understand the bitterness about some of the women...it was free. I think some people have been so marginalized and victimized and abused and they just carry this weight. I don’t know. I’ve always wondered does bad luck — is there bad luck for one thing, or do people become pessimistic because they’ve had hard knocks or because they’re pessimistic do they bring hard knocks to themselves.

Faith acquired benefits from participation in the program which were not readily apparent. She acquired a degree of self-realization.

I gained a friend but I guess I gained some knowledge about learning to say what's on my mind more [rather] than sitting back and letting it happen. And I also gained the knowledge that I really don't complain as much as most people do. And I also learned that I'm doing okay. By comparison I really am not that bad and I guess that's probably how [the program] has helped me.

Participation in a government sponsored entrepreneurial training program meant that women could continue to afford daycare for their children. Danielle was able to continue to provide a stable environment for her children while improving her skills.

I had the daycare arranged, I didn't have to take [the children] out of daycare. Just to be able to afford that [since] my husband and I had separated and continuity was a big priority for me and my children. And I was thinking now I have to take them out of daycare and I'll lose their spot. So to be able to keep them in the daycare meant I could continue on with my training and [the program] suited my needs as in where I wanted to go.

In addition to obtaining some financial assistance, women in training programs developed or acquired specific business skills. Jane noted: "I learned how to do research but I already knew how to do surveys. The program also gave me direction on market research and how to find customers." Paula observed that some of her classmates acquired basic and valuable information:

A lot of women didn't even know how to turn on a computer and they ended up learning how to use Wordprocessing and Simply Accounting for our books which is computerized and Excel spreadsheets. And the internet as well, internet and e-mail.

The support offered by the group environment was extremely beneficial for some women. Some women appreciated the immediate benefit of shared ideas while others mentioned the camaraderie.

We did so much brainstorming. We always brainstormed for each other's business plan. We did that a lot. And we helped each other with business ideas and everything ranging from logos to... everything. We brainstormed for everything for each other's business plans in a structured way and in loose ways. And to this day [June 1998], for instance, I'm still networking even though I'm not in contact with some of the participants. I know what each of their business plans are and I network and I refer.

I do referrals all the time. I think women are naturally networkers and they share ideas more easily and support one another. That's a generalization but...the thing about women working with women is there's that nurturing and softness about how we can be in relation with one another that, except for some very special men, I think that it's not as common. And so I think that there is a real place for women working with women for women. But, that's only something that I've learned in the last couple of years because I never really recognized the value of other women's close relationships with other women. I fell into that belief of you know, how catty we are...which is true too, but. We had a very nurturing environment and we were very supportive of one another.

Entrepreneurial training workshops and programs are usually small and therefore programs can be tailored to the individual and the participants gain hands-on experience. In addition, government sponsored programs also relieve the burden of having to pay large sums of money for training when people are subsisting on a small income.

Although women found the programs beneficial, they lamented the fact that the group did not remain together in some other form. They believed that skills and knowledge which they had learned might have been further developed had cooperation continued.

It takes time to start up in business and to develop that business. These programs are only a temporary solution to a permanent problem....When the program ends everything ends....It's so hard to spread your wings when you have little children to take care of and not very much money to do it with and not very much support.

The disappointment for me is that we all seemed to blow apart after. You asked if I've been in contact with any of the participants since leaving and its only been with a handful of the women — only a few of the women that I see every now and then, but it was disappointing that we didn't get together more, but that's the case in every situation I think. You graduate from high school...oh! we'll always be friends, you know...I think people move on.

Participant Suggestions

Research participants made a number of suggestions during interviews. One woman offered several suggestions for an expanded community involvement.

To pool money together or something similar to that project where the houses [are] being built. If somebody could start something like that up. I know a bunch of single mothers would even be willing to build a house — participate in building houses or anything. And I would like to see the community get a little bit more involved. The only neighbour I know is across the street so I don't even know any of my neighbours. So more involvement and things like that. So you don't feel like you're all alone trying to struggle by yourself. I don't even have any tools to fix anything. I've got a hammer and a screwdriver and that's it. If I want to fix something around the house. I know in my mom's club they have barn building parties for people....My perfect world would be trading chickens and pigs and things instead of money.

Other women suggested that stigmatization, stereotyping, prejudice, and unfortunate circumstances were all serious impediments to community cooperation.

[It would be better] if the social services would stop treating us like we're not human any more. People being nice would be a big improvement.

I guess a change I would like to see is single moms that ruin it for all the other single moms out there. I don't know what they could do but a lot of people seem to lump in single moms with the bad ones. It's hard to overcome sometimes.

The bad ones always ruin it for everybody else so it 's kind of hard

for anything....I don't mean just single moms but for anything.

Even for people on welfare. There are some people who actually do need the system and then there are some people who abuse the system which ruins it for everybody. And then they wonder why they get treated like kids. You act like a kid you get treated like a kid.

I know they're trying to make a lot of changes [regarding] self-support and there are so many people out there who really do need a lot of help and there are so many people that complain instead of just doing it themselves...I don't need a lot of help, just a little bit.

Single mothers are single mothers because some have left an abusive relationship or because of a marriage breakdown or a one night stand.

People who start these things should treat women with the idea that they have potential. Until government and society start to look at [single parents] as if they are people, programs like this won't work. Prejudice prevents them from seeing them as unique individuals with different problems. Every welfare recipient is different. They are people with a past, they're people with a present and people that are trying to get a future.

Microcredit Programs as Models for Social Change

Dale Adams (1992:19), an expert on informal finance, suggests:

all too often, traditional development lending is a hurried event that ignores [the] important process of learning, testing, and discipline building....more attention must be given to helping borrowers systematically build their creditworthiness before flooding them with loans.

Successful microcredit programs are intended to help prospective entrepreneurs build their business incrementally with the help and support of a group. The participants gradually expand their business potential through the successive borrowing and repayment of loans of increasing amounts. This prudent process, aided by the group dynamic, allows for the development of

business skills and experience which, in turn, results in the ability to acquire larger business loans from established financial institutions.

It should be emphasized that Adams (1992) is cautioning both borrowers and lenders to be prudent. During the process of my research it was apparent that alternative financing in Victoria was in the incipient stages of development and organizers have indeed experienced the usual travails encountered when introducing new ideas. They are clearly learning through a process of extensive preparation, implementation and subsequent adjustment of plans.

Women who have participated in programs with a microcredit component also recognize the difficulties involved in organizing the programs.

You know with the [program], I think they're working on trying to be open and honest with their group now. I think they're trying to make things better. But at the time there could have been a lot of changes, but I think they're working on that. When I talked to [someone] in the office I said are there problems... is everything running smoother than it did the first time. She said these people have different problems or different complaints.

It's becoming more and more programmed, I guess. Yes, a lot of thought went into this and a lot of women put in a lot of their own time to make this work. There was a personal development section which was quite heavily emphasized in the first intake but I've heard that in the subsequent ones it's been de-emphasized somewhat. There were problems with a couple of the facilitators and some of them aren't there anymore.

Organizers in Victoria needed to convince program participants that cooperation could benefit both the group and the individual. In the developed world, entrepreneurs have been seen as pioneers forging their way through a capitalist frontier armed with initiative and innovative ideas. Marti Smye notes, "the currency of the information age is ideas" (in Kane 1999:D4). When knowledge is seen as a marketable entity, people tend to view ideas as a limited resource

and are sceptical of dispensing information without compensation. Commodification of knowledge makes cooperation between people problematic. Competition sometimes wins out over altruism. The perspectives of women who participated in the study demonstrate that cooperation is variable and often intertwined with competition.

CHAPTER SIX: COMMENTS, CRITIQUE AND CONCLUSION

This chapter compares organizations offering alternative lending in Victoria with small scale lending practices in other parts of the world. It addresses the conflicting ideologies of individualism and cooperation which condition the efficacy of alternative lending practices in Victoria. Recommendations for the future use of microcredit in Victoria are also presented.

For the purpose of clarity, I will begin by restating the definitions of the various types of alternative financing referred to in the thesis. *Informal financing associations* refer to self-designated saving and credit groups wherein “all financial transactions, loans and deposits, [occur] outside the regulation of a central monetary or financial market authority — the regulated activities being labelled as formal finance” (Adams and Fitchett 1992:2). They offer small loans without collateral requirements. Rotating savings and credit associations (ROSCAs) are examples of informal financing associations. *Formal financing institutions* include all regulated, conventional lending institutions, such as the Bank of Montreal, which offer individual or business loans dependent on asset-based collateral. Formal financing institutions also include *alternative financing institutions* such as the Grameen Bank or VanCity Credit Union which are regulated but are considered alternative because they also offer small loans without conventional collateral requirements. In addition to offering these small loans, alternative financing institutions are guided by ideologies which promote community development over individual interests.

The primary characteristics and applications of informal financing associations have been outlined in Chapter Two. Although organizations which offer alternative financing in Victoria were in the preliminary stages of implementation during the research period, their ideological foundations and potential uses were evident. As such, it is possible to compare the types of

alternative financing offered in Victoria with informal financing used elsewhere in the world. In countries where informal financing is part of a cultural tradition, reliability and trust are essential criterion for participation in a ROSCA. Generally, in these countries, ROSCA members have met while working together or living in the same neighbourhood. They therefore have established a reputation prior to participating in a communal lending and saving circle. In Victoria, women who took part in the entrepreneurial training program which offered microcredit were not all known to each other before the program began. The common bond which they shared was that they were all single mothers existing on low-income. Ideally, trust would be established throughout the program as they helped each other in their quest to improve their position in life through self-employment. A sense of community would be created as they became acquainted throughout the duration of the program. In contrast to the entrepreneurial training program, the peer assisted lending program emphasized the group dependency aspect of informal financing. Ideally, peer assisted borrowers are previously known to each other and therefore trust, reliability and a reputation are already established.

In addition to an emphasis on trust and reliability, alternative financing involves a certain degree of self-help or self-selection. In developing countries where ROSCAs are used, members of a lending and savings group are chosen by other members. The members of the group generally cooperate for a purpose which they have decided on and they determine when the group should disperse. In Victoria, in the case of individual lending such as the entrepreneurial training program, the members are selected by an administrative organization and they determine the focus of the group although the program can be tailored to the needs of the group to a certain degree. The peer assisted lending organization in Victoria intended to offer its services to self-selected

members who formed a small group of about four people. The primary focus of both organizations was self-employment through microentrepreneurship. In Victoria, alternative financing is used solely for setting up microbusinesses whereas in other locations throughout the world, small-scale lending serves a variety of purposes.

Informal financing often addresses social as well as economic needs. Organizations in Victoria which offer small-scale lending do not differ from those elsewhere in this regard. In the entrepreneurial training organization which offered individual lending, a great deal of emphasis was placed on the well-being of the individuals who joined the program. The program was designed so that women would have the support of the group while creating their businesses rather than struggle to survive on their own. Peer assisted lending programs are also designed with these goals in mind and the frequency of interaction between the group members is decided by the group members.

The two non-profit organizations which offer alternative lending in Victoria — the peer assisted lending organization and the entrepreneurial training program — share characteristics of both informal and formal financing. The peer assisted lending organization is informal in that it is a grass roots organization designed to suit the local community and it borrows the ROSCA methodology of group support. The entrepreneurial training program is also informal in that it depends on contributions from community members for loan funds and it also borrows the ROSCA methodology. Both are formal in the sense that they are regulated by a central monetary authority or government bureaucracy: that is, the peer assisted lending program is regulated by the local credit union which is committed to offering support and minimal funds to the organization, and the entrepreneurial training program is funded by Human Resources

Development Canada and is accountable to them.

The fact that the two non-profit organizations which offer alternative lending in Victoria share characteristics of both informal and formal financing creates problems and difficulties. Informal small-scale lending generally involves a number of people who live within the same community or who are at least known to each other through relatives or acquaintances. Cooperation is integral to associations which engage in small-scale lending. ROSCAs and other small-scale lending groups rely on close community ties. Participants come together for a common purpose and they know the general parameters of that purpose. Small-scale lending, such as that used in the peer assisted lending and entrepreneurial programs in Victoria, is a relatively new phenomenon in Canada in general and Victoria in particular. Although small-scale lending has been effective for “community economic development, job creation, and poverty alleviation” (Calmeadow 1994:1-1) throughout Africa, Asia and Latin America, there are some difficulties with its introduction to Greater Victoria. People in Victoria are more accustomed to an ideology of individualism. They are usually not acquainted with the concept of cooperation enough to know what to expect either as an organizer or participant, unless they have used a ROSCA in their homeland or been taught about it by a relative. Given these factors, it appears that small-scale lending practices which originate in pre-existing social relations have a better chance of enduring than those which are created artificially. Stronger social relations have the potential to enhance the efficacy of small-scale, cooperative ventures.

Much of the success of local initiatives toward microcredit depends on a number of factors. Strong social networks and mutual assistance are integral to the viability of projects which have a microcredit component. An acute awareness of local social conditions and the

needs of potential borrowers is also crucial. Values, education, world views, and perspectives on issues such as politics, feminism and economics can vary widely within any given group of women. Some women who participated in small-scale lending in Victoria found that the group approach was not appropriate and conflicts erupted during the course of the program. This may have been due to the fact that the women did not choose the members of the group themselves, nor were they even acquainted prior to joining the program. Thus the probability of women cooperating for a common purpose was unpredictable.

This situation exemplifies difficulties encountered by those who endeavour to create avenues to assist women. Unless the women share a belief in a cooperative ideology, success in a cooperative venture is limited. It cannot be assumed that the perspective of the borrowers is aligned with those of the organizers either. Nor is it possible to assume that there will be consensus between the participants as to the degree of cooperation required. Although the objectives of non-profit community organizations are usually stated in their mandate, there is often room for interpretation and participants make assumptions about the role of the organization based on their own expectations and needs. People seemed to have the most difficulty reconciling individualistic and cooperative ideologies.

Ideally, one of the central advantages of belonging to a group of any nature is the potential for group support and a general feeling of camaraderie. Women who participated in the Victoria entrepreneurial training/microcredit program bonded with at least one other member of their group throughout the duration of the program. Ideas for business plans, fundraising and referrals were shared during the several weeks of the program. Women also talked about the triumphs and tragedies of their lives, ideally to become better acquainted and to establish trust and

understanding between them. As evidenced by the comments of women who participated in programs with a microcredit component in Victoria, this particular type of social interaction is integral not only to the success of the programs, but to the well-being of individuals participating in the program.

Like ROSCAs, peer assisted lending and individual lending programs serve a variety of functions at once. For example, peer assisted lending encourages people to meet for the purpose of overseeing the repayment of each other's loans, exchanging business ideas, providing moral support, and encouraging each other to succeed. Regular meetings may also help people to set deadlines and establish self-discipline and they may serve as a social outlet for the harried self-employed businessperson.

This study has found that microcredit does not emerge in Victoria, British Columbia, full-blown as a discrete entity but is conditioned by the timely coordination of a number of factors. During the research process I discovered that the trend toward microcredit in Victoria is dynamic and persistent. This is due to the political environment created by socially minded initiatives such as the women's movement, the cooperative movement, and the community economic development movement.

Regarding the use of the Grameen Bank as a universal model for small-scale lending, Daniel M. Kamen, a professor of public and international affairs at Princeton University, cautions that "the desire to inject tens to hundreds of millions of dollars in the Grameen band-wagon may come without the patient, two-decade buildup of human capacity, educational programs and local accountability that characterized the original" (Stix 1997:20). In a similar vein, F.J.A. Bouman notes "uniform formulas, ready for replication and guaranteeing success, do not exist" (Bouman

1995:383). Rather, he suggests that “each formula should be constantly adapted to its environment, to satisfy the variety of needs people have” (Bouman 1995:383). It is apparent those who have implemented plans for microcredit for self-employment in the Victoria Capital Regional District have found this cautionary advice to be germane.

Suggestions

Small-scale lending services in Victoria could offer loans to existing groups such as craft organizations, women’s support groups, and other community organizations. More education regarding cooperative ventures is required in order to make alternative financing associations more acceptable to the general public. People attempting to institute microcredit programs need to recognize that these types of socio-economic enterprises involve a certain gestation period in which the program can be best adapted to a specific social environment. That is, the flexibility and adaptability of both the community and the program is necessary.

If the above conditions are met, suitable funding and other types of community support may be more forthcoming from local, governmental and institutional sources. A liaison between small-scale lending associations and funding sources may help to ensure suitable funding and support. Additional funding and support could be used to expand the programs to accommodate the many people who could benefit from programs with a microcredit component.

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Appendix A: Contact Sources

Bridges for Women Society

Communi-K, Vancouver

Diana Chown

Prostitutes Empowerment Education and Recovery Society

RESULTS Canada (Victoria Chapter)

Status of Women Action Group

Victoria Community Economic Development Corporation

Victoria International Development and Education Association

Victoria Lending Circles

Victoria Single Parent Resource Centre

Victoria Street Community Association

Women for Economic Survival

Women's Enterprise Society of British Columbia

Appendix B: Interview Questions

Participants

1. How did you learn about this program?
2. Why were you interested in this specific organization? What were your expectations about the program before you started?
3. How does this particular program work? Is there a mentorship program? Does the program offer skills training and/or financial assistance or group support?
4. What aspects of this organization do you think are useful? How does it differ from other organizations you are familiar with?
5. What have you gained from participating in this group? How has it helped you?
6. Do you maintain contact with other members of the group?
7. Did you encounter any difficulties while participating in this program?
8. Can you think of any changes which would help to improve your economic situation in the future?
9. Are there any other related matters that you would like to see changes in?
10. Is there anything you would like to add?

Organizers

1. MEMBERSHIP

- a) How many members are in the association
- b) What is the qualification for membership?
- c) Do the members know each other before joining the association?
- d) Is joint membership by a group permitted?

2. ORGANIZATION

- a) Are the roles played by all members identical?
- b) What are the duties of organizers and officials?
- c) What are the objectives of the association?
- d) Does the association have branches?
- e) Are records kept, receipts given, etc.?
- f) Is there a formal constitution, mandate or guiding philosophy?
- g) Was the association formed through local initiative?
- h) How often do meetings take place? Where?
- i) Is there a social element to the meetings such as entertainment or serving of refreshments?

3. LOANS AND CREDIT

- a) What are the requirements for receiving loans or other types of credit?
- b) What are the regulations for repayment of loans?
- c) Do the members of the group loans to each other?

- d) What is the source of the loan fund?
- e) Is any form of interest paid?
- f) What are the amounts of funds for credit? Do they remain constant?
- g) Are the amounts for loans predetermined? Are there restrictions on the use of loans?

4. DEFAULT

- a) How is default on loans prevented? Is there a penalty for default on loans?

5. EVALUATION OF THE ASSOCIATION

- a) What aspects of this organization do you think are useful? How does it differ from other organizations you are familiar with?
- b) What kinds of economic facilities would you like to see available for women?
- c) Are there any other related matters that you would like to see changes in?
- d) Do you have any suggestions for other women who would like to form a similar association?

* These questions are based on Shirley Ardener's (1964:223-226) field guide for studying rotating savings and credit associations.

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