

# Projeto ELAS Impact Analysis

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**Client: Banco Palmas**

**Author: The Oxford Microfinance Initiative (OMI)**

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## Executive Summary

This report provides a comprehensive analysis of the social and financial impact of Projeto ELAS, a relatively new project launched by Banco Palmas targeted towards women dependent on Bolsa Familia in Conjunto Palmeira, Fortaleza.

Under the governmental policies to combat poverty, a range of development programmes have been launched in the past few years. However, institutional limits of such programmes may lead to low penetration rates. The establishment of Projeto ELAS based on the principles of Solidarity Economics complements the existing governmental social programmes by supporting community-based development. As an answer to the demands of local women, Projeto ELAS aims to help women discover their productive capacities through building knowledge and confidence.

The OMI team conducted extensive secondary research combined with a two-week fieldwork period in the neighbourhood, during which a range of interviews were conducted with focus groups among the female participants of Projeto ELAS. The results of our research indicate a reasonable increase in income levels and significant improvements in the living standards and financial literacy of the participants. Although savings and investments may still be limited by existing income, the women became fully aware of their long-term importance. The most outstanding results were presented to the OMI research team qualitatively, in the form of stories about women who built confidence, became independent from their husbands and started small businesses. Due to the shared experiences and mutual support, the sense of community appeared much stronger than in other neighbourhoods.

The OMI research team concludes that there is strong demand for these kinds of projects which combine financial services with investments in the local human resources to promote development. Through improvements in the self-sustainability of such projects more institutions may be able to afford similar models. Sustainability and long-term issues as such are addressed in the recommendations sections.

# Country Background

## National context

Brazil is the world's fifth largest country and the largest in South America with a geographical area of 8,514,877km<sup>2</sup>. It shares common boundaries with every South American country except Chile and Ecuador and is the only country in the world that lies on the equator while having contiguous territory outside the tropics.

Due to its wide range of climate, natural resources and relief, Brazil is geographically very diverse. It is thus divided into five regions: North, Northeast, South, Central and Central-West. These five regions differ primarily in their climatic patterns resulting in the formation of very different environments: equatorial rainforests in the North, semiarid deserts in the Northeast, temperate coniferous forests in the South and tropical savannas in the Central and Central-West.

The variation in rainfall patterns among the regions (as shown in the diagram on the right) also results in Brazil facing a mixture of natural disasters with droughts occurring in the Northeast and floods dominating the South. Besides natural disasters, Brazil also faces other environmental issues like deforestation (Brazil has the world's highest deforestation rate), waste management and air, water and industrial pollution.

With a population of 205,716,890 as of July 2012, Brazil is the fifth largest country in the world in terms of population size. However, it is facing a relatively low population growth rate of 1.102%, ranking 108th in the world. Most of its population lies in the 15-64 age groups (67%) with a median age of 29.3 years. Its large labour pool and abundant natural resources have thus allowed it to face rapid economic growth in recent years. Brazil also has a wide mix of ethnic groups due to its relaxed immigration policy. Its population is 53.7% white (descendants from European immigrants), 38.5% mulatto (mix of white and black) and 6.2% black, the rest comprising of Japanese, Arab and Amerindian inhabitants. It is also the country with the highest number of interracial marriages. Brazil is a predominantly Roman Catholic country with the world's largest catholic population. Other religions include Protestant, Spiritualist and Bantu.

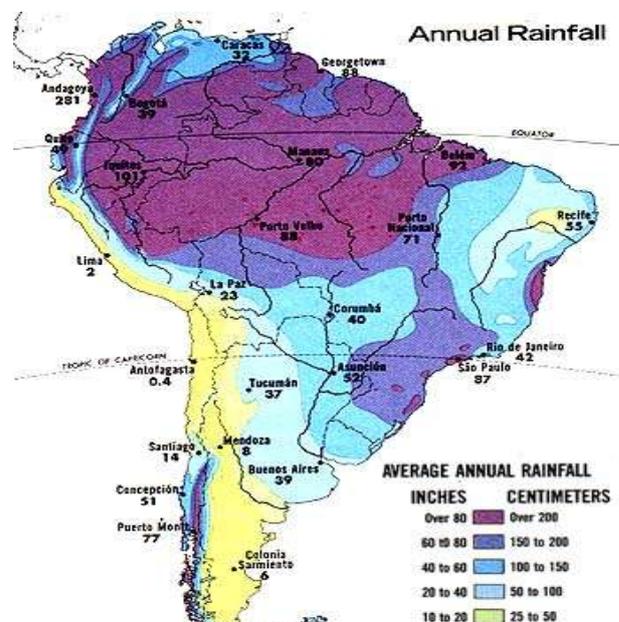


Figure 1: Map of Brazil- Average Annual Rainfall

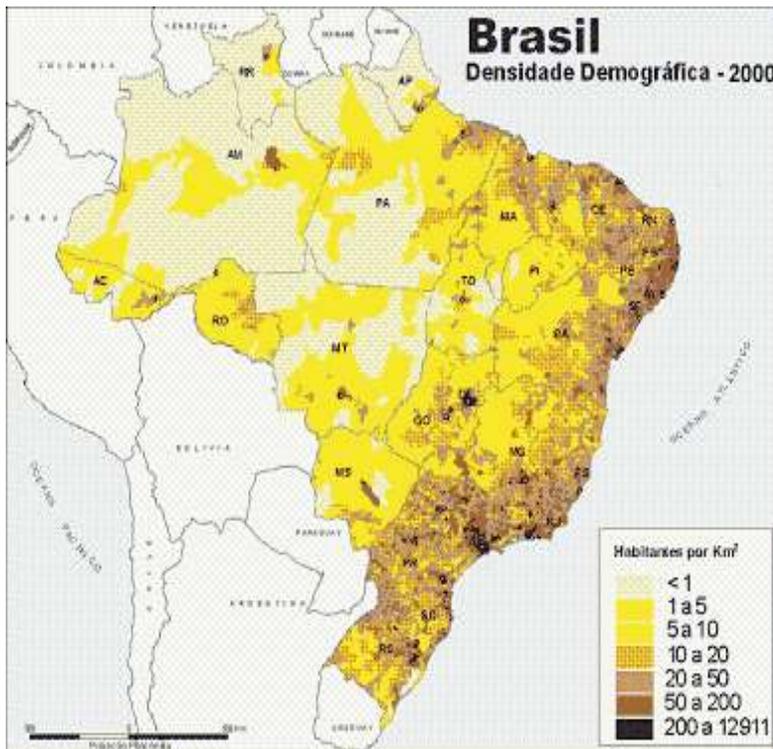


Figure 2: Map of Brazil-Population Density

In terms of the distribution of population, Brazil's population is heavily concentrated in the Southeastern and Northeastern regions with 79.8 million inhabitants and 53.5 million inhabitants in each region respectively, whereas the Center-west and the North which make up 64.12% of the Brazilian territory only have a total of 29.1 million inhabitants.

## Economic Situation

Brazil is the largest Latin American economy with a GDP of US\$2.52 trillion in 2012.<sup>1</sup> As part of the BRICs (the big four emerging markets), Brazil is currently the world's 6th largest economy according to both NIESR and the Centre for Economics and Business Research. The rapid economic growth in recent years has resulted in a decline in both absolute and relative poverty and the poorest 50% have seen their incomes increase by 68% in the past 10 years.<sup>2</sup> Recent developments in infrastructure and policy reforms (partly in preparation for the upcoming 2014 Football World Cup and 2016 Olympic and Paralympic Games) have also seen an increase in the general well-being of its people and a decrease in income inequality, with Brazil's Gini coefficient dropping from 0.633 in 1989 to 0.547 in 2009 according to World Bank figures.

Despite the optimistic outlook, Brazil is currently facing some urgent economic problems including high interest rates, exchange rate fluctuations and excessive taxes. Large capital inflows over the past several years have contributed to the appreciation of the currency, hurting the competitiveness of Brazilian manufacturing and leading the government to intervene in foreign exchanges markets and raise taxes on some foreign capital inflows. President Dilma Rousseff has retained the previous administration's commitment to inflation targeting by the central bank, a floating exchange rate, and fiscal restraints.

Most importantly, Brazil's economic progress is still hampered by its high inequality, ranking the 13<sup>th</sup> least

<sup>1</sup> Calculated by the National Institute of Economic and Social Research (NIESR) using IMF exchange rates.

<sup>2</sup> According to the Getulio Vargas Foundation.

equitable among 140 countries. Most of Brazil's wealth is concentrated in the South-east region (which is also the business-economic centre of Brazil) and significantly less wealth is distributed in the Northern region. Income disparity is evident even within the different regions. In a 2008 study conducted by the Instituto de Pesquisa Econômica Aplicada (IPEA), it was found that the wealthiest 10% living in São Paulo had 73.4% of the wealth and in Rio the top 10% had 62.9% of the wealth. IPEA attributes the primary cause of wealth distribution to an inefficient tax system that taxes the least wealthy up to 44% more than the most affluent. Furthermore, the 2010 Population Census shows that the income differences between men and women have become more noticeable with men earning, on average, 47% more than women (IBGE).

## North-East Region

The North-East region is one of the poorest regions in Brazil. 70% of families in the Northeast region live on up to three quarters of the minimum wage as compared to only 54.4% in the Southeast region.<sup>3</sup> It also has the highest illiteracy rate, with more than half a million people aged 15 to 24 years declaring that they did not know how to read or write. Illegal child labour is also concentrated in the Northeast Region where 2.7 million workers are aged between 5 and 15 years, with most involved in agricultural activity.

Conjunto Palmerias is located at the outskirts of Fortaleza, the state capital of Ceará (located in the North-East region). In 2008, Fortaleza had a GDP of US\$15.3 billion and a per capita income of US\$6264 with a large percentage of its GDP coming from its diversified commerce and tourism. Fortaleza will be one of the host cities of the 2014 World Cup. However, Conjunto Palmerias, located far away from the centres of commercial and political interests of Fortaleza, is a region of poverty with many families having limited access to food, basic instalments, education and other public services.

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<sup>3</sup> All figures taken from IBGE reports.

## Efforts to combat poverty

Until most recently, Brazil was one of the most unequal countries in the world. However, recent efforts by the government and private organizations have drastically improved Brazil's Gini coefficient. According to an article by the New York Times, the income of poor Brazilians grew 7 times as much as the income of rich Brazilians between 2003 and 2009. Three key initiatives have assisted Brazil in overcoming its high poverty level.

### BolsaFamilia

BolsaFamilia (Family Grant) is a social programme which works on the model of conditional cash transfers. Monthly payments are given to poor families in the form of cash or electronic transfers into their bank accounts. These payments often go to women as they tend to spend the money on their families. To qualify for the programme, families must ensure that their children attend schools and are vaccinated. The principle behind conditional cash transfers is thus to combat poverty in a direct and sustainable way.

The programme now covers about 50 million Brazilians, about a quarter of the country. The programme works in two ways. The first way is to simply give money to the poor and ensuring the money only benefits the poor. The second way is to give more children education and better health (each family is given US\$13 for each child below 16 and US\$19 for each child aged 16 or 17 in school). A recent study shows that the programme has increased school attendance and advancement, especially in the northeast region of Brazil where school attendance is the lowest and particularly for older girls who face the highest risk of dropping out.<sup>4</sup> However, for the programme to remain effective, more schools and health clinics are needed to keep up with the growing demand.

### BrasilSemMiseria

BrasilSemMiseria (Brazil without Misery) is a newly-launched welfare scheme that expands on the successful BolsaFamilia programme. This multi-billion dollar programme aims to increase the scale of Brazil's health and education programmes and direct more money to the poorest families of Brazil. One of its key aims is to ensure accessibility of these programmes to those who need help the most. Another area that the programme works towards is to help and empower women. This is also defined as a major goal in overcoming extreme poverty in the next four years according to the Rio de Janeiro State Secretary for Social Assistance and Human Rights Rodrigo Neves. However, detractors express scepticism towards the long-term viability of such social programmes, as while these programmes ensure that children attend schools, the quality of the education is still questionable in the most marginalized areas where such social programmes are concentrated.<sup>5</sup> In addition, due to its emphasis on the individual the risk of fragmentation and dispersion may also be large, indicating fewer guarantees for

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<sup>4</sup> International Food Policy Research Institute 2010

<sup>5</sup> CSmonitor

development.<sup>6</sup>

## National programme for productive microcredit

Microfinance is understood as financial services provided to the poor, responding to their demand for these types of services. It emerged as an efficient mechanism to provide financial services to poor people who usually did not fit in the standard banking system because their savings and loan demand were small, and because they lacked loan collateral.<sup>7</sup> Microfinance is an alternative economic development tool aimed at individuals in the low-income sector, through affordable and flexible financial services with the goal of reducing poverty.<sup>8</sup>

Without microfinance, the poorer parts of the population will often resort to measures such as burying money or hiding it, or look to pawnbrokers who charge extremely high interest rates and keep their clients in debt rather than helping them alleviate their poverty. Usurious rates have become so standardized and socially acceptable in Third World countries that the borrowers rarely realize how oppressive a contract is.

While microfinance is not a miracle cure that can eliminate all poverty, it works successfully to alleviate poverty for many and reduce its severity for others. Combined with other innovative programmes that unleash people's potential, microfinance is an essential tool in our search for a poverty-free world.

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<sup>6</sup> Genauto Cravalho de Franca Filho et alii, 2012

<sup>7</sup> Zeller & Meyer, 2002

<sup>8</sup> Ledgerwood, 1999

## Microfinance in Brazil

Considering the country's inequality problem and the aforementioned importance of microfinance in promoting poverty alleviation and, consequently, empowerment and economic growth, one would expect that the microfinance sector in Brazil to be developed and efficient. Yet, it is possible to notice that the demand for microfinance is not being adequately met. While Brazil is the largest economy in Latin America, has the most developed and largest banking system, and was the birthplace of Latin America's first modern microcredit programme in 1973,<sup>9</sup> studies have shown that, in 2002, only 2% of potential microfinance clients were getting this financial service and 1.4% of their potential credit needs; while 70% of Brazil's population was completely excluded from the banking system, not having any kind of account.<sup>10</sup> The low penetration rates of microfinance in Brazil are even lower when looking into the microbusiness and microentrepreneurial perspective.

## Government Policies and Microfinance

Former President Lula da Silva launched a package of measures to promote the microfinance sector in Brazil. His policies were effective in improving the access to some financial services among the low-income population and promoted micro-credit, but many of these programmes were dependent on continued government funding. The government needs to invest in more sustainable microfinance institutions and in promoting competition in the sector, which will bring important benefits to the public.

Brazil's federalism, the only viable means of effectively governing such a large and diverse nation, implies that each state has a certain amount of autonomy over its policies. The state of Ceara, in the north-east of Brazil, is one of the poorest, representing only 2% of the whole country's economy, though it is of a considerable size. Its GDP per capita is among the lowest of all the states. Its growth, however, in 2008, was the second highest of all Brazilian states, at 8.5%. Ceara presents much potential for exploring the options and outcomes of microfinance policies.

## Effects of the World Cup

The 2014 Football World Cup has been hailed by Brazilian politicians as a golden opportunity for the country to showcase its progress in the last few years. There are high hopes for the World Cup in boosting tourism. With 600,000 visitors from overseas expected, the Brazilian government website predicts, perhaps optimistically, that the country's economy will grow by \$70 billion due to hosting the event. This huge growth is due mainly to taxes and to an increase in consumption of Brazilian goods and services. What may be more important to those benefiting from microfinance is the government's investment of \$14.6 billion into improving Brazil's infrastructure, and the 332,000 permanent jobs the Ministry of Sports expects to be created

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<sup>9</sup> Brusky & Fortuna, 2002

<sup>10</sup> Nichter, Goldmark, & Fiori, 2002

through the World Cup.

Brazil is very often mentioned as a “potential superpower”,<sup>11</sup> and its economic rise in the past decade has confirmed this picture, but politically it is a country difficult to govern due to its size and heterogeneity, and pro-microfinance policies such as the previous president Lula da Silva’s are implemented in a limited fashion and with great difficulty, due to corruption in senior ministries and lack of infrastructure. Microfinance on a local scale should prove to be more effective, and with Rousseff’s liberal economic policies such initiatives may be encouraged, as the government leans away from its initially more welfarist policy platform.

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<sup>11</sup> For example by David Brown in *Brazil Rising*, 2008

## Client Context

Banco Palmas (BP) is the first community development bank in Brazil, founded in 1998 in the Conjunto Palmeira neighbourhood of Fortaleza. It was established by ASMOCONP (Association of Residents of Conjunto Palmeira) to reduce unemployment, operating under the principles of Solidarity Economy to promote the development of low income areas and provide financial services to those communities that used to have very limited access.

Through time BP has developed a range of microcredit products serving different purposes of various client groups, covering support for productive activities, consumption, investments, etc. In addition to its line of microinsurance products, the bank provides a full range of financial services through taking the role of a banking correspondent. A social currency, the 'palma', was also created and circulated within the neighbourhood to promote local consumption. In addition, programmes and activities promoting the solidarity, knowledge, and productivity of the community have been designed to complement the financial services in encouraging local development; one of them being Projeto ELAS.

## Projeto ELAS

Projeto ELAS is a relatively new project launched by BP in early 2011. It is targeted towards women who reside in Conjunto Palmeira and its surroundings and are dependent on BolsaFamilia, aiming at the socio-productive inclusion of these women and promoting banking and finance, based on the principles of solidarity economy. Projeto ELAS offers its clients financial services to support productive activities whilst developing a set of promotion, training and mentoring to help them build knowledge and capacity.

The project was initially BP's way to respond to the demands of women who visited the bank to withdraw their BolsaFamilia money. BP managers noted that these women have many difficulties (including single parenthood, welfare dependency, poor credit records, domestic violence etc) but lots of strength, thus Projeto ELAS was created to assist them. Through conversations with these women the need of a specific line of credit of smaller amounts was highlighted, other aspects such as courses and agents were diagnosed as being of crucial importance.

On top of the functional services provided similarly to other NGO programmes, factors of Projeto ELAS are structured to help the local women think differently. As Joaquim de Melo, executive director of Instituto Palmas has noted, while most of the women do not dream about escaping poverty before joining the project, one of their first steps is to realise that poverty alleviation is a feasible aim.

## The Model

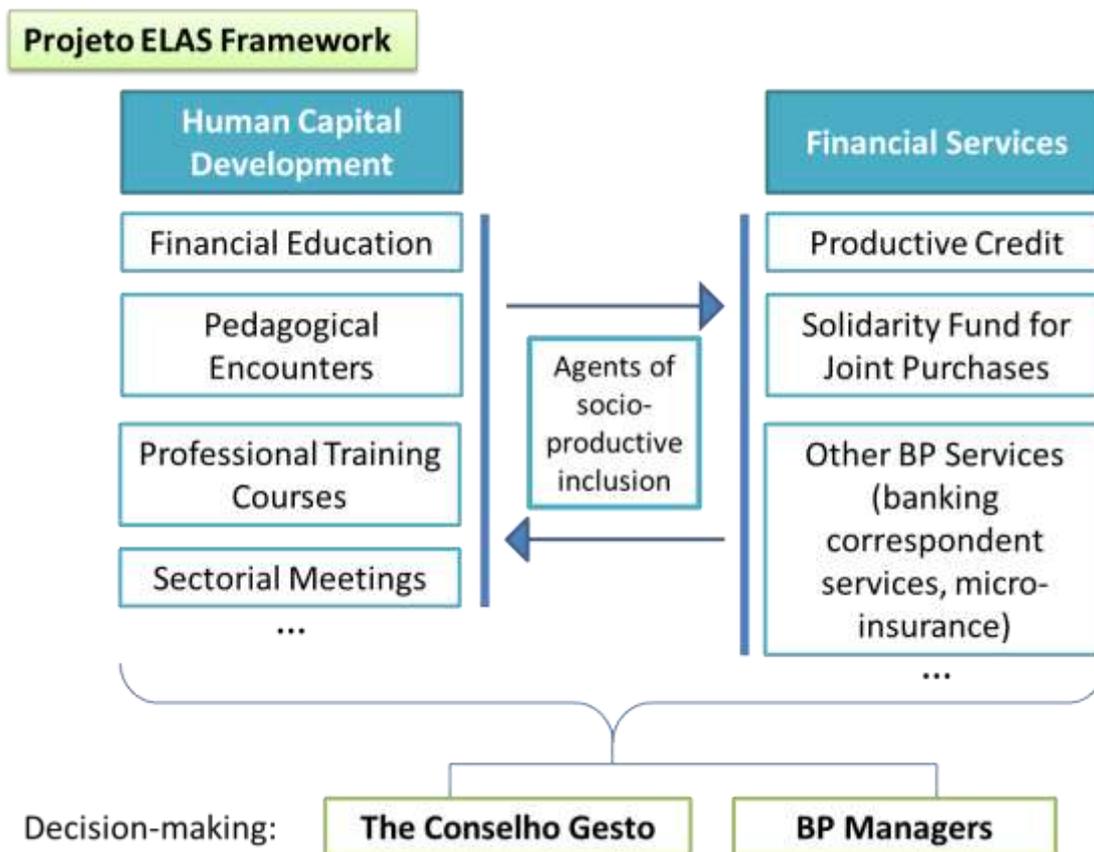


Figure 3: Projeto ELAS Framework illustration

To access an initial credit the women simply need to present her BolsaFamilia card at Banco Palmas or a Point of Solidarity Finance and undertake an interview with an agent. She will then receive the ‘seed loan’ of 50 Reais. After the repayment of the first loan, the loan amount can gradually increase as needed by the women’s productive activity, provided the client maintains a good credit history.

After receiving their first loan the women are automatically registered to the project and receive at least one monthly follow-up visit from an agent. During the visits the agents build a stronger client relationship through providing advice with financial products and entrepreneurship as well as support for personal issues. A track sheet regarding the women’s welfare and financial situation is also completed and updated into the bank’s database.

As part of its capacity-building programmes Projeto ELAS provides a range of professional training classes free of charge for the women, in areas such as clothes-making, cooking, and tourism. These classes take place every day within or close to the bank, providing essential machines or materials for optimal results. The project also founded the ‘Solidarity Fund for Joint Purchases’, which allows women in the same industry to purchase some materials in bulk, paying back in six interest-free instalments. There are also seminars of financial education, providing guidance for organizing finances and entrepreneurship.

The components of the project are still growing and diversifying in view of the women's demands. In addition to the daily interactions with the women, a management council, the Conselho Gestor, was formed so that the women's thoughts could be heard. Comprising 20 representatives from different communities in which the project is active, the management council conducts monthly meetings to discuss issues concerning the project, such as addition of new courses and issues with the loans system. The council is of extreme importance as it ensures that the women's thoughts are fully represented, whilst also giving them a sense of empowerment.

## Project Logic

The advantage of such a project is that it complements existing governmental programmes that target poverty reduction and sustainable development. Despite the success of the 'Brasilemmiseria' launched by the government, the centralised project puts more emphasis on the individual and ignores regional variations that could introduce a risk of fragmentation and dispersion. Projecto ELAS on the other hand organises development based on the community as a whole, not only complementing the existing centralised projects, but also possibly introducing larger success due to its solidarity characteristics.

According to Joaquim all aspects of the project, from the loans to the training and agents, are crucial for its success; it is the combination of these different services that produce the best output. The most important aim of the project is the empowerment of women and raising self-esteem. For only when one has the desire and hope to escape poverty, will one start to work towards it.

# Methodology

The findings and analysis of this report are based on a comprehensive range of primary and secondary research. The qualitative and quantitative data was collected and analysed through the four following phases:

## Phase 1: Secondary Research

The first mission of the OMI team was to develop a better understanding of Banco Palmas and the microfinance industry. Prior to fieldwork concerns we collected relevant information in the following areas:

- Microfinance system and procedures
- Demographic context of country and region
- Banco Palmas and Projeto ELAS
  - Mission
  - Organisational structure
  - Client selection
  - Loan procedures
  - Structure of other services
- Country policies regarding:
  - Poverty reduction
  - BolsaFamilia
  - Microfinance institutions
- Relevant country economic and political outlook

## Phase 2: Fieldwork Preparation

After a team of four members was selected for the field visit, general plans were discussed according to a list of output expectations produced by the team. To make sure data would be efficiently and accurately obtained the team reviewed extensive literature regarding research and fieldwork methodologies, followed by communications with experienced predecessors in OMI.

Fieldwork was prepared as a combination of deductive and inductive methods. Since access to information on the neighbourhood was limited, using inductive methods would lead us from specific observations to broader generalizations on the opinions and situation of the inhabitants. On the other hand we would be testing the hypothesis that Projeto ELAS brought about positive research, after accommodating the local environment this would require deductive methods of data collection geared towards the topic. Quantifiable data would be collected for this purpose, whilst at the same time the phenomena observed would facilitate in-depth analysis of the result. A summary of the methods used is provided in Table 1 below:

**Table 1: Plan of fieldwork methodology**

	Focus Groups	Interviews
Description	3 control groups: 1. clients taking both productive loans and professional training 2. clients taking only loans 3. clients taking only training Around 30 minutes Quantity and other details depend on local situation	In addition to 3 control groups also interviews with women that are not participating in the project. Around 10 minutes depending upon situation of each participant. Quantity and other details depend on local situation
Strength of method	Identifies group norms Elicits opinions regarding group norms Discovers variety within a population	Elicits individual experiences/opinions Addresses sensitive topics Introduces in-depth nuances and contradictions

### **Phase 3: Field Visit**

The OMI fieldwork team conducted field research during the ten working days between 19<sup>th</sup> and 30<sup>th</sup> March. Activities are mostly based in the bank and its venues, whilst members also conducted home visits within the neighbourhood of Conjunto Palmeira. Focus group and interview participants were scheduled by the agents according to our required control groups. Despite the slight possibility of selecting the clients who remained in contact with the bank, selections remained as random as possible. A summary of the fieldwork meetings are provided in Table 2 below.

It should be noted that the specific number and format of interviews depended on practical considerations as well as predetermined frameworks. All focus group interviews took place within the bank, whilst the location of individual interviews could be either in the client’s house or at the bank. Sufficient privacy was ensured for all. For the third control group (only taking credits) we were unable to have focus group interviews scheduled due to the irregularity of the clients’ visits to BP. Instead we conducted a larger amount of home visits to interview the clients individually and covered the focus group topics. In addition we were fortunate to have unforgettable conversations with the two clients in this control group that visited us in the bank.

In the table above we recorded all the cases where agents were present at the interviews. However, according to our results it seems that there is little difference in the data received, as the agents’ presence normally helped the women to accept and open up to our questions as opposed to hindering answers. Because most interviews with the control group only taking loans were conducted mostly along with the agents’ home visits, it should be noted that the response for this group sometimes appear shorter and more simple than other groups. However, the interviewers would obtain the consent of the clients in advance, ensuring that they were comfortable with the process.

Participants were made aware of the purpose of the study, our independence from the bank and government, and how confidentiality will be protected. All of the interviews and focus groups were recorded for future reference; participants were also aware of this and assured that this would only be used by the team and the

purpose of this report. Fieldwork notes were generally expanded within 24 hours after the interviews, followed by immediate grouping and formatting for future use.

**Table 2: Fieldwork meetings summary**

<b>Takes loans &amp; training</b>	<b>Focus Groups</b>				
	Gro up	Women participated	Course	Agent present	Note
	1	11	Clothes-making	Yes	Mostly housewives with little experience
	2	9	Clothes-making	No	More advanced course, more business experience
	3	13	Culinary	Yes	
	<b>Individual interviews</b>				
13 participants: 4 with agent present, no singularities					
<b>Takes training only</b>	<b>Focus Groups</b>				
	Gro up	Women participated	Course	Agent present	Note
	1	7	Clothes-making, Cleaning materials	Yes	Mostly housewives with little experience
	2	6	Clothes-making	No	More advanced course, more business experience
	<b>Individual interviews</b>				
	10 participants: no agents present				
<b>Takes loans only</b>	<b>Individual interviews</b>				
	20 participants: focus group questions added for 9 participants; agents present for all except 2, some answers shorter but no statistical outliers.				
	<b>Individual interviews (long)</b>				
	2 participants, longer talks regarding living situation				
<b>Takes neither</b>	<b>Individual interviews</b>				
	20 participants: 4 with agent present, no singularities				
<b>Others</b>	Meeting with Asier (client contact), Meeting with agents, Interview with Joaquim and Sandra separately				

#### **Phase 4: Data Analysis and report drafting**

We obtained two sets of quantifiable data for analytical use: individual interview data acquired during fieldwork and a client database provided by BP. This database consists of information on every tracksheet filled during agent visits, covering everything from income levels to the general living standard of the clients. Almost 3000 entries were recorded for 866 clients during the period June 2011 to March 2012. As the amount of entries appeared much more significant than the quantity of personal interviews conducted by the OMI research team, the entries were used as the main source of quantifiable data on the covered areas.

We were able to study the current situation of the client base and also the progress made through participation in the project. For the current situation we counted the latest entries of each client to have the latest figures, enabling us to understand the client's present socio-economic situation. However, this is potentially an under-representation of the positive effects, because improvements not covered in the tracksheets are neglected. It needs to be mentioned that agent visits are of a selective nature, as the frequently recorded clients would likely be those facing more trouble.

On the other hand, when analysing the progress made, the constant injection of new clients in the past year puts inaccuracy in selecting a date as a baseline to analyse changes. Hence, instead, we selected the clients who received two or more visits, and compared the first and last visit of every individual client to summarize the total changes made. Although this reduces the population base to around 865 clients, the accuracy is significantly improved.

## Impact Analysis

To examine the impact of Projeto ELAS we shall firstly utilize mainly quantitative numerical data to examine the change in the standard of living of the participants. These reflect the immediate observable impact inflicted on the participating women, mainly referring to the level of wealth, comfort, and happiness of life. We selected a few representative areas to evaluate these three aspects of the participants, mainly concluded as the changes in income, essential needs for living, and leisure. The quantifiable results were then combined with our fieldwork findings to analyse the changes in the knowledge, thoughts, and mental power of the clients through their participation.

## Income Generation

One of the main aims of the project is to help the participants to become financially self-sustainable in the future through triggering their productive activities. We shall thus begin by focussing on the prospects of future wealth by evaluating the changes in personal income.

We have identified an upward shift of the women's income level through participation in Projeto ELAS, reflected in the figures below drawn for the first and last visit of every individual recorded in the client database who received more than two visits. The darkest area showing women who receive less than half of the minimum wage has decreased by 8.4% through participation, whilst the brightest area showing women with income levels above the minimum wage has increased by 34.2%.

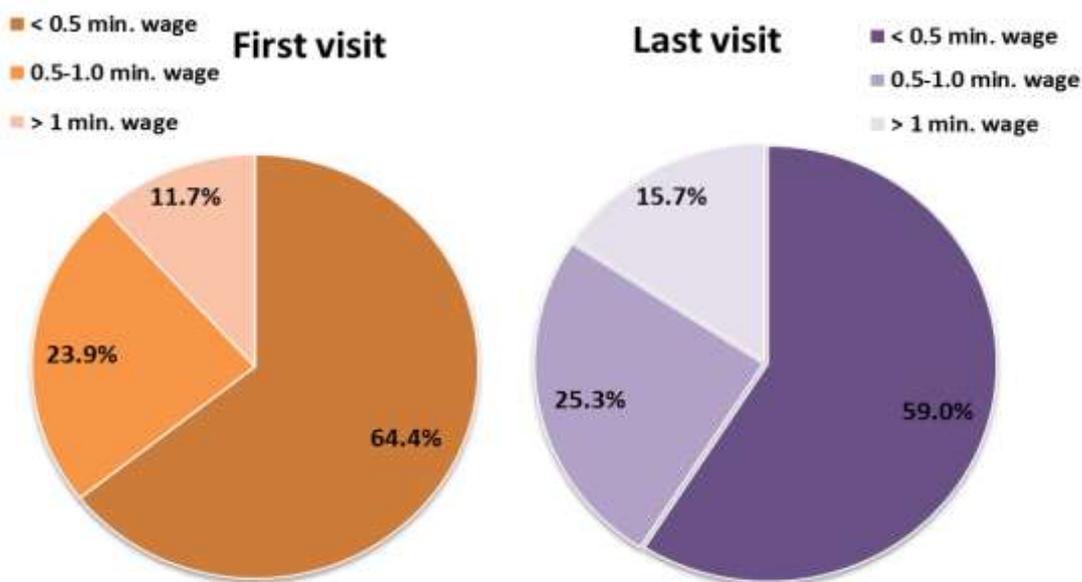


Figure 4: Income spread comparison of first and last visit

In addition to tracking every individual change in the database we observed that 12.2% of these participants with two or more visits have seen income growth of more than half the minimum wage, within this group 2.2% increased by more than the whole minimum wage.

This upwards trend is in fact extremely significant given three factors to consider:

Firstly, the limited time frame before the performance evaluation of the project. The project had only one year of operation before the clients' income data were analysed for the impact study, and the existence of many new participants needs to be considered. Projeto ELAS as a long-term capacity-building programme is not expected to generate extreme leaps in income levels, hence the small percentage in increases that is larger than the whole minimum wage amount.

The second consideration is the steadiness of the existing growth which indicates a likelihood of a firm and stable growth trend in the future. From tracking individual changes in the database we observed that 12.2% of these participants have seen income growth of more than a half of the minimum wage, whilst only 0.27% (one person) increased by more than a whole minimum wage. The small amount of extreme outliers in the data indicates the unified and steady characteristics of income growth, which corresponds to the design of Projeto ELAS, concentrating on building the clients' knowledge and productive capacity before income growth is observed.

A third factor to consider is the difference between the income change and the loan amount. Within the database used, income was graded into tiers of half the minimum wage, with the lowest tier of 0-0.5 minimum wage. Due to the difficulty in tracking individual income in exact numbers, we could only observe income changes when an individual's change is significant enough for her to be classified in an upper tier. Hence generally the change would be half the minimum wage or less, or around 300 Reais, which appears considerably larger than the initial 'seed loan' of 60 Reais and the paybacks for its investment. As a result our analysis would have neglected many smaller investment achievements of relatively new clients who are building up credibility.

However it has to be noticed that amongst 647 recorded clients with comparable data (from 2 or more visits) in the database, only 376 of them have more than 2 entries on their income situation. Figure 5 indicates that the selected clients' income spread is similar to the total recorded and is a good representation of the total clients recorded. We are hence analysing the income situation using data from the half of the clients who were consented to revealing their income situation, for this reason our findings could be to some extent over- or under-representing the facts depending on the income level of the unrecorded clients.

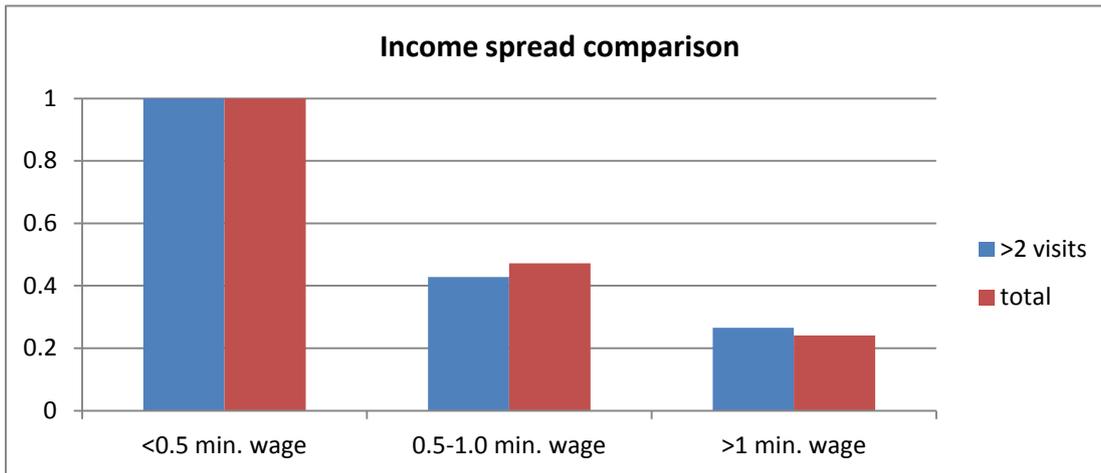


Figure 5: Income spread of targeted clients and total recorded clients

## Personal Welfare

We shall now focus on the changes in the clients' quality of living, through analysis of the fulfilment of essential needs of sustaining life, considered to be the access to food, essential installations, and medication.

Food is the most fundamental economic good and a precondition for sustainable development. 90% of those we interviewed see it as their biggest expense, a large proportion expressed it as a key consideration of everyday living especially those on low income who found bills a heavy burden already.

Using the tracksheet data recorded from each visit by an agent, amongst the 627 recorded clients who received more than one visit, 35.9% of the clients saw an improvement in their access to food, amongst this 1/3 of the improvements were significant (food access is graded in 5 tiers between very poor and very good, these clients saw a leap of two tiers or more).



Figure 6: Access to food compared first and last visit

Figure 6 shows the number of women with different levels of food access, comparing data from the first and the latest visit for every client who is recorded more than twice. It can be observed that the spread for the second set of data is more skewed towards the left (very good), indicating a general increase in the participants' standard of food access. During the recorded period, the clients with regular or worse food access has halved, whilst the number of clients with very good access has more than tripled.

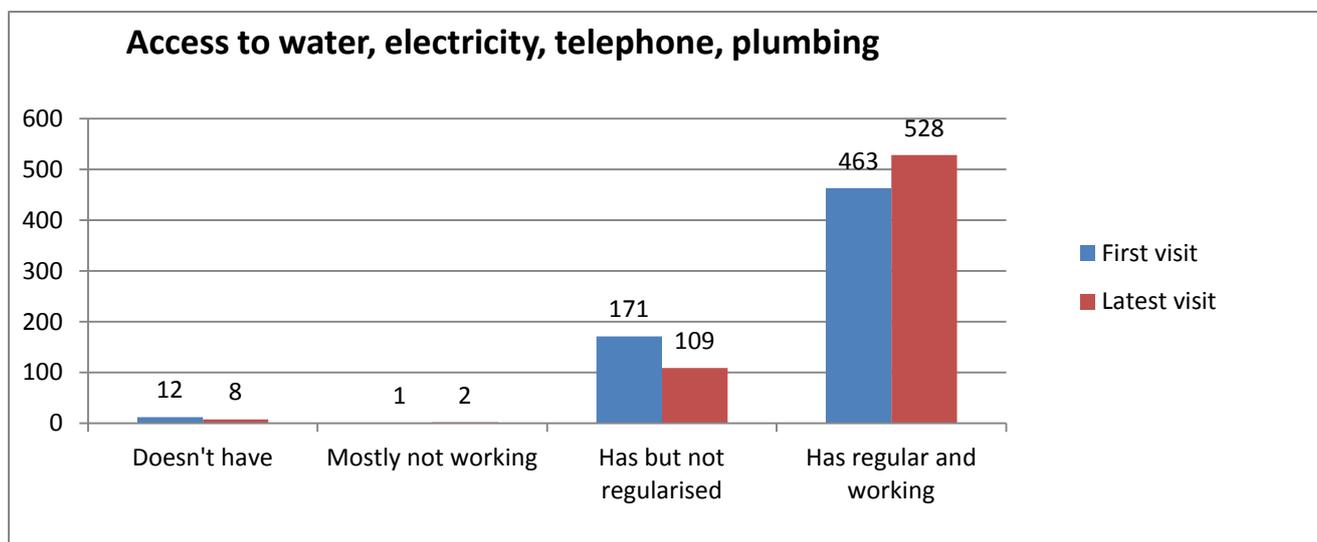


Figure 7: Access to essential installations compared first and last visit

In addition, the situation concerning access to water, electricity, telephone, and plumbing has also improved. The corresponding summary from the clients with more than two visits is provided in the figure above, demonstrating the increase in the number of clients with regularized access. Intrinsicly there is less concern regarding essential installations than regarding the access to food, as 71.5% of the analysed population already has regular access to these facilities. For others it could be observed that the problem is being gradually eliminated, as 36.3% of those with facilities not working reliably have gained regular access.

If the consumption preferences concerning basic needs remained the same after the client's first visit, the observed improvements must be funded by an increase in income or other NGO activities.

The income change could be a result of the Projeto ELAS loan when it is just received, or the paybacks from productive activities financed by this loan. Accounting for the effects of stratified income data that ignored smaller improvements to contribute to consumption, the fulfilment of basic needs appeared yet more rapid than changes in income. Hence as some part of the change is a result of the overall effect of the project, some may also come from the use of loans before the start of productive activities.

This phenomenon is understandable given the normal preferences that prioritizes necessities, whether or not this is the case, what the loans give to all women is the possibility for producing in the future. Through other components of Projeto ELAS this process could be accelerated, for instance the agent visits would be crucial for guidance on productive utilization of the loans. Those parts of the project that invest in human capital are where precious value could be added onto generic microfinance services. These changes behind quantitative

welfare data will be discussed in the following sections.

Healthcare on the other hand is a representation of personal welfare that is more subject to the perception and actual situation of the target client, as opposed to income level. We discovered that the number of clients that went to visit a doctor or dentist in their first recorded month has more than quadrupled when this entry is updated to the latest, using data of the clients with more than 2 visits in the database (Figure 8). Apart from those with significant changes in health condition that forces one to see a doctor, the clients appear to be much more aware of their health conditions and undertaking necessary medication. Despite exogenous factors affecting the clients' health, their state of health is unlikely to have gone through serious changes in the course of the few months tracked by the agents. Hence the improvement in medical access could largely be attributed to the increased awareness and changes in consumption preferences which took place after joining Projeto ELAS.

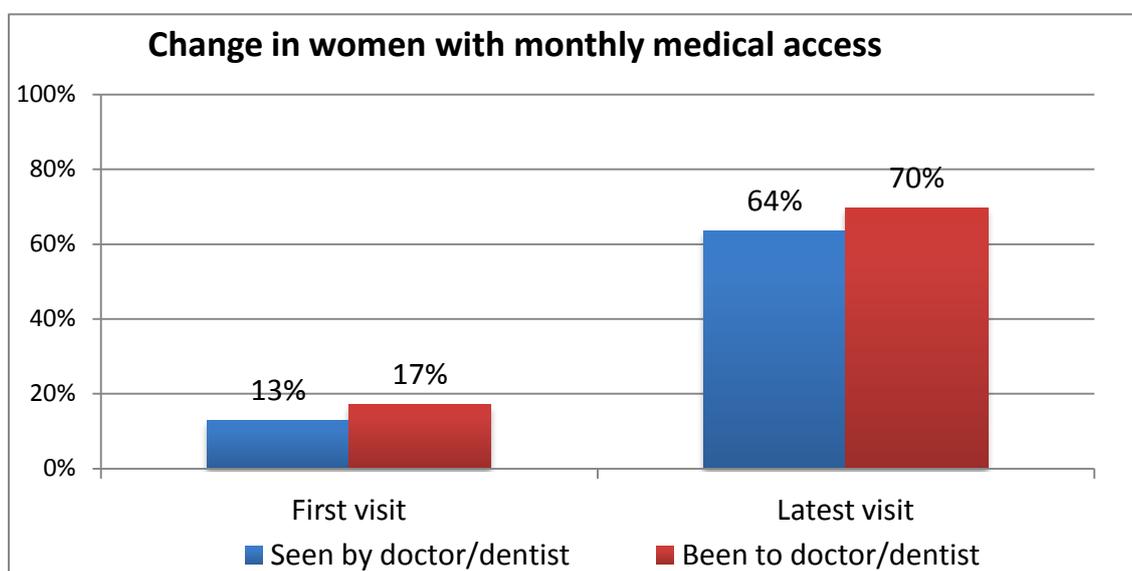


Figure 8: Access to medication compared

For all microfinance projects there exist cases when clients use microcredit and savings to smooth consumption rather than to grow enterprises, but even this facet in the use of microcredits is enormously important to the poor in helping them deal with their circumstances. It could be in fact seen as a predetermining factor of economic development through businesses and investments, for only without grave living problems can the productive credit become increasingly self-sustainable.

## Community Involvement

In addition to the various degrees of financial independence and skills obtained, the women explained that they received substantial support for other non-financial issues from Projeto ELAS as well. Since the project is based on solidarity, it is structured not only to promote development but also on the principles of solidarity economics to improve the situation of the community as a whole. This bonding within the women drives the efficiency of other parts of ELAS and differentiates the project from existing standardized governmental projects.

The sense of bonding with the community is especially strong with those who took the training classes, compared to those who only take the credit they come into the bank on a more regular basis for longer durations. Most of the focus groups we considered have a majority of women from the same training class and there was a strong sense of friendship amongst them, all groups appear extremely understanding and supportive when members mention their difficulties. They explained that the project helps them to meet other women in the community, from whom they received more support for other non-financial issues.

Moreover, it appears that visiting the bank is becoming a way for the women to update themselves on information about the project and also other events taking place in the community. The database indicated that for the 647 valid participants with more than 2 entries, 51% of the clients' latest entries indicate that they have enjoyed leisure activities at least once a month, compared to a number of 7% at their first visit (Figure 9).

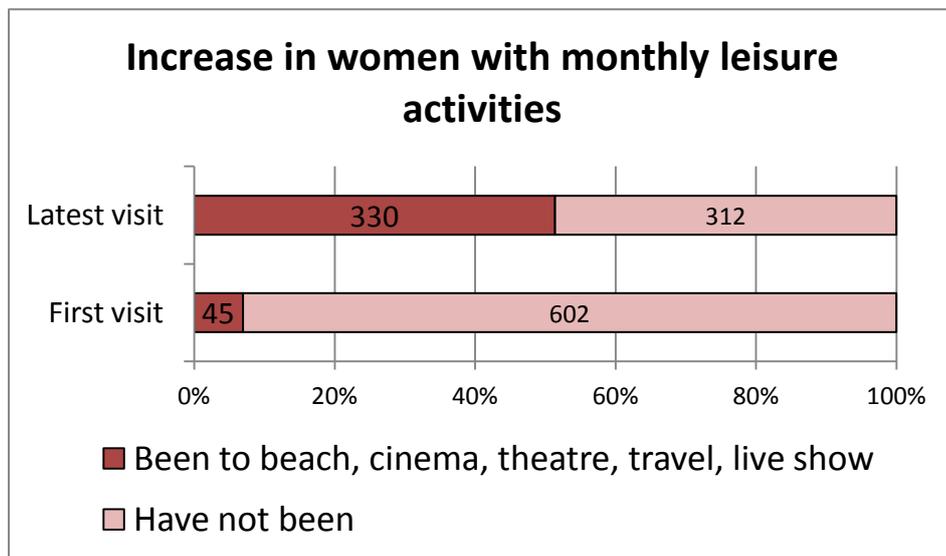


Figure 9: Monthly Leisure activities change

A woman during focus groups also spoke of her experience in the pedagogical encounters that Projeto ELAS organised and expressed her appreciation. These encounters allow women to listen to the difficulties and achievements of other participants, in a group of 30 to 50 women. It provides the women with a space where they can bond with others whilst sharing experiences and giving each other support.

## Independence

Almost every woman the fieldwork team talked to was very positive about the effect of participating in Projeto ELAS. An important purpose of the project is the empowerment of women and building confidence for usually neglected groups. The project's effect in reducing women's dependency on family and husbands were obvious. As one woman said during the interviews: "Before we were trapped in a cage".

When asked whether the project helped them to become independent, all the women in the focus group that only took training courses gave a positive response without hesitation. Most immediate reasons are the knowledge and skills acquired and how they "related them to the world of work". A few women in both the clothes-making and cleaning materials courses mentioned that the skills improved their job prospects and gave them more confidence about the future. Most women immediately affiliated the idea of independence with the financial prospects, however through a question about their reasons of participating in the training we discovered that it is independence from their daily family lives that they seek through participating in the first place. Many mentioned they now have things to do other than their daily chores, some noted that it is a break from daily routine and saw the training as a way to "escape the house". It is clear that these women were very eager to be independent from their families and having something to do for themselves. Thus aspiration was fulfilled by the training course which at the same time offered them great prospects of financial independence which they value a lot.

On the other hand, the interviews with those who only took loans from the project uncovered that many had trouble linking it with the idea of becoming independent from their families. This is understandable as it is hard to distinguish the loans from inherent income that they manage and life changes are hard to attribute specifically to the loans. However, many others did mention how the money and financial responsibility did help them 'get things started' and make them feel less reliant on their husbands. These women have very specific ideas on their productive activities and the credit provides help to realize their plans and commence their own activities apart from their daily family routines.

The most remarkable responses came from the group of women who took both training and loans, which assured us that the project's system as a whole gives women much more than the intuitive effects of having a loan or a training course. Many of those interviewed said that it helps them realize their dreams, one mentioned that the project 'opens a door in her life'. They explained that the training and loans complement each other very well. Whilst the training provides knowledge and introduces independence from family chores, the loans trigger the productive activities and enable them to realize their plans. Combining the two comprehensively brings about persisting lifestyle improvements. The topic is brought further within the focus groups and during these particularly active discussions a few women became highly emotional about their gains from Projeto ELAS. "We were in a tiny corner and now the sky is the limit", one woman said. Another interviewee highlighted the benefits for girls who received no education and had kids at a young age.

These changes not only helped women become increasingly self-reliant but also introduced a high sense of self-esteem from being successful in something they do. The women interviewed are all very proud of their own work, and said that despite the difficulties that one could face when participating those who are able to continue with the project are the best.

## Entrepreneurship

The empowerment of women not only includes the skills or credit that ‘gets things started’ for the women but also means changes in the entrepreneurial spirit and plans actually made by them, ensuring a growing and sustainable impact of the project. Although it may not be realistic for all clients to start their own business, the ambitions of the clients were truly provoked and appropriate guidance was provided.

Through summarising individual client interviews during fieldwork, we discovered that clients with higher degrees of involvement in the project all showed a higher level of entrepreneurial spirit compared to those who took neither loans nor training (Figure 10). A 22% difference was found in the proportion of women who want to start a business for those who took both loans and training (92.3%) and those who took neither (70%).

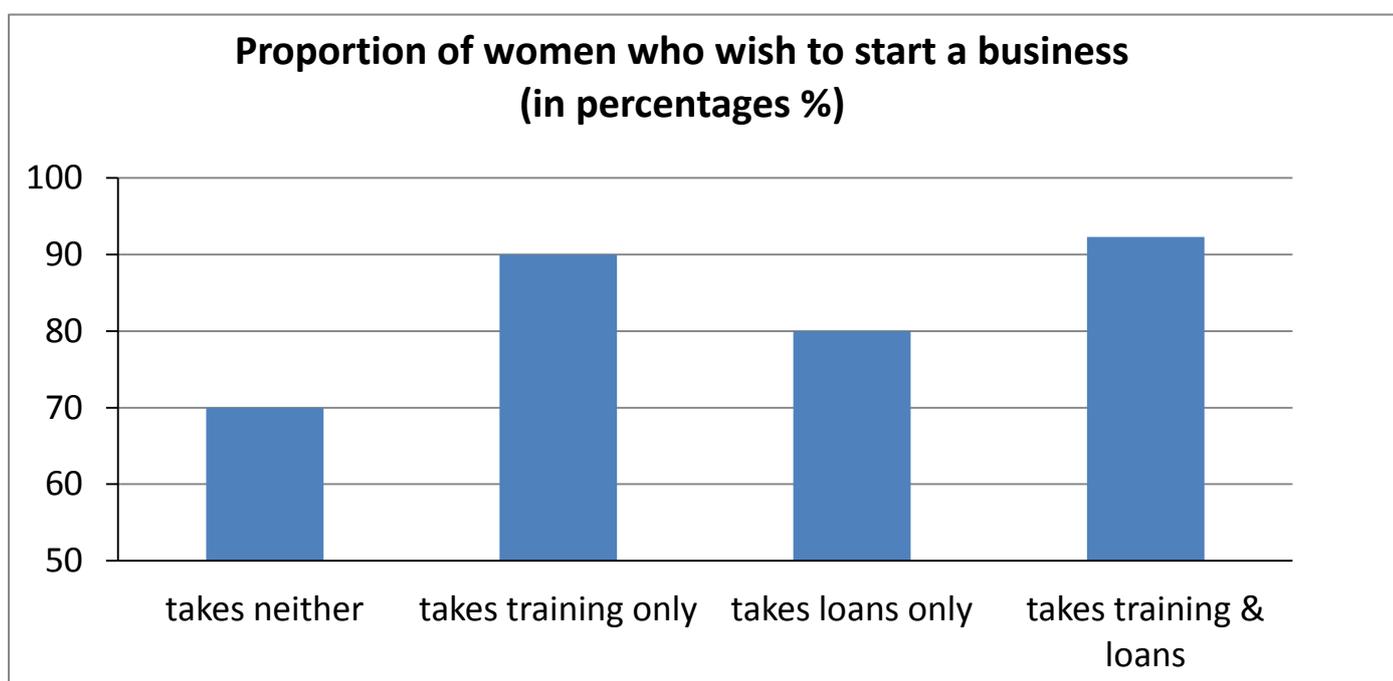


Figure 10: Entrepreneurship within client groups (small sample)

All clients in the focus group who took both loans and training expressed strong interest in starting a business, if they did not have one already. Through interaction with two groups of women taking a more advanced clothes-making course, we were enabled to grasp the striking productive potential that any woman in Projeto ELAS can be able to achieve. These women are involved in the industry longer than those in other classes, and we discovered them being enthusiastic entrepreneurs with endless ideas and energy to put into business operation. Some talked about their plans for shops in a better location; one said she was planning to buy a sewing machine with four other women. With another focus group of women taking the cooking course, in spite of the relatively lower experience in business, half of the group immediately spoke about plans of starting their own businesses. The plans are very well thought through; the group had discussions about practical issues such as doing business in their own house to accommodate their children. Everyone agreed that the main holdback for them is the lack of finance.

For the groups that only take training, there is also general agreement of having business aspirations. However, few women in this category have previous involvement in commercial activities. Most agreed that despite their thoughts of having a business, their training is more important in the short term. “Only in the future”, one said, and explained that they need the skills to be developed before aspirations to be realized. In our personal interviews half of the women also mentioned the lack of capital preventing them from starting their business, whilst some others said there are personal reasons that makes it unrealistic in the short term.

It is crucial to stress the psychological side effects of business-related questions. Asking about starting a business can itself induce participants to consider the idea and vocalize their thoughts despite not having considered it before, hence there should be a distinction between having thought about the idea and actually putting it into actions and making plans. This is especially the case for some without or with little involvement in the project, as for some women who, although they answered the question positively, provided very little additional information. On the other hand the OMI research team diagnosed plans and ideas from many enthusiastic groups, especially those that took both loans and training. These results confirm that Projeto ELAS not only gave more women the dream of being independent and productive, it also provided the guidance and support necessary to make these dreams reality.

## Savings and Investments

For the vast majority of clients interviewed, most of their household income is spent on food, bills and other daily needs, leaving little or no money to spare. However, despite the realistic restrictions on income, the financial education purpose of ELAS has spread the concept of financial planning to its clients. Although the current levels of savings and investments are yet to be improved, the clients are fully aware of its benefits and working towards this aim.

Using the data from the individual interviews, a general upward trend was noticed despite the lack of entries (52 interviewed in total). As shown in Figure 11, the proportion of clients participating in training classes that manage to save appeared higher compared to those not involved in the project. All the clients who participated in the focus groups agreed with the importance of saving, the groups who took training especially noted the purpose of paying for children's education, which they see as most important despite the costliness. However, a dominant proportion of the project participants we interviewed expressed that they do not manage to save, simply because there is not enough money available to start saving. Some women who only took training mentioned that if income became more stable they could be able to save some.

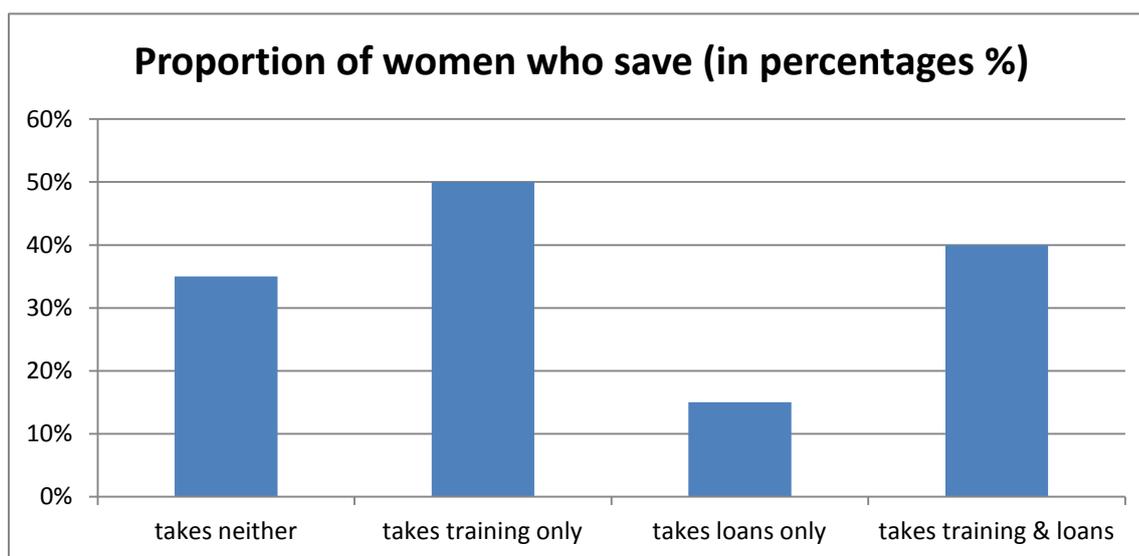


Figure 11: Client proportion that saves

Fewer clients in the category that only takes loans appear to be saving. However, the OMI research team conceives that this figure could potentially leap up when they receive more or regular income. Because usually people start their involvement with the project through taking out a loan, this group may have less interaction with Projeto ELAS compared to others and may potentially be more troubled than other groups. In the interviews with these clients the OMI research team diagnosed a general agreement that savings are possible but extremely difficult, especially for those with unstable incomes. "I try but I always have to spend money on so many things", one woman said.

The main purpose of saving for most participants is 'the future' and the idea of 'saving for a rainy day'. The possibilities of unexpected changes in income, costs and needs make women more likely to save left-over

income for future expenditures than spending it for other purposes. Some who are already receiving their own income, either from shops or from their own skills, explained that they save for larger goods, a trip, or future wants. A few women also mentioned that they save for business use, for instance buying materials to resell or a sewing machine. Throughout these different types a common pattern is the attention to their children's future and education.

The degree of a woman's satisfaction with her business differs depending on her ambition and the income situation of her household in general, and this largely affects her decisions on saving. Generally speaking, at early stages when income is barely enough one would save left-over money for the case of future needs, whilst when essential needs are fulfilled most would save for their business ambitions, and when a woman is satisfied with her achievements savings are more tailored towards indulgences in life.

Projeto ELAS mainly affects the marginal propensity to invest of the clients. Through the personal interviews we conducted during fieldwork we noticed that the participants of the project do appear having an improved understanding of investment compared to others. As we discovered, most of the clients spend their income on daily living essentials, putting a realistic barrier in front of a more diversified and economic utilization of their current income. Given the various degrees of financial difficulties, the OMI research team started asking the clients what they would do if they had more money.

The responses differ significantly from those recorded during questions about saving purposes, as in the participants' mind-sets this may be concerning larger amount of funds, which for many is not achievable through current savings. The biggest consideration amongst local women is related to housing, including renovations, maintenance, and purchase of furniture. This is particularly obvious for those not involved in the project, for 75% (9 out of 12) interviewed it was the only answer given. Whilst among the clients involved in Projeto ELAS only 25% (4 out of 16) answered that they would do up their house, another quarter of the clients' answers were family-related, whilst the remaining half would chose to spend extra money on businesses. These business investments included opening up their own business or expanding a current one, for example through the purchase of a sewing machine.

Hence, despite the lack of savings possibilities in the short run, the project has significantly improved the tendency for clients to invest extra funding. The high amount of suggestions on opening up a business might also suggest that for some clients the credit amount may be giving them a start but is yet not enough to have a business of their own opened up, and there could be potential demand for higher loan amounts to support new businesses.

## Use of other BP services

The relationship between Projeto ELAS and other services provided by Banco Palmas is mutually supportive. A majority of the clients hear about the project through visits to the bank, whilst involvement in the project also helps clients with a better use of existing BP services. It is the latter case that we will now focus on in our assessment, where demand for the variety of other services is generated through the increased contact time with the clients.

Microinsurance is one of the BP products that is strongly related to and affected by Projeto ELAS. The insurance options are not only mentioned by the agents during their visits but are also heavily advertised within the bank. As shown in the figure below using the data from individual interviews, it could be generally observed that the knowledge and use of micrinsurance is significantly higher for the clients who take both training and loans from the project. In addition, the comparison of database entries showed that out of 647 clients who received more than two visits, 21.0% (136) purchased a new insurance product, either for health or home, after participating in the project.

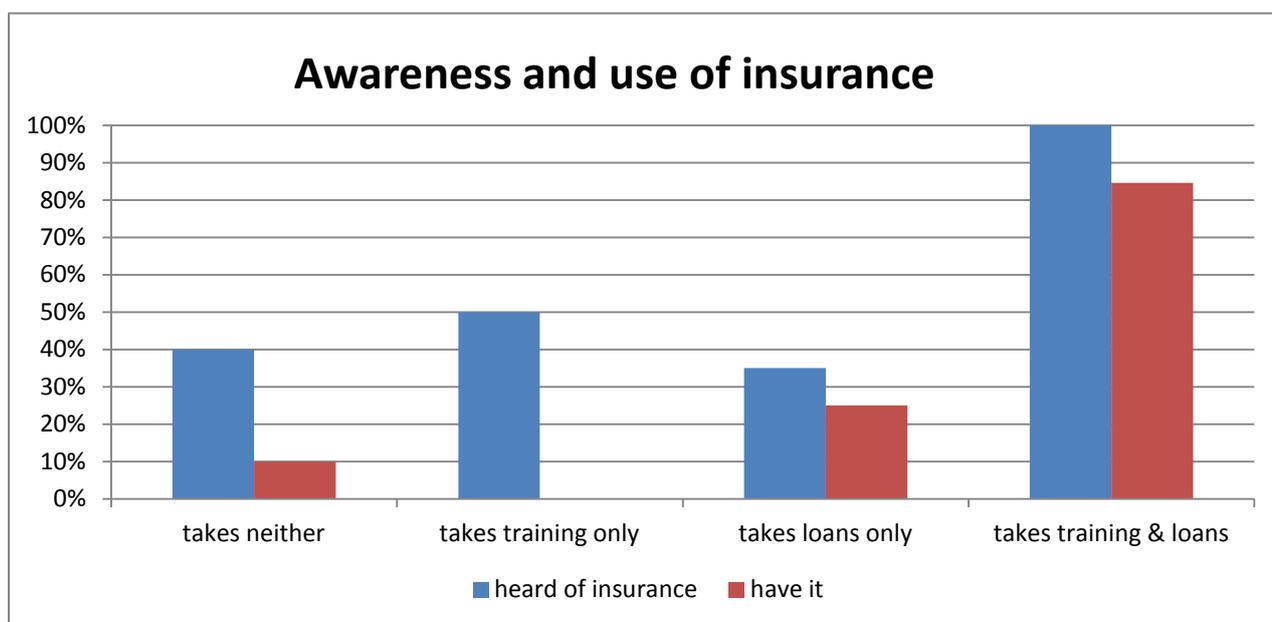


Figure 12: Awareness and use of Microinsurance (interviewed sample)

Looking at the latest entries for every individual recorded in the database, more than half of the total client base of the project has purchased insurance, and 97.5% of these clients purchased the bank's life insurance (Figure 13). Within the client base it appears that there is yet still potential demand for this service. In interviews some clients expressed that they feel insurance are less useful, a waste of money which they can better use on something else. One said the amount is too small whilst others may not be in the right condition to purchase a life insurance. However, some clients were unsure about their situation regarding microinsurance, in some cases they had to be reminded by their agent. We believe demand can be increased through time as awareness of the service enhances, whilst an improvement in the marketing of the product can further push its progress.

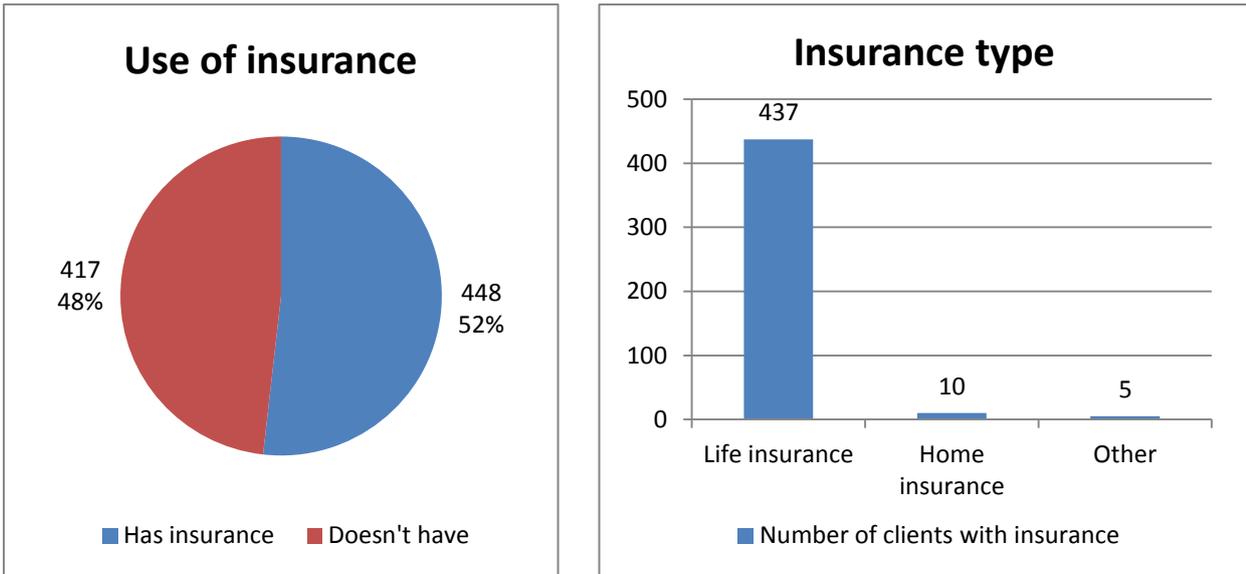


Figure 13: Total insurance use

Another service provided by Banco Palmas is the use of its banking network. The use of these financial services is largely dependent on the financial literacy and awareness of the clients. Since ELAS embraced financial education within its system, the use of banking services has increased accordingly. Figure 14 is a comparison of the database entries of clients who received two or more visits. Compared to the start of their participation 17% of the clients opened a new bank account. Of the total sample 6.5% more clients are using their accounts on a regular basis.

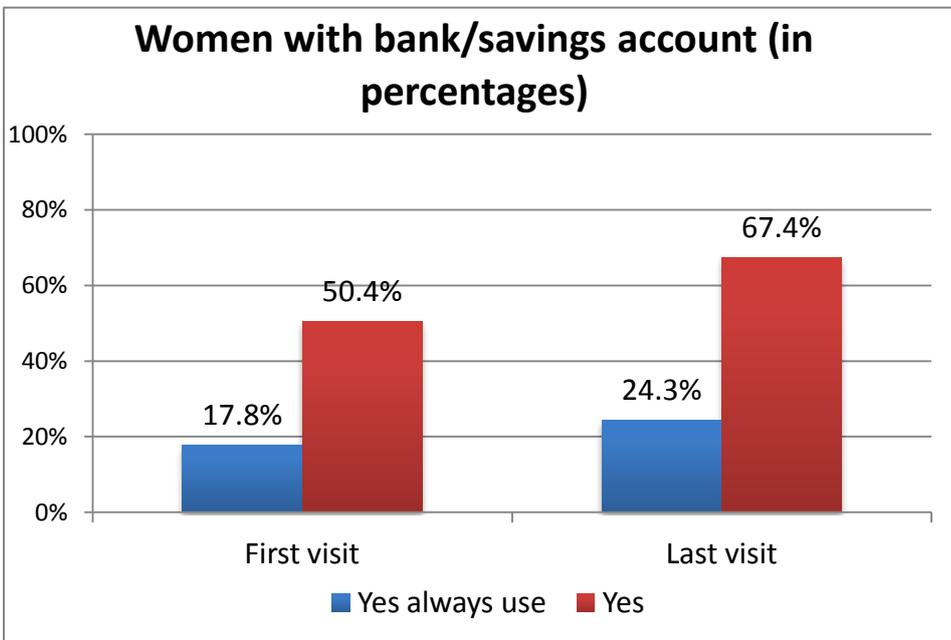


Figure 14: Use of bank account compared

In spite of the improvements, banking products may not yet be integrated into everyday life and the actual usage is yet to be improved. It may be a result of marketing or herding for a client to open an account in the first place. The location of the bank is a great advantage for marketing since the clients visit at least monthly

for the BolsaFamilia, many even said that they opened the account specifically to manage this money. However, 43% of those still barely use their bank account after the opening, some even closed it down due to the lack of usage. For the project clients who we interviewed that manage to save, less than half save in the bank whilst most prefer to keep the money at home.

If payment in the community is mostly operated by cash and in small amounts, the lack of usage of bank accounts is reasonable. Given this situation, for the overall client base the use of bank accounts is acceptable. Out of the total client base 24% are using their accounts regularly (Figure 15, using latest entries of all recorded clients), whilst 67% of the clients have a bank account. Capacity is available for many clients, but they need the incentive to use the account instead of saving and spending in cash.

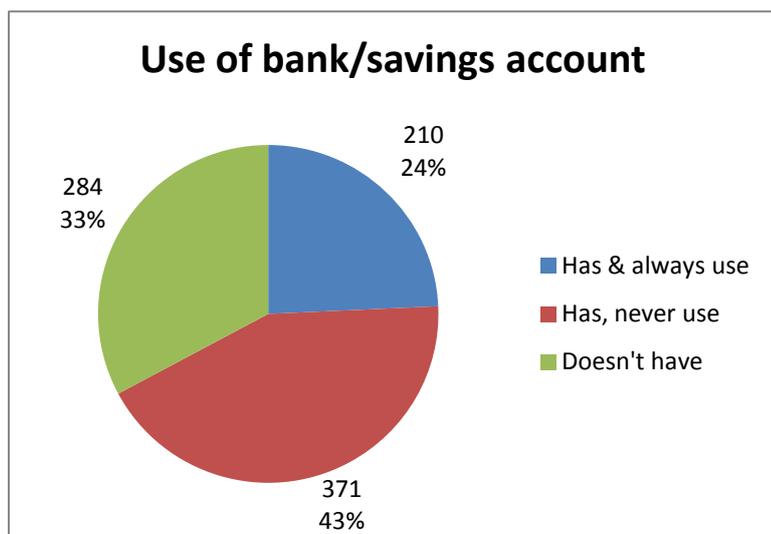


Figure 15: Total use of bank/savings account

## Continuing with the project

A number of issues may prevent clients from participating in Projeto ELAS, including family resistance or poor credit history. While the project is producing better results along with increased involvement, it is important to ensure positive outlooks regarding the clients' enthusiasm for participation. The hopes and commitment remain the keys to overcoming realistic difficulties.

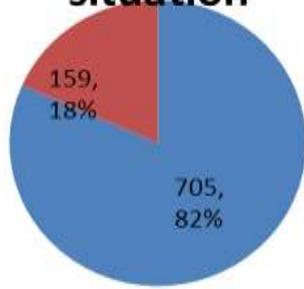
For those who are only taking training the majority intends to take credit in the future to buy materials and invest in machinery, but there are personal difficulties in accessing the loans provided. During our personal interviews some claimed it quite a personal topic and several answered with "maybe later but not now". They suggested the main reason for drop-out of the project to be family issues, which the OMI research team also considers a large influencing factor on their plans for credit and business.

On the other hand, the demand for training is in fact very high amongst those who are only taking the credit at the moment. All the women we interviewed believe that it is a good opportunity and wish to learn, "for things to get better" one said. For women who do not own a business some are not participating only because the courses they wish to learn are not offered, for example in manicure. A few of the women had already contacted the agents to enquire about certain courses.

While all the women in the focus groups were very definite in their desire to continue with the project, during the interviews many who only took loans admitted that their participation depended on the necessity. As training is a relatively long-term commitment, the contact time with the clients has largely increased their attachment to the project. In contrast, for clients who only take the loan but are not interested in the training opportunities, as their businesses become more developed some may believe that the need for continuing would fall.

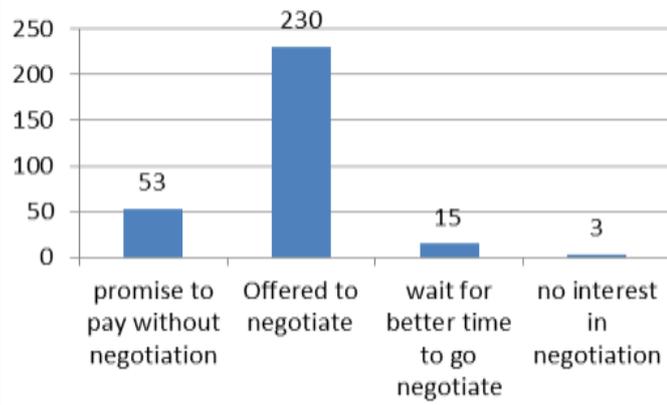
In addition, the loan repayment situation may also suggest some degree of insurance towards drop-outs, the occurrence of default would effectively prevent the client from visiting the bank and participating in ELAS. As the deterrent against default was mainly the access to other services that could only be accessed in the bank, given the small loan size the risk of defaults seems higher. However, although 18% of clients are not complying with contractual obligations, the majority have promised to pay or negotiate (Figure 16, from latest entries of all recorded clients).

### Loan repayment situation



- Complying with contractual obligations
- Not complying

### Direction



- Direction

## Spreading of the project

During the team's stay in Banco Palmas we witnessed the start of efforts of other community banks to replicate the model of Projeto ELAS. Representatives from different areas met at Banco Palmas to hear and discuss about the project. Joaquim de Melo in an interview with us noted the possibility of other community development banks to have their own Projeto ELAS. With a similar client base of women receiving BolsaFamilia, in order for other CDBs to establish their own project they would need resources, practical training and education. It is possible that this could happen soon, ideally with increased government recognition.

The strong demand for Projeto ELAS in communities other than ConjuntoPalmeira was presented us in an extremely impressive way. Klausinha, a woman living in a neighbourhood called Jacata that is about half an hour walk away from BP, visited our fieldwork team in BP specifically to share her story and views. As she explained how her neighbourhood does not have water and sewage systems, and lacks the sense of community that ConjuntoPalmeira has which helped residents to improve living standards. She explains how people in her community have been asking the government for these necessities but no actual solutions were provided. She complained that there is nothing similar to Projeto ELAS in her area but that this kind of services is really needed. In spite of the long travels needed to visit BP, she still has to come to the bank for benefits of her own life and has signed up for the upcoming tourism course provided by Projeto ELAS.

# Recommendations

## Publicity

Generally the clients became aware of the project through the banners in the bank and announcements on the street, and any also had the chance to talk to agents or people involved before they joined. However in some focus groups women agreed that the amount of publicity of the project could be improved.

Whilst some women expressed that a small proportion of women in the community is unaware of the project, we believe more importance could be placed on explanation of the details. Having participated for a while and shown great enthusiasm, some clients still appeared confused at times by the product structure and policies.

The topics confused by some clients that we encountered were mainly regarding the financial services of the project. Compared to the capacity-building programmes that are easier to organize and understand, the system of financial services and terms may appear more complicated. Many were unsure whether they have a bank account (this may be mixed with the idea of the BolsaFamilia card which makes it more understandable) and a few others had to be reminded by the agent of their situation regarding micro-insurance. The overall occurrence is not excessive (especially considered the distinct improvement of project participant's financial literacy compared to the mass female population), however we believe that the confusion can be eliminated through more guidance.

BP should be aware of the trade-off between a flexible system that can be adapted according to the situation in different communities, the introduction of a clear and systematic framework of ELAS is optimal for the different sections to be easily understood by its clients. Publicity of different sections could as a result become easier and much more effective.

In addition agents could act as an effective connection between financial policies and the clients, though the current situation of the lack of visits makes it less likely for it to cover the whole client base. It was not unusual for the clients that participated in focus groups to have not received any visits yet, and most of those who did had received only one or two visits. Although agents are important in developing a strong relationship with clients, given the limits to current resources the number of agents is unlikely to be increased. We believe other simple introductions of the financial products could be considered as an alternative of repetitive explanations, for instance the educational pamphlets circulated within the bank and that a more plain and clear version of the existing products and policies could be established and introduced to the client upon joining of the project.

## Product differentiation in training

We have seen extraordinary results in promoting entrepreneurship within the client. The new businesses that the project brought about ranged from occasionally retailing at home to opening shops in good locations. The majority of businesses started were related to skills learned through training courses, while the rest mostly involved retail or the use of existing skills. It appears that the training plays an important role in leading women into the field and largely affects the products she can produce, given similarity in training received we would like to put some emphasis on the importance of product differentiation for long-term considerations.

In the groups that took both training and loans, five out of the thirteen food class women mentioned intentions to take another course offered by the project, hoping that it would provide additional income sources. During two other focus groups with women who mostly had more business experience, the participants were extremely positive about the notion of new courses to be provided by Banco Palmas. Courses provide the essential skills for business that the woman highly value, and for clients with more developed entrepreneurial spirits the offering of a new course could help them establish a new business.

Some businesses appeared specific to the design of products, for instance we visited a woman who opened up a store selling children's clothes only and was very successful. However as the training was essentially the same for every woman who took the same course, many may be producing homogeneous products if the client does not have specific thoughts or preferences as such. The extent of value-added varies according to the actual product itself, for instance cleaning products may only need to follow specific formulas, clothes could differ extensively according to the design, whilst sweets may have varying flavours.

The essential skills offered by the training would allow one to make a living from selling the product, however if oversubscribed there is an unstable factor in the long run. Assuming most of the clients would sell locally, in an extreme case clients may be competing against each other with homogenous products in the community, the performances of each client hence may be hindered whilst all could be affected largely by changes in preferences and demand. Whilst trying to introduce specific thoughts about product differentiation during training or agent visits, establishing distribution channels outside the community may also be a way to dilute local competition in the long run.

## Self-sustainability

There is little guarantee of continuing support from current partners and greater financial independence would ensure the smooth operation of the project despite external shocks. Based on our analysis, we identify the main issue that hinders the future development of the ELAS programme as the heavy reliance on external finance. In other words, increasing financial self-sustainability is the key for the future success of the ELAS programme.

Two possible strategies are available to serve this purpose: (1) Direct Income Generation (i.e. internal financing) and (2) Indirect facilitation.

The first solution is to generate direct incomes from the loan interest. This can be accomplished either by higher interest rate or by increased number of ELAS clients. In addition, a more feasible and well-tailored savings product could attract more savings from existing clients, and appropriate unitisation would create additional sources of funding for further loans and other profit-making investments. Moreover, if there are other profit-generating sections within BP (for example SME loans), the extra profits could be used to subsidize the ELAS programme.

The second approach focuses on the creation of the economic and social impacts and other facilitation services which support the financial sustainability indirectly. The economic and social impacts created by the programme present solid evidence to the existing donors and potential funders. This provides valuable indicators for programme evaluation. There are various effective facilitation services that are often practiced by microfinance institutions, such as training, education, health and nutrition. Last but not least, to have the client satisfaction and loyalty as the long run organizational strategy is absolutely essential for future sustainability under highly competitive market conditions. The following sections are expanded according to the framework below:

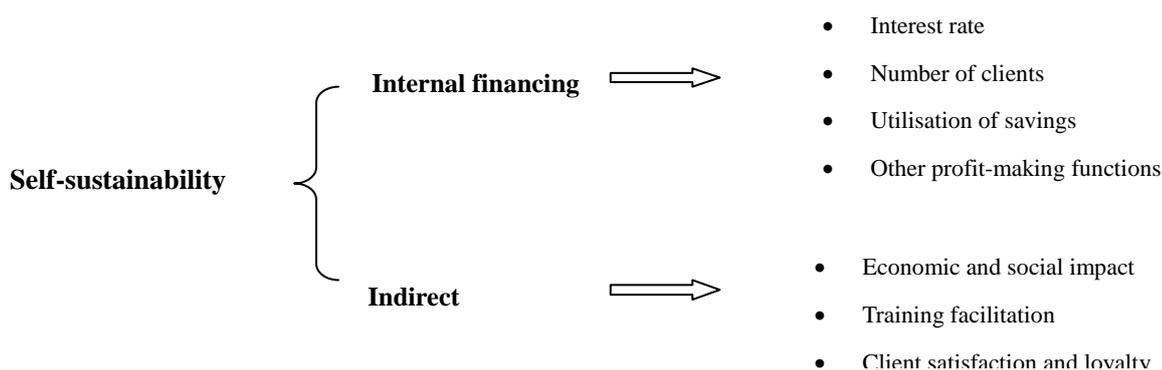


Figure 17: Illustration for financial sustainability

# Profitability

## Interest income and operation costs

Micro-credit is not a charity programme, and it would be ideal to be operated at least at the break-even point level from financial aspect. At the same time, it should be useful to help the target people in economic development and bring the target people out of poverty in a reasonable time frame. Hence profits are important to all microfinance operation.

Interest is the major source of income for most microfinance programmes. To set the interest rate at a reasonable level is the key to the success of a MFI, income needs to cover, at least, its operation costs and further profits should be encouraged so that the MFI will achieve economies of scale to serve more and more clients. However, a higher interest rate is a double-edged sword, as most of the MFI target clients are poor people. According to the Mix Market database, the median interest rate for the 700 MFIs was 30% (22% of inflation). There is a decreasing trend of the median interest rate since 2000, which reflects the learning curve as more MFIs learn to cut down their operation costs.

Such high interest rates may seem excessive at the first sight, but it is essential for the survival of MFIs. To compare with the normal loans made by commercial banks, the operation of MFIs involves higher risks, higher numbers of field employees and more frequent visits to clients. Therefore the seemingly high interest rates are, in fact, the justified. Although ELAS is operating on a progressive interest rate, the weighted average interest rate charged should analysed on an annual basis to ensure the rates are sustainable for part of the project's activities. Another important aspect is the number of clients that Projeto ELAS serves. The more clients it serves (i.e. the greater is the economy of scale), the lower interest rates it needs to charge to cover its operational costs and the more benefits will be offered to its clients.

The other side of the story concerns the cost structure of the institution. Cost structure analysis involves identifying and categorizing the costs occurred in initiating and operating a business and analysing the costs from different angles with an objective to make a sound investment decision. Cost structure analysis would help determine the exact amount of capital required to start-up and run the business. Combine with the appropriate income generation strategy, we have the profitability analysis. This requires detailed financial analysis to be conducted in the organisational level.

## The importance of savings products

Savings products are one of the most important microfinance services recognized worldwide as essential for the poor. The main objectives and purposes of savings service is to build a habit among poor people to save small amounts of money from their subsistence level of income for future needs and emergencies, and as well as forming the basis for capital formation to support investment in economic activities. It can also help poor people to get access into institutional credit from NGOs, commercial banks and leasing companies.

Strengthening the saving service of ELAS would significantly improve its sustainability in the long run. Our suggestion is to diversify the saving products of ELAS to meet with the demand from different groups of clients. The main types of savings products used elsewhere are introduced below.

### Mandatory Savings

Money deposits with MFIs on a regular basis (weekly, fortnightly or monthly basis) by a group member as a precondition of membership and receiving loans from MFIs is known as regular or mandatory savings. This is the most common savings product offered by MFIs. This product is appropriate for the typical poor and marginal farmers who have more or less a regular income.

#### Advantages

- Insists group members save
- Builds savings behaviour among poor
- Serves as a requirement for receiving loan from MFIs
- Constitutes a large source of RLF for MFIs

#### Disadvantages

- Difficult for the very poor to save regularly
- Discourages access of very poor to mainstream microfinance
- Not easy to withdraw and utilize by the members

### Voluntary Savings

Products allowing group members to may make additional savings to the mandatory amount are also common. These products are suitable for all but the very poorest.

#### Advantages

- Members can save as much as they can
- Members can withdraw this savings anytime
- Constitutes an additional source of RLF for the MFIs

#### Disadvantages

- Encourage better-off people in the group
- Discourage savers as no or low interest is paid on this savings
- Increase chance of fraud and misappropriation
- Make the cash flow system instructed

## Forced Savings

Forces savings are amounts (often 5%) deducted by MFIs as savings from the approved loan amount during disbursement. However, many clients dislike this form of saving and favour organizations that do not deduct any amount from their approved loans.

### Advantages

- Grow savings faster
- Easy for MFIs to collect this savings at source

### Disadvantages

- Net loan amount is lower than actual loan amount
- Discourage good borrowers and encourage ill-motive borrowers for borrowing

## Term Deposit

A deposit received by some MFIs from the group members or non-members over a fixed period with a condition that savings are not be withdrawn before the end of the fixed period. Poor people who have surplus income and who are better off are suitable target people of this savings product. However, in Bangladesh NGO-MFIs are not allowed now to collect term deposit from non-member participants.

### Advantages

- Grow savings of the target people faster
- A source of capital of MFIs
- Offer higher interest rate

### Disadvantages

- Small MFIs may fall in difficulties to repay deposits on maturity
- Legality of taking term deposit

## Daily Savings

Savings deposited by the members in any amount on a daily basis. This is a special type of flexible savings mechanism first introduced by Stuart Rutherford in his organization in Bangladesh named *SafeSave*. This product is more suitable for urban areas with the people who have regular income and who are involved with small trading, rickshaw pulling or vegetable retailing.

### Advantages

- Members can save whatever they can
- Easy for low income and daily earners
- Savings grow quickly
- Members can withdraw savings at any time by any amount from the balance

### Disadvantages

- Cash flow management difficult as the members frequently save and withdraw
- Requires strong recording and reporting system to prevent fraud and misappropriation

## Subsidies from other profit-making functions

In addition to retained earnings generated by the programme itself, financing can also come from other profit making functions within the programme portfolio. One of the successful examples is the BRAC model. First of all they have diversified their loan products to meet greater needs of the poor and have developed other facilitation services (for example training services and technical support) to enhance the probability of their success. More importantly, some functions within the organizations are highly profitable so that the excess profits can be used as subsidies for other more socially-oriented programmes.

In this section we focus on the importance of diversification of loan products. Loan diversification and differentiation gives a competitive advantage to the NGO-MFI in a competitive market situation. Loan diversification and differentiation provide greater options to choose the right form of loans from a wide range of products that positively contributed to reduce possible loan delinquency and default. It also increases the retain rate immediately and decreases the dropout rate of the members by making the loan products more effective and tailored to their needs. Moreover, within the loan portfolio, there are loan products with a high profit margin, such as the SME loans, so that the extra profits earned through such products provides enough internal financing to other more social-oriented loan products such as emergency loans.

### A case of BRAC Model

Pioneered in 1974, BRAC's microfinance activities target various groups of populations, such as rural women, youth and adolescents, migrant workers and small entrepreneurs. So far BRAC has disbursed over USD 8.6 billion to 5.2 million borrowers and maintained a repayment rate of over 98 per cent. Here we present a summary of loan products portfolio of BRAC.

#### Summary of Credit Products of BRAC

Name of product	Components	Definition of Target Groups	Product Details
<b>Extreme Poor</b>	CFPR	<ul style="list-style-type: none"> <li>Depends upon female domestic work</li> <li>Owens less than 10 decimals of land</li> <li>No adult active male member in the household</li> <li>No productive asset in the household</li> </ul>	<ul style="list-style-type: none"> <li>Asset transfer and subsistence allowance</li> <li>Enterprise development training</li> <li>Social development training</li> <li>Essential Health Care Service</li> <li>No loans provided. After two years under CFPR, members can access IGVGD loan products</li> </ul>
	Income Generation for Vulnerable Group Development (IGVGD)	<ul style="list-style-type: none"> <li>Households owning no more than 15 decimals of land</li> <li>Women who are divorced, separated or have disabled, aged between 18-49</li> </ul>	<ul style="list-style-type: none"> <li>Livelihood training input support</li> <li>Social development training</li> <li>Starting loan size: Approx. US\$20</li> <li>Interest rate: 15% (Flat)</li> <li>Repayment: 46 weekly instalments within one year</li> </ul>

<b>Moderately Poor</b>	DABI	<ul style="list-style-type: none"> <li>Own up to one acre of land including homestead, sell manual labour for living</li> </ul>	<ul style="list-style-type: none"> <li>Loan size: Taka 3,000 – 30,000</li> <li>Interest rate: 15% (flat)</li> <li>Repayment: 46 weekly instalments within one year</li> </ul>
	UNNATI	<ul style="list-style-type: none"> <li>Own more than one acre of land and involved in farm and non-farm enterprises</li> </ul>	<ul style="list-style-type: none"> <li>Loan size: Taka 15,000 – 50,000</li> <li>Interest rate: 15% (flat)</li> <li>Repayment: Monthly instalments within 12-18 months</li> </ul>
<b>Vulnerable non-poor</b>	PROGOTI and WEDP	<ul style="list-style-type: none"> <li>BRAC and non-BRAC micro-entrepreneurs to develop and finance own business</li> <li>Both men and women clients</li> </ul>	<ul style="list-style-type: none"> <li>Loan size: Taka 50,000 – 500,000</li> <li>Interest rate: 15% (flat)</li> <li>Repayment: Monthly instalments within 12-24 months</li> </ul>

Figure 18: BRAC example of credit products

# Impact generation and other external facilitation

## Economic and social impact analysis

It is important to realise that the reliance of external financing can hinder the long-term sustainability of an MFI, although it is often essential at the beginning. It is important for the donor agencies to examine the economic or social impacts generated by the programmes they finance. These impacts are the indicators for receiving further financing from the funders.

Given that the ELAS programme is still in its early stages, some of our research could be used as a baseline for analysis whilst others are largely focused on qualitative impacts of the project. The current data base is a good representation of the clients' general situation, however is recorded as a list of individual entries which makes it less straight-forward to track the state of the total client base at selected times. For more advanced quantitative analysis, we need to collect data consistently for at least 3 years so that a thorough panel data analysis can be conducted for impact analysis, examining changes in variables over time and differences in variables between subjects.

## The role of training

Another key section to sustain the successful operation of all MFIs is the investment in capacity building. In fact, both microfinance clients and microfinance professionals have a continuous demand for training.

We received positive feedback for the ELAS training courses from the interviewees. The benefits went beyond the skills required, including:

- Self esteem
- More support for other non-financial issues
- Interaction with other women
- More information about courses and events in the community

Although most interviewees agreed that the training was helpful in managing their loans, this was mostly indirect. Hence more technical support from the regular visits is highly advised. This requires ELAS agents to have more professional knowledge about their clients' businesses and the potential business that they are intending to do in future. In order to do so, training in feasibility analysis of a business are advised to be taken by ELAS agents so that they can better serve their clients.

There are many aspects to examine in the feasibility analysis, the most crucial aspects that must be examined are:

- Technical and technological aspect
- Market and marketing aspect
- Cost structure and investment size
- Profitability and cash-flow

Microloans are often provided to the clients to operate certain economic activities and the global experiences suggest that success in microfinance operations largely depends on the selection of appropriate economic activity by the clients. It is the responsibility of the agents to ensure that the economic activity proposed by a client is a feasible one prior to loan approval. A good feasibility analysis can avoid or reduce the risk of bad investment and will reduce the risk of delinquency and default because of the economic failure.

In addition, given the demands for new training offerings, a thorough Training Needs Assessment (TNA) is required for the additional training that ELAS offers. This needs a detailed survey design to achieve the best possible economic and social impacts.

## Client satisfaction

Our findings from the discussion groups showed positive feedback for the programme. But client satisfaction is never static. It changes with the change of ingredients of the market: the demand for the products, availability of the products, availability of close substitutes, service quality, etc. It is important for MFIs to assess clients' satisfaction on a regular basis to identify what makes the clients dissatisfied or unhappy and take necessary actions accordingly.

Client satisfaction is the first step towards clients' loyalty, which is crucial for MFIs in the long run, as in a competitive situation, an MFI can only sustain through having loyal clients. Therefore there is an urgent need for MFI to design appropriate products and services to attain clients' loyalty. The following figure illustrates in general how client satisfaction can create positive impact to the long-term sustainability of a MFI.

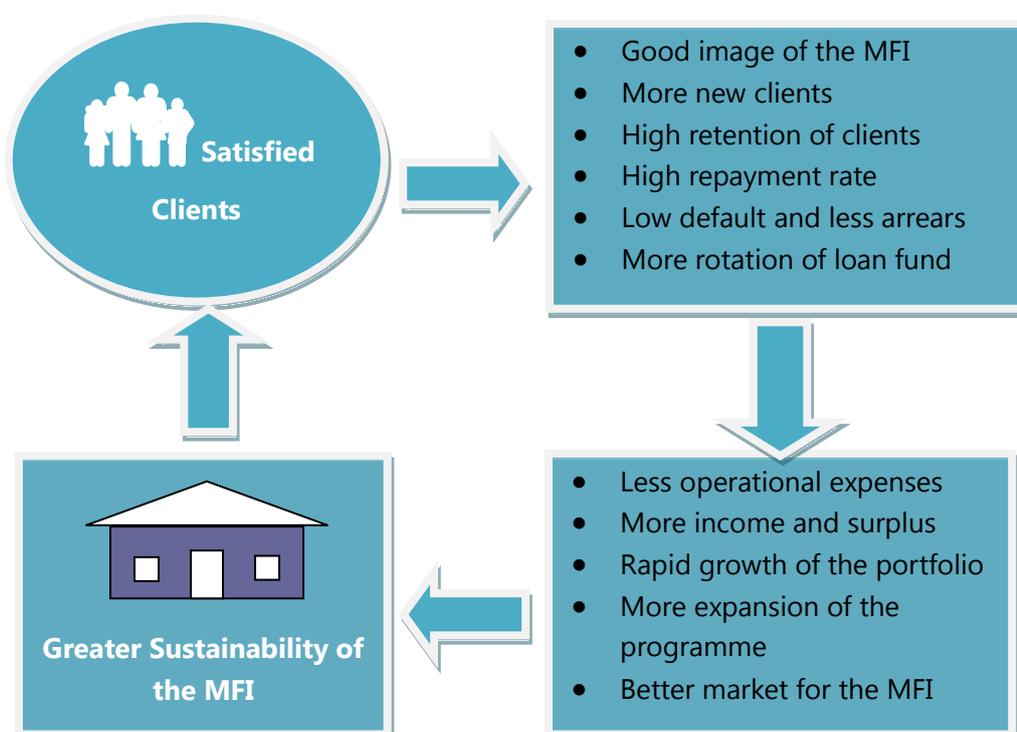


Figure 19: Client satisfaction impact flow

A simple tool to examine client satisfaction has been developed as well. It provides a useful guideline for developing survey work in future.

### Tool to examine client satisfaction

Elements	Satisfy clients	Dissatisfy clients
<b>Product</b>	<ul style="list-style-type: none"> <li>When products are diversified and clients can choose one appropriate to them</li> <li>When loan amounts are adequate</li> <li>When incentive is offered for on-time loan repayment</li> </ul>	<ul style="list-style-type: none"> <li>When scope is limited in choice of products</li> <li>When loan amounts are inadequate</li> <li>When on-time loan repayment is not rewarded</li> </ul>
<b>Price</b>	<ul style="list-style-type: none"> <li>When loan processing fees are competitive and acceptable</li> <li>When loan interest is set below market rate or at par</li> <li>When no other invisible cost is required to get the loan</li> </ul>	<ul style="list-style-type: none"> <li>When loan interest is set above par</li> <li>When there are invisible cost for getting a loan</li> <li>When loan processing fees are high</li> </ul>
<b>Process</b>	<ul style="list-style-type: none"> <li>When loan processing is simple and not time consuming</li> <li>When loans are disbursed on time</li> <li>When loan repayment is negotiable</li> </ul>	<ul style="list-style-type: none"> <li>When loan processing is complex and time consuming</li> <li>When disbursement times are missed</li> <li>When loan repayment is non-negotiable</li> </ul>
<b>Policies</b>	<ul style="list-style-type: none"> <li>When the terms and conditions are understandable and easy to comply with</li> </ul>	<ul style="list-style-type: none"> <li>When there are too many terms and conditions and not easy to comply with</li> </ul>
<b>People (Staff)</b>	<ul style="list-style-type: none"> <li>When clients are valued and respected by the staff</li> <li>When clients views and voices are taken seriously by the staff</li> <li>When staff have a good feeling for and emotional attachment with the clients</li> <li>When staff behave politely and show helpful attitude to the clients</li> <li>When staff maintain their commitment given to the clients</li> <li>When staff are punctual and value the time of their clients</li> </ul>	<ul style="list-style-type: none"> <li>When clients are not valued and respected well</li> <li>When clients views and voices are put down</li> <li>When staff do not feel for the clients</li> <li>When staff behave roughly and do not help clients</li> <li>When staff do not maintain their commitment</li> <li>When staff are not punctual and do not value the time of the clients</li> </ul>
<b>Services</b>	<ul style="list-style-type: none"> <li>When clients get quality services</li> <li>When there are additional services like training, market development and linkage, etc.</li> </ul>	<ul style="list-style-type: none"> <li>When service quality is poor</li> <li>When service is limited to lending only</li> </ul>

Figure 20: Tool to examine client satisfaction

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## Appendix

\*Noted order of topics does not represent actual order asked.

Table 1: Focus group notes (Control Group 1: Takes both training and credit)

Group 1	Group 2	Group 3
<b>Nature of group</b>		
<ul style="list-style-type: none"> <li>- From clothes-making class</li> <li>- 11 women: 7 around 25-35; 3 around 40-45; 1 around 50</li> <li>- 3 remained silent and didn't respond to any questions but nodded when they agreed</li> <li>- Rest of women participated and responded to questions</li> <li>- 4 women were more talkative than the others</li> <li>- Women with little work experience, many were housewives</li> </ul>	<ul style="list-style-type: none"> <li>- From Clothes-making class</li> <li>- No agent present</li> <li>- 9 women: 2 around 20-25 1 around 30 6 around 40-50</li> <li>- Some had children</li> <li>- All spoke a lot</li> <li>- Most are interested in the programme to improve knowledge</li> <li>- All seem to have financial autonomy and a degree of independence from the husband</li> </ul>	<ul style="list-style-type: none"> <li>- From Culinary class</li> <li>- Agents present</li> <li>- 13 women: most around 30-50 one younger than 20</li> <li>- most had children</li> <li>- 4 spoke frequently</li> <li>- 2 women nodded but did not say anything</li> <li>- several women were single parents</li> </ul>
<b>How many agent visits</b>		
<ul style="list-style-type: none"> <li>- 6 women had had 5 or more visits</li> <li>- 4 women had not had a visit</li> <li>- 1 women had had one visit</li> </ul>	<ul style="list-style-type: none"> <li>- 2 women had had no visits</li> <li>- 1 woman had had one visit</li> <li>- 4 women had had two visits</li> <li>- 2 women had had four visits</li> </ul>	<ul style="list-style-type: none"> <li>- all women had received agent visits</li> </ul>
<b>Training - why participate?</b>		
<ul style="list-style-type: none"> <li>- Some women gave the following as main benefits of training: <ul style="list-style-type: none"> <li>- income - 3 women</li> <li>- learning more - 5 women</li> <li>- getting a job - 1 woman</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- All said it was to get more knowledge of clothes-making</li> <li>- 3 said that they had already sold clothes and that they already worked in clothing industry but that they wanted to learn more</li> <li>- They said that they liked the courses. Some suggestions for other courses were <ul style="list-style-type: none"> <li>- IT</li> <li>- Manicures</li> <li>- Hairdressing</li> </ul> </li> <li>- At this point they all said that they all have more than one type of work and at different times of year they sell different products more than others</li> <li>- They all want more knowledge that will allow them to have business options throughout the year (emphasis on</li> </ul>	<ul style="list-style-type: none"> <li>- General agreement that courses help with independence <ul style="list-style-type: none"> <li>- "E umacoisaparamim"/ "It's something I do for myself"</li> </ul> </li> <li>- Majority of women agreed that it is good preparation to do work in that field <ul style="list-style-type: none"> <li>- one women mentioned starting a snackbar in future</li> </ul> </li> <li>- Several women said that it was a good way to learn about sweets and snacks, in addition to just meals</li> <li>- One woman mentioned that it allows you to learn a lot in a short period of time</li> <li>- Everyone except for 2 women said it was their first course in cooking, other 2 said it was their second course <ul style="list-style-type: none"> <li>- one mentioned their first course was too short (1 week) and only covered</li> </ul> </li> </ul>

	throughout)	meals and no snacks and sweets <ul style="list-style-type: none"> <li>other mentioned their first course was not sufficient because did not cover enough types of food</li> <li>- Five women vocalized intention to take another course offered by Projeto ELAS, three of them were clothes-making courses <ul style="list-style-type: none"> <li>- one woman mentioned she had clothes-making skills but class offered by Projeto ELAS offered experience with machines (industrialized clothes-making for bigger businesses)</li> </ul> </li> </ul>
<b>Managing home finances</b>		
<ul style="list-style-type: none"> <li>- All said they were in charge of the family money and that they did this role well</li> <li>- They described how they placed a lot of importance in feeding their children and paying house bills</li> <li>- Comparing themselves to their husbands, they said that the men don't know how to look after money and that they care more about superfluous expenses e.g. clothes and expensive products</li> <li>- The women said that they look for the cheapest place to buy things and that the brand of the product is not important</li> <li>- Some spoke about how they keep a note of their expenditure</li> </ul>	<ul style="list-style-type: none"> <li>- Two said that they couldn't look after their money because they would spend it all (these women were the youngest in the group)</li> <li>- Others said that they look after money together with their husbands and that each of them had their own money and their own responsibilities. They said that they thought that this system suited them well</li> </ul>	<ul style="list-style-type: none"> <li>- All women took care of home finances on their own <ul style="list-style-type: none"> <li>- several women were single parents so it was a requirement</li> </ul> </li> <li>- They all found it difficult to organize finances, because of so little income and so many bills to pay/things to pay for <ul style="list-style-type: none"> <li>- one woman said it was frustrating, several agreed</li> <li>-one woman said the key was to organize yourself, several agreed</li> <li>- one woman said that after paying bills she has no money left for anything else</li> <li>-one woman said that she is often in debt when paying bills and so borrows money to pay</li> </ul> </li> </ul>
<b>Savings</b>		
<ul style="list-style-type: none"> <li>-When the interviewer asked if they saved half said yes and half said that they didn't have money left over</li> <li>- When asked if they thought it was important to save, all of the women answered yes</li> <li>- When asked what it was important to save for, they answered <ul style="list-style-type: none"> <li>- Children's future</li> <li>- Education</li> <li>- Health</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- When asked who manages to save, seven women said that they don't manage to save as money is not available</li> <li>- Two women said that they spend too much and that therefore they don't save their own money but that their husband manages to save</li> <li>- When asked about the importance of saving, everyone said it was important</li> <li>- When asked what kind of things they save for, the suggestions were: <ul style="list-style-type: none"> <li>- Future</li> <li>- Children's education</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Majority agreed that it is very difficult <ul style="list-style-type: none"> <li>- 1 woman said it was especially difficult with children</li> </ul> </li> <li>- Everyone except for 2 women claimed that it was not possible for them to save <ul style="list-style-type: none"> <li>- 1st woman said it was because of her child's education and her motorbike</li> <li>- 2nd woman said it was essential in order to have enough money to pay bills ("coizinhaparaamanha"/ a little something for tomorrow)</li> </ul> </li> <li>- One woman said she had a little bit of savings in her bank</li> </ul>

	<ul style="list-style-type: none"> <li>- Health</li> <li>- To buy own house</li> </ul>	<ul style="list-style-type: none"> <li>- All agreed it was very important to save</li> </ul> <p>Reasons: children's education, unexpected purchases, saving up to buy larger goods</p>
<b>Benefits beyond training</b>		
<ul style="list-style-type: none"> <li>- The majority of the women responded to this question and spoke about the importance of the knowledge they were acquiring and also said: Financial independence, self-esteem, more support for other non-financial issues, break from routine, interaction with other women, more information about courses and events in the community, proud of own work.</li> <li>- 'Nóssurgimos no mapa' - 'It's putting us on the map'</li> <li>- 'Nósficavamos no cantinhoguardadinha e agora naotemoslimites' - 'We were in a tiny corner and now the sky's the limit'</li> </ul>	<ul style="list-style-type: none"> <li>- The women responded that the training gives them the most knowledge, opportunities, and experience for work</li> </ul>	<ul style="list-style-type: none"> <li>- One woman says credit also helps women be more independent <ul style="list-style-type: none"> <li>- other women agreed with that</li> </ul> </li> <li>- One woman mentions having taken part in one of the cultural trips organized by Project ELAS ("encontrospedagogicos") <ul style="list-style-type: none"> <li>- she vocalized appreciation</li> </ul> </li> <li>- One woman said it helps you meet other women</li> <li>- One woman said quite clearly that she was part of the project solely for the courses</li> </ul>
<b>Views towards businesses</b>		
	<ul style="list-style-type: none"> <li>- All women spoke of their interest in having their own business</li> <li>- It was noticeable that they already sold different products - only one had not done so previously</li> <li>- One woman said that she was planning to buy a sewing machine with four other women</li> </ul>	<ul style="list-style-type: none"> <li>- More than 4 women immediately said that they wanted to start their own business in the future, no woman disagreed to starting their own business</li> <li>- Majority were interested in starting food-related business</li> <li>- The main thing holding them back was money. one person mentioned it, and everyone agreed</li> <li>- When asked where they would rather do business, one woman said she would rather do it from her own house because it is easier and more practical <ul style="list-style-type: none"> <li>- several women agreed with this</li> <li>- one woman mentioned it was especially necessary if one had children</li> <li>-one woman said she wanted to re-open her old store</li> </ul> </li> </ul>
<b>Training and loans e.g. is training useful for utilising the loans you get?</b>		
<ul style="list-style-type: none"> <li>- The women didn't directly see a link between training and helping to manage money</li> <li>- They spoke more about what they used the credit for:</li> </ul>	<ul style="list-style-type: none"> <li>- Everyone said that training and credit had helped them manage their money</li> <li>- They said that training was also a stimulus to continue working with clothes-making</li> </ul>	<ul style="list-style-type: none"> <li>- Most women taking course to improve cooking skills to be used in business one day <ul style="list-style-type: none"> <li>- no direct correlation with current credit use for businesses</li> </ul> </li> </ul>

<ul style="list-style-type: none"> <li>- 1 paying debts</li> <li>- 2 buying materials</li> <li>- 3 starting a business</li> </ul> <p>- Interviewer asked again if the visits and the training helped them to use money better - majority placed importance in helping the organisation of sums/money and with more life general life questions</p>		<p>- Several agree that the courses and credit complement each other</p>
<b>Joint Purchases</b>		
		<ul style="list-style-type: none"> <li>- Not everyone had heard of it <ul style="list-style-type: none"> <li>- a few actively said they had never heard of it</li> <li>- around 3 women had heard of it</li> </ul> </li> <li>- when asked whether they would prefer to start a business alone or in a group, 3 women vocalized that they don't trust other people enough to start business <ul style="list-style-type: none"> <li>- all other women agreed that they'd rather start business alone</li> </ul> </li> </ul>

Table 2: Focus group notes (Control Group 2: Takes training only)

Group 1	Group 2
<b>Nature of group</b>	
<ul style="list-style-type: none"> <li>- 1 agent present</li> <li>- 7 women - 4 older and 3 younger</li> <li>- One of the younger women followed the conversation, nodding etc, but contributed only once</li> <li>- Willing to answer all questions except for the one about difficulties in getting credit (awkward atmosphere)</li> <li>- They take courses in clothes making and cleaning materials</li> </ul>	<ul style="list-style-type: none"> <li>- No agent present</li> <li>- 6 women - 2 very young, 2 older women, 2 probably around 30</li> <li>- Not all married</li> <li>- Some with children</li> <li>- 1 very vocal, 1 very quiet, but all contributed at some point</li> <li>- Willing to answer all questions except answering why they didn't want to take credit</li> </ul>
<b>House visits</b>	
<ul style="list-style-type: none"> <li>- Everyone has had a house visit</li> <li>- Most only one</li> </ul>	<ul style="list-style-type: none"> <li>- Not all women present had had a house visit</li> <li>- Those who hadn't had a visit yet anticipated that they would in the future</li> <li>- Those who had had visits said that they had had one or two</li> <li>- One woman points out that the area is big - general feeling in the group that the number of visits is realistic</li> </ul>
<b>Improving courses</b>	
<ul style="list-style-type: none"> <li>- All women present supported the idea of more courses</li> <li>- Suggestions for new courses: language courses, hairdressing (Asier said this is on the cards)</li> <li>- When asked about the possibility of financial education courses,</li> </ul>	<ul style="list-style-type: none"> <li>- Almost everyone wants more courses</li> <li>- 1 woman says that the teachers are great and that the space is great - general agreement to this</li> <li>- Longer courses comes up</li> </ul>

<p>there was a positive feeling towards this idea. Agreed to suggestion by interviewer that it would be useful for world of work.</p>	<ul style="list-style-type: none"> <li>- 1 woman says that courses are quite basic</li> <li>- Interviewer asks for suggestions for other courses - several women say IT courses <ul style="list-style-type: none"> <li>- 'maisatual' - 'more current'</li> </ul> </li> <li>- 1 woman says that there are IT courses in the area just not at BP</li> <li>- Several suggest courses in crafts (artesenato)</li> </ul>
<b>Additional benefits of the project beyond training/credit</b>	
<ul style="list-style-type: none"> <li>- General confusion about this question</li> <li>- Interviewer suggests sense of participation/community. No-one agrees or disagrees with this</li> <li>- Motivation</li> <li>- Courses are free says one person. This is a bit benefit because they would be expensive elsewhere. Other women agree</li> </ul>	<ul style="list-style-type: none"> <li>- Slight confusion at this question.</li> <li>- Mention of the positive effect on children and that courses are free</li> </ul>
<b>Managing finances</b>	
<ul style="list-style-type: none"> <li>- Everyone agrees that they are responsible for individual/family finances</li> <li>- One mentions how she organises her husband's many - almost saying 'Despite my husband I manage to organise...'</li> <li>- Interviewer asks if it is a positive thing to be responsible. General agreement. One says it is a big and important responsibility</li> <li>- Interviewer asks is it stressful? Answer well of course it's stressful, especially always thinking about balancing income and expenditure.</li> <li>- General discussion about assigning money to different areas</li> <li>- One mentions making a distinction between necessary and superfluous expenditure</li> </ul>	<ul style="list-style-type: none"> <li>- Agreement that all women present are all in charge of household finances</li> </ul>
<b>Savings</b>	
<ul style="list-style-type: none"> <li>- Interviewer asks if it is common to save. General agreement to this.</li> <li>- Interviewer asks if it is possible to save. General agreement</li> <li>- 'Naoquerserdependente' - wish not to be dependent</li> <li>- General agreement that saving is important</li> </ul>	<ul style="list-style-type: none"> <li>- Interviewer asks whether it is common to save <ul style="list-style-type: none"> <li>- One woman says yes but only when money is stable (impression given being that money is rarely stable). General agreement to this</li> </ul> </li> <li>- General agreement that it is possible to save</li> <li>- When asked what kind of things they would save for, one woman said the future and education of her children. Everyone nods at this. <ul style="list-style-type: none"> <li>- Interviewer says 'Education is expensive isn't it?' - everyone agrees</li> </ul> </li> </ul>
<b>Credit</b>	
<ul style="list-style-type: none"> <li>- Majority intend to take credit in future</li> <li>- Why they want credit <ul style="list-style-type: none"> <li>- to buy material</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- Several women said that they were not planning on taking credit in the future. One of these women said she was too young</li> <li>- Several women said that they didn't want to take credit now but</li> </ul>

<ul style="list-style-type: none"> <li>- (when prompted by the agent) to invest. After this, majority nodded.</li> <li>- When asked about difficulties in getting credit, they all agreed there were difficulties. Atmosphere became awkward. 'Dificuldades sempre têm' 'There are always difficulties.'</li> <li>- One mentions wish to have own sewing machine in her house</li> <li>- One mentions wish to start own business</li> </ul>	<p>maybe later</p> <ul style="list-style-type: none"> <li>- Difficult to establish specific reasons for not taking credit - one woman points out that this is quite a personal topic</li> </ul>
<b>Relationship between training and credit</b>	
<ul style="list-style-type: none"> <li>- Agreement that there is a relationship - training is useful if one wants to take credit</li> <li>- One woman mentions that training would speed up the process of using credit productively</li> </ul>	
<b>Women and business</b>	
<ul style="list-style-type: none"> <li>- General agreement that they have aspirations to have a business (not necessarily actual plans)</li> <li>- Examples given included clothes making. One hoped to make children's clothes.</li> <li>- No one in the room currently has a business.</li> <li>- One mentions that training is more important right now</li> <li>- 'So futuramente' 'Only in the future' - need for skills</li> <li>- Question - will the training help you with these aspirations? All agree. 'Com certeza' 'certainly' said one person.</li> </ul>	<ul style="list-style-type: none"> <li>- One woman said she has own business in her house selling clothes</li> <li>- One girl says her mother has her own business (mother not present and not necessarily involved in Projeto ELAS)</li> </ul>
<b>How the women heard about the project?</b>	
<ul style="list-style-type: none"> <li>- Home visits - several women said they were visited at home</li> <li>- Street announcements - several said these lead them to a first meeting.</li> <li>- Agent talks about the August 2011 conference - raising awareness</li> <li>- One woman says mother was in the project</li> <li>- One mentions the 'ciranda'</li> <li>- One heard about the project when she opened a bank account</li> <li>- One woman suggests more banners</li> </ul>	<ul style="list-style-type: none"> <li>- General agreement that there is not much publicity</li> <li>- 1 woman specified that not all roads are suitable for road announcements</li> <li>- Several women said they heard about the project from house visits (one woman said for example that there was a visit in her aunt's house)</li> <li>- General feeling that publicity could be better <ul style="list-style-type: none"> <li>- Suggestions for improvements for publicity were TV and banners</li> </ul> </li> <li>- Interviewer asks if the women talk to others about Projeto ELAS - they say yes</li> </ul>
<b>Joint purchase scheme</b>	
<ul style="list-style-type: none"> <li>- Women seem unfamiliar with this idea</li> <li>- One woman seems positive. Talks about the possible benefit of them all putting their credit together as a group.</li> </ul>	<ul style="list-style-type: none"> <li>- 1 woman said it is an interesting idea - others agree</li> <li>- Interviewer asks 'do you like the idea of group enterprise?' - general agreement to this</li> <li>- Interviewer asks if it better to work in a group - most say yes, no-one disagrees</li> </ul>
<b>Continuing with Projeto ELAS</b>	
<ul style="list-style-type: none"> <li>- All women intend to continue with Projeto ELAS</li> </ul>	<ul style="list-style-type: none"> <li>- Everyone says that they want to continue with the project.</li> <li>- Strong feeling of friendship in this focus group among the women.</li> </ul>

	- One woman says that not all women continue with the project so therefore the ones who do are the best (joke). One example of why a woman would not continue with the project is given as family reasons.
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**Table 3: Focus group notes (Control Group 3: Takes loans only)**

(Data extracted from individual interviews)

<b>Nature of the interview</b>
<ol style="list-style-type: none"> <li>1. Young woman, has children, interviewers: Maité and Doran 28/3/2012. No agent present.</li> <li>2. 50 year old, has children and grandchildren. Interviewers: Maité and Doran 28/3/2012. No agent present</li> <li>3. 40ish, has 3 children. Interviewer: Doran. Agent present</li> <li>4. Interviewer: Doran. Agent present.</li> <li>5. Interviewer: Doran. Agent present</li> <li>6. Interviewer: Doran. Agent present</li> <li>7. Interviewer: Doran. Agent present</li> <li>8. Interviewer: Doran. Agent present</li> <li>9. Interviewer: Doran. Agent present</li> </ol>
<b>Why are you participating in Projeto ELAS?</b>
<ol style="list-style-type: none"> <li>1. Wish to learn. Good opportunity</li> <li>3. Because she likes it</li> <li>4. It's good. It helps teach them skills for the work place. Good opportunity.</li> <li>5. It's necessary. It's a poor area, such projects are needed.</li> <li>7. For the loan</li> <li>8. For the loan</li> <li>9. Things to get better. Wishes to do a course</li> </ol>
<b>Do you receive visits from an agent?</b>
<ol style="list-style-type: none"> <li>1. Yes, every month. Have had 4 visits so far. Her agent frequently rings her by telephone. This regularity is fine for her.</li> <li>2. She has had one visit</li> </ol>
<b>Have you considered taking part in a course provided by Projeto ELAS?</b>
<ol style="list-style-type: none"> <li>1. Yes, will start a course on tourism course on 9th</li> <li>2. She has spoken to an agent about doing a cleaning products course and is waiting to hear back about that</li> <li>3. Lots to do - it's not possible. But she would like to.</li> <li>4. Will start a course on tourism on 9th</li> <li>5. Yes - cleaning materials course</li> <li>6. Yes, she would like to do a clothes-making course. She would like to see an opportunity to have a jewelery making course in Projeto ELAS</li> <li>7. Yes - would like to do a manicure</li> <li>8. No - only interested in doing a manicure course</li> <li>9. Yes - clothes-making</li> </ol>

## Sample Focus group questions

### INTRODUCTION BEFORE QUESTIONS

Thanks, our names, who we are and what we're doing, informal conversation rather than a formal interview, feel free to speak whenever, can we use the Dictaphone, questions for us before we begin.

### GROUP 1 TRAINING & LOANS - GRUPO 1 CURSOS E CREDITO

Does your training prove useful for utilising the loans you get?/ Does training change the way you use your money?/ does taking credit change your attitude towards training

Vocês acham que os cursos oferecidos pelo Projeto ELAS ajudaram vocês a usar melhor o crédito que tomam? (Mudanças no gasto de dinheiro) (Opiniões sobre formação)

### GROUP 2 TRAINING & NO LOANS - GRUPO 2 CURSOS SEM CREDITO

Do you want loans?

- Vocês têm intenção de tomar crédito?

Why/why not? What has prevented you from taking them? What could be done?

- Porque/por que não? Há alguma dificuldade? Se sim, o que pode ajudar vocês?

### GROUP 3 NO TRAINING & LOANS - GRUPO 3 CREDITO SEM CURSOS

Do you want training? What has prevented you from taking them?

- Vocês têm intenção de participar nos cursos oferecidos pelo Projeto ELAS? Porque/por que não? Há alguma dificuldade? Se sim, o que pode ajudar vocês?

### GROUP 4 NO TRAINING & NO LOANS - GRUPO 4 NEM CURSOS NEM CREDITO

Have you heard of Projeto ELAS?

- Vocês ouviram do Projeto ELAS?

What reasons are there that prevented you from participating?

- Porque está a participar/não

### GENERAL QUESTIONS - PERGUNTAS PARA TODOS

How many times have you been visited by an agent from Projeto ELAS?

- Quantas visitas do/a agente do projeto ELAS vocês tiveram?

(On involvement and sense of sharing with other people)

In addition to the training/loans you get, are there any other benefits to participating in Projeto ELAS? through coming here and meeting other women etc..

- Além da formação e crédito que vocês recebem através do Projeto ELAS traz outros benefícios/motivos? (Um sentido de participação/comunidade). O que melhorou?

How common is it to save money? (Why/ why not (living standard?) Prioritise reasons) (Is it possible, is it important...)(What do you or would you save for?)

- Vocês acham comum poupar dinheiro? Porque/por que não?
- É possível?

- É importante?
- Para que poupam/poupariam?

'Todo mundo aqui é responsável pela organização do dinheiro da família'

How do you feel about managing your home finances?

- Como é para você ser responsável pela organização do dinheiro da família?
  - Habilidades? Vocês se sentem confortáveis?

We'd like to know the opinions of women regarding business (if you started/ considered starting a business. Why/why not? Prioritise reasons)

- Queremos saber as opiniões de mulheres sobre o negócio...se você tem negócios ou se alguma vez você considerou iniciar um negócio...?

(THE FOLLOWING THREE QUESTIONS WERE INFORMALLY ASKED BY JU AND US IN THE AM FOCUS GROUP AND THEN OFFICIALLY ADDED FOR THE PM GROUP)

How did you hear about Projeto ELAS? (Could the publicity be better?)

- Como foi que você souviram do Projeto ELAS?
  - A publicidade do Projeto ELAS pode ser melhor? Como?

Have you heard of the system of joint purchases?

- Você souviram falar do sistema de Compras Conjuntas?

Have you had a visit from an agent? (If yes, how many?)

- Você tiveram uma visita de algum agente? Se sim, mais de um?

TRAINING – os cursos

We've heard about the training offered by projecto ELAS. Why did you participate (prioritise)?

- Ouvimos falar dos cursos oferecidos pelo Projeto ELAS. Porque você participou?

What do you think of the courses? Range? Do the different types of courses that the project offers correspond with your interest? (How has it affected your life?)

- O que você acha dos cursos? Os diferentes tipos de cursos que o Projeto ELAS oferece correspondem com os interesses de vocês? Os cursos oferecidos poderiam ser melhor?

LOANS - CREDITO

Finally, do you intend to continue taking part in projecto ELAS, taking loans etc? Would you keep taking more loans from BP? Why?

- Finalmente, você tem intenção de continuar participando no Projeto ELAS? (Tomando crédito, cursos etc)