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Evaluating Microfinance and the Potential to Economically Empower Women in the Sacred
Valley of Peru

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Abstract

In the past 30 years, microfinance loans have become a highly popular strategy to reduce poverty and economically empower people in developing countries. Women in particular have become the primary recipients of microfinance loans. However, recent studies show that the loans only have short-term benefits, and ultimately contribute to the indebtedness of the Global South. This paper studies the effectiveness of microfinance loans in the Sacred Valley of Peru (Cusco), and their ability, or lack thereof, to economically empower women in this region.

Introduction

Microfinance loans emerged in the 1980s as a tool to increase development and reduce poverty by granting small loans to entrepreneurs and small business owners in developing countries. Ideally, the loans avoid the barriers of conventional banking by allowing higher risk clients to borrow small amounts of money at a low interest rate. Since the loans are not issued through a traditional bank that may only have offices in highly populated areas, they are able to access a greater number of people who live in rural areas through lending strategies that included financial literacy and joint liability. As a result, more people in developing countries are obtaining financial services that can support their businesses or entrepreneurial endeavors. Microfinance institutions (MFIs) quickly spread throughout the Global South as organizations - including NGOs and mutual funds- grew along with demand for the loans. Women became the main recipients of microfinance loans in Latin America, because their access to credit and business progress were considered paramount to reduce gender inequality and promote female economic empowerment (Jouben, 134). Since the 1980s, however, studies have criticized microfinance loans for their tendency to create debt and inability to reduce poverty. Scholars suggest that the commercialization of microfinance has transferred the volatility of the global

market to the poor who are ill-equipped to handle it (Chen, 29). This research paper studies the impact of microfinance loans in the Sacred Valley of Peru through three different MFIs (ProMujerPeru, BBVA, and FINCAPeru), and then analyzes their ability to economically empower women in this region. This research is relevant because the Sacred Valley can be a microcosm for the effectiveness of microfinance loans in other rural areas of developing countries. Therefore, this research can be used to not only evaluate a neo-liberal development strategy, but also track its progress in developing countries like Peru. As an intern at the financial NGO Awamaki in Ollantaytambo, Peru, I studied the changes in women's income as a result of the financial services offered to them. This experience revealed the importance of not only financial literacy, but also access to health care, education, and civil society in order to empower women. Therefore, this research supplements my pre-professional experience in Peru by providing specific data and research on the effects of microfinance loans. In particular, the question I will answer in this paper is the following: Are microfinance loans an effective way to increase the economic empowerment of women in the Sacred Valley of Peru?

The methodology used to answer this question includes the formulation of a theoretical framework consisting of specific empowerment categories, namely (i) access (ii) agency and (iii) participation. Then I will investigate both the products and impact assessments of microfinance outcomes that resulted from the operations of ProMujer, BBVA, and FINCAPeru in the Sacred Valley from 2000-2020. For the purpose of this study, economic empowerment is the ability to succeed and advance economically, and the power to make and act on economic decisions (Fox and Ramero, 3). This paper will measure women's economic empowerment through the above-mentioned categories of access, agency, and participation. Access refers to any change in women's obtainment of resources such as capital, digital technologies, markets and business

training. Agency relates to shifts in women's control of resources and authority to make strategic decisions in households, businesses or communities. Lastly, participation, in this context, studies the population increase of women in more economic activities and sectors, particularly in the formal sector. These are the three categories through which I will analyze the effects of microfinance loans issued to women in the Sacred Valley of Peru.

As indicated, the data comes from ProMujerPeru, BBVA, and FINCAPeru, which are three legitimate and international microfinance institutions operating in Peru. Each of these institutions have different loan requirements and offer different supplementary services to their clients, which affects their ability to economically empower female clients. ProMujerPeru provides not only financial assistance, but also educational, healthcare, and gender-based violence prevention programs (Jouben, 135). Conversely, Fundación Microfinanzas BBVA (BBVAMF) through its mission-dedicated organization Financiera Confianza, was founded by the commercial bank BBVA to advance the objectives of the MFI. The goal of BBVAMF is to develop a network of microfinance entities (MFEs) that will quickly grow to a significant size in Latin America and the world (Rosa, 34). FINCAPeru is similar to ProMujerPeru because they provide training on subjects such as credit, entrepreneurial skills, social discipline, values, gender inequality and health issues (Innovations for Poverty Action: FINCAPeru). Studying these three MFIs within the region of the Sacred Valley will allow for a better understanding of which microfinance practices best economically empower women.

Brief Background of Microfinance in Peru and the Sacred Valley

Although Peru ranks as a middle-income country, the distribution of income is highly unequal and the poverty incidence is high. In 2018, 20.5% of the population lived below the national income poverty line, and 2.8% below the extreme poverty line (Jimenez and Carlin, 21).

There is marked variation in the geographical distribution of poverty and extreme poverty, with Lima recording the lowest figures (13.3% and .7% respectively) and rural areas of the Andes the highest (43.8% and 13.2% respectively). These figures highlight Peru's suitability for microfinance institutions who profit from investing in poor areas and poor clientele.

In the 1970s, some NGOs began providing loans to groups of women organized in "mothers' clubs," so they could engage in group income-generating activities (Pait, 3). This paved the way for MFIs to target poor women, responding to women's demand to generate their own income rather than relying on food handouts or help with subsistence needs. In the 1980s, national and regional NGOs began by providing loans to women involved in handout programs run by the government, churches or self-supporting initiatives (Pait, 3). This led to the establishment of microcredit programs for self-employed men and women, especially those working in commerce and services (Pait, 3). Microcredit is a subset of microfinance, and refers to smaller loans issued to individuals, rather than larger loans issued to small businesses or groups of entrepreneurs. In addition, microfinance includes the intermediation of deposits to lending in the same market - rather than lending mostly funded by donations and grants from larger institutions. Many of the initial microcredit programs in Peru gave rise to entities specializing in microfinance (Pait, 3).

Peru's microfinance sector is currently highly developed. Of the 55 entities regulated by the Superintendencia de Banca y Seguros (SBS), 44 are involved in microfinance, encompassing approximately 4.8 million active borrowers and 5.1 million depositors (MIX Market). The industry gross loan portfolio grew from less than \$1 billion in 2001 to approximately \$10.8 billion in 2016 (Chen, 116). It is important to note that there are two models used by MFIs in Peru: "best practice" and "best fit." "Best practice" models are implemented by MFIs that are

funded by international organizations such as the World Bank and IMF (Jouben, 118). These institutions are often connected to commercial banks, and therefore their objectives often differ from those funded by NGOs or outside sources. The “best practice” model requires institutions to follow eleven principles for continued funding and program survival (Jouben, 119). The “best fit” model, however, allows MFIs to target their services to the specific needs of a certain community (Ibid). As a result of this more flexible approach, these institutions often include educational programs, gender-based violence prevention, or health care services (Jouben, 120). The following sections of this paper will evaluate these two models and their impact on women’s economic empowerment. Given the recent growth in the Peruvian microfinance industry, more commercial banks have entered the market which has caused an increase in competition. As a result, more MFIs are using the “best practice” model, especially in rural regions like the Sacred Valley (Chen, 116).

The Sacred Valley is a region in Peru's Andean highlands. Along with the town of Cusco and the ancient city of Machu Picchu, it formed the heart of the Inca Empire. Stretching roughly 38 miles, it is an area of fertile farmland and Spanish colonial villages such as Pisac and Ollantaytambo. Currently, the uniqueness of this region stems from its intersection of tourism and rural Peruvian life. The area merges stunning landscapes and fertile land, while also hosting millions of tourists every year. The local communities are mainly populated by indigenous groups such as the Quechua, Aymara, and Ashaninka people. These communities have skilled artisan workers and farmers, who are increasingly becoming recipients of microfinance loans (Karlán and Valdivia, 512). Additionally, the region had a poverty rate of 44% in 2018, and thus has attracted many MFIs such as Banco Sol, BBVA, Alternativa, ProMujerPeru and FINCA Perú. The MFIs analyzed in this paper, FINCA Perú, ProMujerPeru, and BBVA, each have offices in

Ayacucho, Cusco, and Ollantaytambo respectively, which means they have a physical connection to the Sacred Valley. According to the websites of each MFI, all three organizations have prioritized providing financial services to rural areas, which makes this research even more relevant.

Section I: Access

This section will analyze the effectiveness of microfinance loans in terms of their ability to increase women's access to resources such as capital, digital technologies, markets and business training. These factors will be analyzed through the work of BBVAMF, FINCAPeru, and ProMujerPeru between 2000-2020.

Given that BBVAMF is funded by the commercial bank BBVA, its objectives are geared toward economic growth and stability, rather than the socioeconomic wellbeing of its clients. Recently, BBVAMF has recognized the importance of social responsibility which has shifted the company's goals. According to the BBVA website, "The Microfinance Foundation's strategic priorities are: measuring social impact, environmental sustainability, digitalization, the empowerment of women, and human capital. It has proactively aligned itself with the United Nations Sustainable Development Goals (SDGs), and its work directly impacts 12 of the 17 SDGs" (BBVA Website). However, BBVAMF is deeply connected to international organizations such as the World Bank and IMF who profit from the economic success and stability of BBVAMF. Therefore regardless of the organization's overarching objectives, its primary concern, in terms of the services it offers to clients, is the repayment of loans and economic growth (Wise et al., 11). According to BBVMF, the most relevant resources to the organization are: "Technological resources and economic support from BBVA, US AID and official support from the United States government, the World Bank, and the Inter-American

Development Bank” (BBVA Website). To be clear, the economic relationship between BBVA and international institutions such as the World Bank and the Inter-American Development Bank affect the services that BBVAMF offers to its clients, which ultimately impacts the extent of economic empowerment.

The two main services offered by BBVAMF in rural Peru are individual and group microcredit loans (Rosa, 28). As of 2019, only 29% of BBVAMF’s loans were issued to rural areas in Peru such as the Sacred Valley (BBVAMF Website). Additionally, 55% of the total loans in 2019 were issued to women (Ibid). Although women are the majority of borrowers at BBVA, this percentage pales in comparison to the percentage of women borrowers at ProMujer and FINCAPeru. In 2016, Financiera Confianza, which is an MFI funded by BBVMF, launched a financial literacy program for women in Cusco called “Ahorro para todos” (Ibid.). According to Financiera Confianza’s website, almost 2,000 people opted to open a savings account with the bank since the program began, 80% of whom were women. Similarly, 41% of the customers who opened a savings account through “Ahorro para todos” did so with their children’s education in mind, while 21% are saving for unexpected emergencies, 16% are saving for health care reasons, and 8% are saving to open a business or establish an enterprise (BBVA: Financiera Confianza). These statistics show that women borrowers from BBVAMF have increased access to capital, markets, and financial training as a result of their loans. More specifically, women recipients in the Sacred Valley have improved access to financial savings and business training, but the extent of their access to digital technologies and new markets are limited by BBVA’s adherence to international organizations.

FINCAPeru’s prioritization of female clients and comprehensive approach to economic empowerment makes its approach different BBVA’s. As a result, FINCAPeru is better able to

increase women's access to digital technologies, markets, health care, and business training. Since the organization's conception in 1993, they have targeted women as their primary recipients of loans while providing access to health care, developing women's entrepreneurial skills, and educating women about gender inequality (Cotler and Aguilar, 41). According to the FINCA website, the profile of their clientele is the following. As of June 2015, FINCA sponsored 273 village banks with 6,429 clients, 96% of them women (Karlan and Valdivia, 510). FINCA members, particularly those in Ayacucho, are relatively young and have little formal education. These clients each hold, on average, \$233 in savings, whereas the average loan is \$203, with a recovery rate of 99% (Ibid.). FINCA's ability to provide supplementary services such as health care, education, or business training to a larger percentage of female clients improves its ability to increase women's access to markets.

Although FINCA has fewer overall clients and a lower average loan, they have a higher loan recovery rate and a higher percentage of rural women borrowers. This can be attributed to two main factors: (i) the provision of supplementary services such as health care, education, and business training, and (ii) the organization's funding, which is not linked to international organizations. Given that FINCA Peru is a private non-profit NGO, its primary source of funding is through shareholders and not for-profit organizations like the World Bank or IMF. As a result, it is able to prioritize comprehensive female empowerment, rather than just economic growth and stability. Therefore, women clients of FINCA in the Sacred Valley not only have more money in their savings accounts, but more resources to access new digital technologies and new markets to sell their labor.

ProMujerPeru is similar to FINCA Peru because they provide microenterprise assistance, while also administering preventative gender-based violence programs, educational programs,

and health care programs (ProMujer Website). The central differences between these two MFIs are ProMujer's size and emphasis on health care. The organization was founded in 1990 and opened their international headquarters in 1996 in New York before establishing offices in Bolivia, Nicaragua, Mexico, Argentina, Guatemala, and Peru (ProMujer Website). Since their founding in 1990, ProMujer has disbursed \$3 billion micro-loans and 8 million health interventions, helping to improve the lives of low-income women and their families (ProMujer Website). In 2020, ProMujerPeru launched a new onboarding app that makes it easier and quicker for women to apply for small loans to power their businesses (ProMujer: 2020 A Year in Review). The tool simplifies the credit application process, and is designed to be safe, user-friendly, and quick for clients with limited or no banking experience (Ibid). This app demonstrates how ProMujerPeru is increasing women's access to credit through new digital technologies.

ProMujerPeru currently offers several loan products: Regular loans (urban and rural), Premium loans (urban), and FERIA loans, and Yapita FERIA loans (rural) (Cohen and Nagarajan, 14). ProMujerPeru also offers mandatory savings accounts for clients, health care coverage through partner alliances, and business and human development courses, including marketing, customer service, and health education (Ibid.). According to a 2009 client welfare study, ProMujer's rural loan services were less effective in increasing women's access to digital technologies, new markets, or business training than ProMujer's urban loan services (Ibid., 20). The research indicates that in rural areas such as Ayacucho, recipients of Regular and FERIA loans remained at a similar poverty level to others in the region (Ibid., 21). However, the economic empowerment of women clients improved through increased access to health care and business development training. In 2017, for example, ProMujer partnered with Microsoft to provide

digital and technology skills (ProMujer Website, 2017). By providing women with supplementary services in addition to their loan, they are ultimately given more flexibility and freedom in their economic decision-making. For example, Geissler and Leatherman (2015) conclude that universal screening programs and primary care services provided in conjunction with microfinance loans increased female clients' health and agency between 2010-2012. The gap, however, between urban and rural clients remained a significant barrier. Rural populations, which form a minority of ProMujer's clients, remained at risk of low or non-existent access to health services (Ibid.). This is an ongoing challenge that ProMujer addresses through community health fairs and mobile clinics. However, it is difficult to reach remote rural populations in a cost-effective way, not only for health but also for financial services.

This section has analyzed the ability for BBVA, FINCAPeru, and ProMujerPeru to increase their female clients' access to new technologies, business training, and new markets. BBVA's connection to for-profit international organizations such as the World Bank and IMF limits the supplementary services they provide to rural women clients. ProMujerPeru and FINCAPeru, however, are better able to increase access by providing more comprehensive and effective supplementary services such as health care, financial education, and gender-based violence prevention. Although each MFI increased women's access to savings accounts and financial literacy, they provide different additional programs with varying degrees of success, which affects their overall ability to economically empower women.

Section II: Agency

This section will evaluate agency as another tool to measure economic empowerment. As indicated earlier, agency is defined as an increase in control of resources and authority to make strategic decisions in households, businesses or communities. This section will analyze these

factors through the work of BBVA, FINCAPeru, and ProMujerPeru. It is important to note, however, that agency is a partially subjective concept that depends on women's perceived change in their empowerment and control. Therefore, this paper will focus on tangible and measurable changes in agency such as authority in personal and professional decision-making, control over resources, and power over loan repayment.

BBVAMF claims to increase women's agency in rural areas through business training and financial savings programs such as "Ahorro para todos" (BBVA Website: Financiera Confianza, 2015). These techniques educate women on topics such as business development, financial planning, budgeting, and savings accounts which increases their ability to make informed decisions. According to BBVA, 60% of its rural women clients in Peru are entrepreneurs who benefit from not only financial services and products, but financial education and skills training (Burelli, 1). Additionally, Javier M. Flores, the CEO of BBVAMF stated, "We realize that many women start businesses out of necessity and that they're not only good at managing them, but that they also invest better and spend wiser. They allot 90% of their income to health, skill building and their children's education" (Burelli, 1). Therefore, women clients of BBVAMF are actively asserting agency in their economic decision-making. Changes in investing, spending, and saving habits reflect a change in women's agency as a result of microfinance loans from BBVA.

In the Sacred Valley, BBVA has launched financial literacy programs specifically aimed at rural women entrepreneurs since 2014 (BBVA Website). Through the program "Ahorro para todos," financial education has reached about 12,000 people in 80 rural communities of Apurímac and Cusco in the Peruvian Andes (Ibid.). More than 2,400 of these people decided to open a savings account with Confianza by April 2016 (Ibid.). Perhaps more importantly, 81% of

these new formal savers are women (Ibid.). Additionally, the MFI Financiera Confianza, funded by BBVA, has developed a group credit program called “Palabra de Mujer” designed specifically for rural women (Ibid.). In 2015, it helped 50,000 women from vulnerable sectors in regions across the country including the Sacred Valley (Ibid.). This group credit program allows a collection of women to borrow a loan and helps them create a business plan (Ibid.). According to Financiera Confianza, 49.3% of rural women that stayed with the program for two years rose above the poverty line (BBVA: Financiera Confianza). Business development, in the form of business plans and budgeting, increases women’s agency by forcing them to take an active and educated role in the trajectory of their business.

In addition to the microfinance loan itself, BBVAMF increases women’s agency in two main ways: (i) business training programs, and (ii) financial planning programs. These programs are primarily directed towards rural women entrepreneurs, which make them particularly relevant to the Sacred Valley. However, the extent of agency facilitated by BBVA must be measured in the context of how many women in the Sacred Valley it actually serves. In other words, considering only 29% of BBVAMF’s loans were issued to rural areas of Peru in 2019, the majority of its loans went to urban areas. (BBVAMF Website). Additionally, only 55% of the total loans in 2019 were issued to women. Therefore, MFIs that directly target women in rural areas and provide more supplementary services may increase agency more than BBVA. Once again, BBVA’s reliance on international organizations may decrease its social impact, despite providing the greatest number of microfinance loans in Peru.

FINCAPeru’s clients, however, are 96% women and increasingly from rural areas (MicroFinanza Rating: 2007). FINCAPeru is similar to BBVA in its provision of business training and financial literacy programs, however, it also offers health care services, gender-

based violence prevention programs, and self-esteem workshops. Therefore, FINCA's impact on women's agency may be more comprehensive because it addresses areas such as health care and gender inequality. In a 2007 study on the effects of business training on FINCA clients, Karlan and Valdivia found that groups who had received entrepreneurship training sessions were 4% less likely to either permanently or temporarily drop out of school and 2.6% less likely to permanently drop out (Ibid., 514). Given that business training reduced women's likelihood of dropping out of school, the researchers concluded that clients place a high value on the training they receive (Ibid.). At a minimum, the study shows that FINCA's business training increases women's agency to make decisions about their education.

FINCA's health care services have increased women's agency over their bodies and equipped them to make educated decisions about their health care. In a 2013 study on the relationship between microfinance and health care in the Andes, the central finding was an overall improvement in FINCA's clients' health knowledge (Metcalf and Grey, 6). More clients at the post-test could identify a health care service every woman should have on an annual basis (Pap smear, from 76% to 92%), and more clients could name at least one way to overcome menopause symptoms (from 7% to 39%) (Ibid, 7). There were also high levels of knowledge about FINCA's health fairs and the types of services offered (in the 94% range) (Ibid.). Although at the time of the survey only 15% of clients reported having participated in the health fairs, those who had participated were satisfied with the price of the health fair as well as the service they received (Ibid.) These statistics reveal the importance of health care and health education as a supplementary service to microfinance loans. Through these services, women make more educated decisions and assert agency in economic and health-related situations. Therefore,

FINCA's ability to increase agency in female clients can be attributed to its strong business training and health care services.

FINCAPeru offers gender-based violence prevention programs which increase women's agency in household decision-making while educating them on gender equality. In 2014, the Multilateral Investment Fund, which is a member of the Inter-American Development Bank, approved a grant for FINCAPeru's gender-based violence programs (IDB Lab). The grant provides USD \$765,590 to prevent violence against more than 1,000 women living in suburban and rural communities in Peru such as Huancavelica and Ayacucho (Ibid.). According to the FINCA website, "The project will adapt the Intervention with Microfinance for AIDS and Gender Equity (IMAGE) model, a microcredit program implemented in South Africa that combines microfinance with education and participatory workshops in order to tackle gender norms and roles, enhance communication skills, improve women's influence in household decisions and create collective action mechanisms to combat violence against women" (FINCA Website). The overarching goal of this initiative is to increase the agency of rural women clients and empower them to assert themselves. Therefore, FINCAPeru is uniquely able to increase women's economic empowerment by supplementing loans with health services and gender-based violence education.

As previously discussed, ProMujerPeru is similar to FINCAPeru in its provision of health care and business development. Each of these services aim to increase the agency of female clients by educating them on economic and social issues. The size of ProMujer, however, allows it to reach more rural clients than FINCAPeru. For example, in 2015, the MFI announced they would expand their health care coverage (primary medical care, diagnostics and dental care) in Peru to 45,000 women over the next three years. ProMujer delivers these services through 34

centers, 30 health clinics and four mobile health units across the country (ProMujer, 2015). In rural areas, such as the Sacred Valley, access to primary care in rural areas is facilitated through regularly scheduled “jornadas” (Ibid.). This refers to physicians and nurses traveling to rural areas with credit officers and using mobile clinics to provide medical care. The mobile clinics not only supply rural women with a primary care physician or nurse, but also a radiologist, lab technician, or pharmacist. ProMujer’s comprehensive health care services increase the agency of female clients by enhancing their quality of life and educating them about health and wellness. The provision of health care in tandem with business training equips women with the education to make informed decisions about their health and finances, therefore increasing their agency.

This section has analyzed the ability for each MFI (BBVA, FINCA, and ProMujer) to increase women’s agency in terms of their control of resources and ability to make strategic decisions in households, businesses or communities. BBVA’s savings programs are increasingly tailored to rural women, which provides these clients with more bargaining power and economic security. In terms of the number of loans issued to women in Peru, BBVA is the most successful. However, they lack additional services to supplement their economic work, and therefore the extent of agency for rural women clients is limited. ProMujerPeru offers strong health care services that are increasingly available to rural clients in addition to business training. The combination of these services increases women’s agency by educating them financially and supporting them physically. Despite its smaller size and outreach, FINCAPeru offers the most comprehensive services to increase agency including business development, health care, and gender-based violence protection. These three services supplement microfinance loans by comprehensively empowering women in other areas of life.

Section III: Participation

This section will study the population increase of women in more economic activities and sectors, particularly in the formal sector. Participation in more economic activities is not only critical for women to feel empowered, but for rural Peruvian communities to see women as informed members of society. Once again, this section will analyze participation through three MFIs (BBVA, FINCAPeru, and ProMujerPeru), in order to understand the relationship between microfinance and women's economic activity.

Given that participation in the formal sector is more closely related to economic decision-making, business development, and business expansion, BBVA is highly successful in this domain. Currently in Peru, micro and small enterprises account for 98% of all businesses in Peru, and roughly 40% of these are owned by women (ASU, 2014). Many women-led businesses, however, are unable to become established businesses due to barriers in accessing capital and business training, particularly for SMEs (Multilateral Investment Fund, 2016). Therefore, BBVAMF's goal of increasing business development for women entrepreneurs helps bridge the gap from a small enterprise in the informal sector to a small-moderate enterprise in the formal sector. According to Financiera Confianza's 2016 annual report, with the first loan, growth in per capita net incomes in the rural environment is more marked than in urban settings (Financiera Confianza Social Performance Report, 2016). In other words, rural clients in extreme poverty perform stronger after the first loan from BBVA than poor urban clients (Ibid.). Additionally, women's businesses, in absolute terms, have lower assets than men's, which results in higher growth rates (in sales, assets and net incomes) (Financiera Confianza Social Performance Report, 2017). The sectors with the highest average growth rates in net incomes are Retail trade (13.5%) and Wholesale trade (11.6%). The Agriculture sector, with an annual rate of 6.5%, is the lowest of all (Ibid.). These high growth rates indicate that women clients are expanding their businesses

across all sectors. Therefore, clients in the Sacred Valley are better equipped to enter the formal sector of the economy as a result of microfinance loans from Financiera Confianza.

Similar to BBVA and Financiera Confianza, ProMujerPeru increases the number of women entering the formal sector of the economy by providing strong business training and development. In previous sections these services have allowed women greater access to markets and given them more personal agency, but in this case, they directly translate into business growth and expansion. BBVA and Financiera Confianza have a larger presence in Peru with more clients and more assets in the country, however ProMujerPeru has prioritized female clients and rural areas since its conception in 1993. Therefore, the business training and development it provides as an organization are more tailored to the demographic studied in this paper. For example, ProMujer has a history of investing growth capital in small and medium enterprises (SMEs) with a social and gender focus through a partnership with New Ventures Group (ProMujerPeru Annual Report, 2019). New Ventures Group is a leading accelerator for and investor in social and environmental enterprises (Ibid.). Additionally, the recently launched VIWALA program, allows ProMujer to develop innovative financing mechanisms for early-stage enterprises (Ibid.). This program also uses a gender smart strategy to support enterprises that rely on women's leadership (Ibid.). The goal of this partnership is to invest in products or services that positively impact the lives of women and girls. These investment strategies help bridge the gap from small enterprises in the informal sector to small-medium enterprises in the formal sector.

In the case of FINCAPeru, there was a recent surge in demand for loans from women agricultural workers. As a result, more women were able to sell their products in the formal market (FINCAPeru Website). As of 2019, 2,719 clients were served in 181 Bancos Comunales

Rurales (BCRs) with a portfolio balance of 5,438.950 Soles (Ibid.). According to FINCAPeru's website, agricultural credits mainly finance the agricultural campaigns of small-scale producers' families in the following production chains: Palta, Andean grains, potatoes, maize and livestock. Although an increase in agricultural credits does not directly translate to an increase of women-owned businesses in the formal sector, it does indicate more women-owned products entering the market. Therefore, the participation of rural women in agriculture-related economic activities has increased.

Additionally, in 2019, FINCAPeru experienced an increase in loans issued to women entrepreneurs (Ibid.). According to FINCA's business credit portfolio, a total of 2,252 members, organized among 170 BCRs, had a portfolio balance of 945,510 Soles (Ibid.). These specific credits address the working capital needs for women entrepreneurs in rural areas. By the end of 2019, a total of 4,971 clients (74% women) were served in 351 BCRs, with a total portfolio balance of 6,384.461 Soles. As previously mentioned, the second half of 2019 experienced a significant increase in the number of loans issued to clients in the agricultural sector. This data indicates a growing level of economic participation from women in the Sacred Valley, which reveals two critical findings, (i) more women want to expand their businesses, and (ii) more women are successfully selling their goods in formal markets. FINCA is unique from ProMujerPeru and BBVA in its smaller size and smaller loan portfolio. However, this data suggests that FINCA's size does not inhibit it from addressing the needs of women clients, and ultimately increasing their economic activity in the formal sector.

This section has analyzed the ability for BBVA, ProMujerPeru, and FINCAPeru to increase the participation and economic activity of women clients in the formal sector of the Peruvian economy. There is a lack of data regarding the exact percentage increase of women

entering the formal sector from each MFI. However, the success of business training and development, and the resulting growth of women's businesses, indicates that more women are participating in the formal sector. Within the last twenty years, there has been a surge of Peruvian women entering the formal sector. For example, from 2000 to 2014 the percentage of women in the labor force jumped from 58% to 68% (USAID: Women's Economic Participation in Peru). However, 60% of women still work in the informal sector which means they are not entitled to government services such as health care coverage or retirement benefits (Council on Foreign Relations). This section proved that MFIs help bridge the gap between the informal and formal sectors by providing women with the credit and education to expand their businesses.

Discussion

This research paper analyzed the effectiveness of microfinance loans to increase the economic empowerment of women in the Sacred Valley of Peru. The impact of three MFIs (BBVA, ProMujerPeru, and FINCAPeru) were measured through the categories of access, agency, and participation. For the purpose of this study, access referred to any change in women's obtainment of resources such as capital, digital technologies, markets and business training. Agency related to shifts in women's control of resources and authority to make strategic decisions in households, businesses or communities. Lastly, participation studied the population increase of women in more economic activities and sectors, particularly in the formal sector. The findings of this paper reveal that microfinance loans can increase the empowerment of rural women in the Sacred Valley, without necessarily increasing their income or alleviating them from poverty. Additionally, MFIs that follow the "best fit" model of microfinance rather than the "best practice" model are able to empower women clients better. The "best fit" approach allows MFIs to tailor their services to the specific needs of communities, rather than adhere to standards

and policies set forth by the IMF, World Bank or Inter-American Development Bank. In this paper, the only MFI to follow a “best practice” approach was BBVA due to their strong economic ties to international organizations. As a result, BBVA and Financiera Confianza issued more loans, but they did not provide strong supplementary services that lead to comprehensive economic empowerment. ProMujerPeru and FINCAPeru, however, are primarily funded by shareholders and donations which allows them more flexibility in their approach to microfinance.

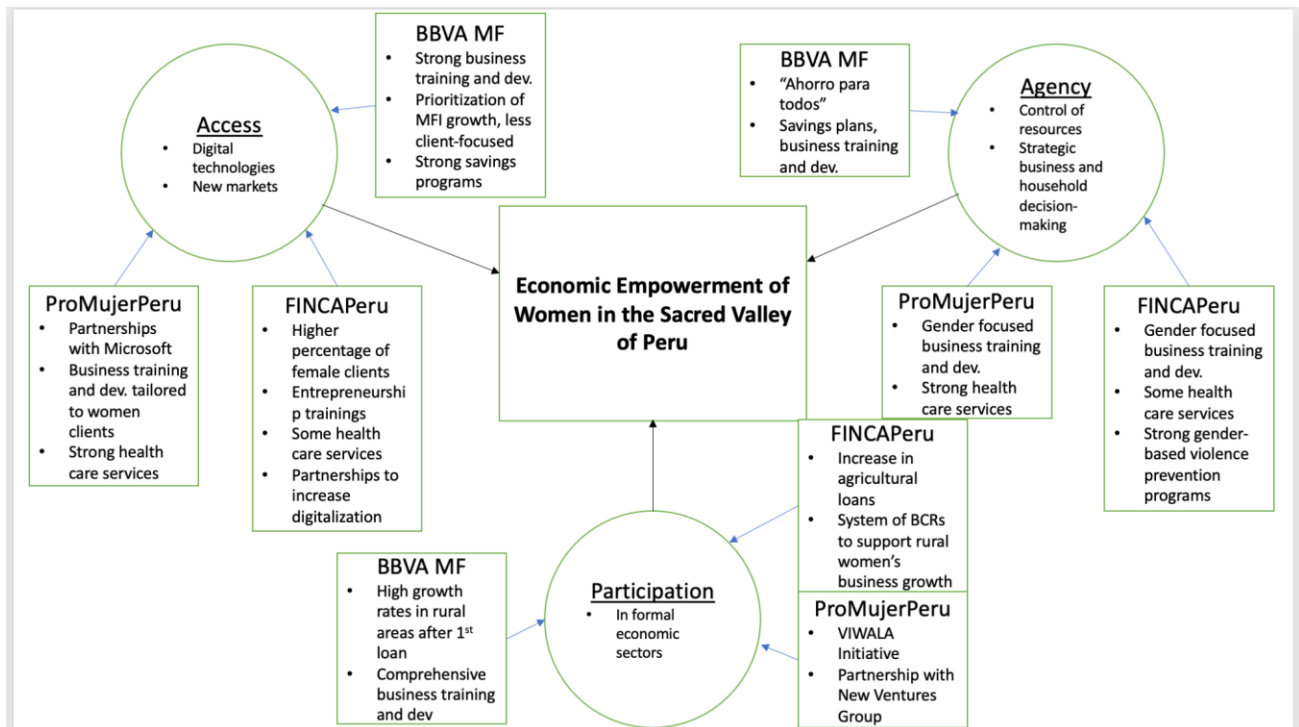
Access to digital technologies and new markets allow women more avenues to grow their businesses and participate in economic activities. In this paper, each MFI offered strong business training and development opportunities for female clients. ProMujerPeru, for example, launched a partnership with Microsoft that entitles women clients to a new computer. Similarly, BBVA helps women access more markets by facilitating their connection to local markets and other selling platforms. Although each MFI increases women’s access to economic resources, they vary in degrees of effectiveness. In other words, BBVA may have more clients in Peru than ProjMujer or FINCA, but they have a lower percentage of female clients and a lower loan repayment rate. Therefore, the two MFIs that follow the “best fit” approach and tailor their services to the specific needs of rural women in the Sacred Valley are more effective in improving women’s economic empowerment.

Agency to make strategic business and household decisions while controlling more resources is a critical component to economically empowering women. While each MFI offers business training and development, only ProMujerPeru and FINCAPeru offer health care services and gender-based violence prevention programs which provide a more comprehensive approach to increasing women’s agency. BBVA increases the agency of women by providing

mandatory savings accounts, business training, and financial literacy classes. These services educate women about finances, business growth, and credit which enhance their ability to make informed decisions. BBVA's impact, however, is limited because it does not specifically target women clients or provide supplementary services. It is also connected to international organizations that prioritize economic growth, rather than the long-term wellbeing of clients. FINCAPeru and ProMujerPeru, however, both offer effective health care and gender-based violence prevention programs. These services educate women in other areas of their life that contribute to their overall economic empowerment. For example, FINCAPeru's business training increased women's likelihood to remain enrolled in school. Similarly, ProMujerPeru expanded their coverage of primary care health services to more rural areas which improves women's health. All of these services increase the agency of women in the Sacred Valley by equipping them with the resources to make informed business and household decisions.

Participation in economic activities and the formal sector of the economy quantitatively measures the effects of microfinance loans. The national increase of women working in the formal sector shows the growth of the Peruvian economy and the rising status of women in Peruvian society. Microfinance loans contribute to this growth by helping women to start or expand their businesses. The three MFIs analyzed in this paper all reported a growth in women-owned enterprises. ProMujerPeru, for example, has launched initiatives with VIWALA and New Ventures Group, both of which invest in small and medium enterprises (SMEs) with a social and gender focus (ProMujerPeru Annual Report, 2019). These partnerships develop innovative financing mechanisms for early-stage enterprises and implement a gender smart strategy to support women's leadership. FINCAPeru also invests in women-owned small enterprises, particularly in the agriculture and artisan markets. BBVA's connection to the Inter-American

Development Bank and prioritization of economic growth and stability, affect its ability to increase the participation of women in the formal sector. In many cases, Financiera Confianza bases their success on the quickness of loan repayment, but economic participation in the formal sector often requires a more long-term approach. The problem emerges in the transition between a small enterprise in the informal sector to a medium enterprise in the formal sector. In this area, MFIs could do more to support women-owned businesses by providing business training and development programs that build long-term infrastructure within an enterprise. In other words, MFIs should invest in women entrepreneurs and business-owners not for an immediate loan repayment like BBVA, but for the long-term benefits of guiding women into the formal economy. The diagram below summarizes the findings in this paper.



For each category of measurement (Access, Agency, and Participation), all three MFIs increased the economic empowerment of women in the Sacred Valley to a varying degree of effectiveness. The scope of impact was limited by three factors: (i) sources of funding, (ii) “best fit” or “best practice” approach, and (iii) strength of supplementary services. For all three MFIs, the source of funding dictated its model of approach. BBVA’s economic ties to international organizations that have a stake in its economic growth, forced it to implement the standardized “best practice” approach. As a result, BBVA and Financiera Confianza do not tailor their services to the needs of communities like the Sacred Valley, and therefore the extent of their impact is limited. Both ProMujer and FINCA use the “best fit” approach which enables them to target women clients in vulnerable areas, and create services based on their specific needs. Despite having a smaller base of clients than BBVA, their ability to empower women clients is greater due to their flexible approach.

Conclusion

This research paper has analyzed the ability for three microfinance institutions in Peru (BBVA, ProMujerPeru, and FINCAPeru) to economically empower rural women in the Sacred Valley. Economic empowerment was measured through the categories of access, agency, and participation. Across each category, MFIs that adhered to the “best practice” approach demonstrated a limited impact in the economic empowerment of women clients. MFIs such as ProMujerPeru and FINCAPeru, however, followed a “best fit” model that took a more targeted, flexible, and comprehensive approach to microfinance. As a result, they were able to provide health care services and gender-based violence prevention programs that empower women in other areas of their life. The idea that microfinance will reduce poverty, raise incomes, and help develop the Global South is a lofty goal that is not supported by recent evidence. However,

microfinance can be used to empower women by expanding their businesses, improving their health and wellbeing, and strengthening their understanding of gender inequality.

The Sacred Valley is a particularly important region in Peru because it merges tourist attractions with local indigenous populations. Permanent residents of the Sacred Valley are mostly indigenous people living in rural communities. However, Machu Picchu has caused the tourism industry to play a central role in the local economy. Despite the uniqueness of the region, it can be viewed as a microcosm for the potential of microfinance in other rural regions in the Global South. This research paper has proved that a “best fit” approach to microfinance is an effective way to economically empower women in the Sacred Valley. Therefore, as long as MFIs address the specific needs of different rural communities in the services they provide, then a similar strategy can be implemented in other rural areas of the world to empower women.

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