

Increasing Financial Independence through Microfinance Institutions for Cuencan Women

An Interactive Qualifying Project Proposal

submitted to the faculty of

WORCESTER POLYTECHNIC INSTITUTE

in partial fulfillment of the requirements

for the degree of Bachelor of Science

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This report represents work of three WPI undergraduate students submitted to the faculty as evidence of a degree requirement. WPI routinely publishes these reports on its website without editorial or peer review. For more information about the projects program at WPI, see

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Abstract

This study focuses on Ecuadorian savings cooperatives, known as Cajas, which provide a vital resource for community members, particularly women, to access loans. Despite their success since their implementation, Cajas lack organized structure, resulting in inconsistencies across the different institutions. This project aims to address this gap by creating a comprehensive guide for establishing and maintaining Cajas, as well as promoting collaboration and communication within the network of Cajas. Conducted in Cuenca, Ecuador, the research used qualitative methods such as semi-structured interviews and ethnographies to analyze the structure and efficacy of various Cajas. Key findings include the emphasis on community, and trust within the Cajas, as well as the presence of male members and Junior Programs within some of the Cajas. The study also highlights the need for further communication between Cajas, as well as a more standardized structure. The deliverables include a manual for Caja establishment and operation and a quarterly newsletter to encourage Caja communication. Recommendations include enhancing organizational systems, fostering collaboration, and implementing incentivization programs to promote Caja growth and efficiency. This project contributes to the advancement of microfinance opportunities for low-income women in Ecuador and serves as a blueprint for sustainable community-based financial initiatives.

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1.0 Introduction

1.1 Overview:

“Seis años de trabajo, compromiso, un sueño que empezó el 15 de junio del 2017, con Warmis Rurales de la parroquia Sayausí, el trabajo continúa.”

- Marisol Peñaloza

As seen across the world throughout different communities, a gender gap exists between men and women where women are not viewed equally as their male counterparts. Cuenca, Ecuador is no exception to this. This inequality can be seen especially in the world of employment and finances where women make less for the same quality of work and are not able to contribute to household income to an equal extent as their male counterparts (“Global”, 2022). To escape the cycle that sexism creates, it is important for women to reach financial equality and contribute to household income (“Global”, 2022). Many low-income Cuencan women work in markets or in local farming industries, but to start and maintain their businesses they require funding.

Women that seek loans from national banks are often rejected simply based on gender, and loan sharks take advantage of desperate, low-income women seeking financial backing. The institution of microfinance was created with the intention of giving low-income families (and primarily women) a way of obtaining small loans. Microfinance is defined as “the provision of loans and other financial services to low-income individuals and communities for the creation of small businesses, typically in the developing world, esp. as part of a program intended to stimulate the local economy and raise standards of living” (Oxford, 2023). Oftentimes these loans do not require existing credit for approval and have low interest rates, which makes them

more accessible for low-income individuals, especially low-income women. Cuenca Cajas, which are private financial institutions run on a volunteer basis by local women, create a system of women supporting other women through microfinance loans. Each Caja consists of a small group of female entrepreneurs who offer microloans to other women to help support them financially. These loans can range in amount from \$20-\$3,000 depending on the need of the loan seeker and the financial ability of the Caja. The existing Cajas across 14 parroquias have been very successful in supporting female entrepreneurs and businesses, and they are rapidly increasing in popularity, with the expectation of 27 new Cajas launching by 2027.

1.2 Sponsor Background:

The project sponsor is the Vice Mayor of Cuenca, Marisol Peñaloza, who has set out to create educational programs and resources to improve the quality of life of the citizens in Cuenca. As a part of the Revolución Ciudadana party, she is a left-winged political activist. After completing her degree in Educational Sciences from La Universidad Particular de Loja, Dr. Peñaloza began her work on gender equality and politics. Before she was appointed Vice Mayor in May of 2023, she began her work with the Sayausi branch of Kallpa Warmi, an organization of women entrepreneurs supporting one another and helping to increase female power and equality in the community. Kallpa Warmi is a place for local women to create, promote, and sell food or household products. The organization puts a strong emphasis on community and supporting women, and aligns closely with Dr. Peñaloza's values.

Since assuming the position of vice mayor, Dr. Peñaloza has started "talleres" or workshops to provide higher level educational topics to members of the community. She

continues her work with Kallpa Warmi to this day, and is working towards expanding the influence of the Cajas throughout Cuenca. Dr. Peñaloza is well regarded among Cuencan citizens, and she is using her position to bridge the gender gap in Ecuador and much more.

1.3 Project Goals/Objectives:

The project goal was to create a general guide which could be used by existing and future Cajas and to find a way of increasing collaboration and communication across the existing Cajas. The intended deliverable was a guide which could be used to reduce inconsistencies between Cajas and create a general structure which could be followed in the formation of new Cajas. There was also an exploration of the possibility of starting a newsletter to support greater collaboration across the Cajas. To achieve this goal, the question: “How does the structure of different Cuencan Cajas compare and how can the efficacy of how they are run be improved?” was asked. While addressing this question a variety of information was gathered, including stories from the presidents, information regarding the membership, and loan/interest rates across the Cajas. The question was addressed throughout the length of the study, which was conducted in Cuenca, where interviews with the heads of the Cajas as well as patrons were conducted. Several qualitative methods to gather the data needed to answer this question were conducted, including archival research, semi-structured interviews, and ethnographies. The guide builds upon the existing resources offered by the Cajas to make microfinance opportunities more accessible for low-income women, and takes strides towards reducing gender inequality in Ecuador.

2.0 Literature Review

2.1 Microfinance:

Microfinance in rural communities has, in the past few decades, become a tool for poverty alleviation and economic development worldwide. Microfinance institutions (MFIs) give people who cannot access loans or other financial resources a way to build credit and take out loans they would otherwise be denied by large financial institutions. In general, they have been shown to “create employment opportunities, increas[e] income, enhanc[e] empowerment, and, in aggregate, improve the livelihood of the poor,” (Abera, 2019). Rural communities in particular benefit from the lowered barrier of entry that MFIs provide, for example there is often no need to have any credit to join an MFI and membership fees or interest rates are low compared to banks. Because of the rate at which rural, low-income individuals are denied loans, many people are discouraged to even try applying for them. Over 50% of rural families will not have access to any financial services, however more than half of these families have never attempted to access said services (Egyir, 2010). This, along with the discouragement that comes from seeing so much rejection, can be attributed to the isolation that comes with living in a rural community. These communities lack infrastructure - roads, education, water, and banks - creating a literal barrier around any financial resources, which in turn contributes to financial disparity. People are not only kept from financial support and knowledge by the banks themselves, but they are also physically separated from the economy because of the lack of travel infrastructure. Not to mention, not having basic education makes it difficult for rural residents to find employment in more urban areas, keeping them in their small communities performing lower paid labor. MFIs provide residents with accessible and simplified banking systems which bring financial resources

and education to them; they allow them to take out loans, build credit, and gain general financial knowledge that would otherwise take great effort to access (Pratt, 2018).

As previously mentioned, people (specifically entrepreneurs) in rural areas do not have access to the proper education that will allow them to manage the finances of a business (Maru, 2013). In fact, sometimes even the implementation of MFIs is not enough to alleviate poverty because of the lack of financial knowledge in these areas. The development of MFIs can be difficult if the founders are also members of a rural community. Certain cases have shown that MFIs can benefit only the most educated of these communities to guarantee loan repayment and the sustainability of the institution. (Maru, 2013).

Microfinance originated during the Bangladesh famine of 1974, when Muhammad Yunus discovered women in rural areas were relying on what is referred to as “loan sharks” for very small sums of money. He decided to pay off the debt of these women to free them from the never-ending cycle of payment that loan sharks often impose. These were the first microloans Yunus ever gave and the start of what would become the Grameen Bank, the first microfinance institution (“Muhammad”, 2012). Low-income, rural women became the primary customers of the Bank, however not all MFIs created since then have been for specifically rural areas although women have remained as most customers. The Grameen Bank, being the first official microfinance institution, became the blueprint for all MFIs created after the 1980’s. This financial model of MFIs created by the Grameen Bank has proven successful in other rural and urban communities of women across different countries, creating an entire new genre of finance (Egyir, 2010). Microfinance is not only beneficial to these women and the economy, but it also keeps women safe from loan sharks and the debt they bring.

Microfinance is imperfect, however, and there are cases where the system has been abused. As with any loan, it is possible that the loanee will not be able to repay said loan and will end up in debt (Karim, 2012). There have also been cases in which male partners or family members will financially abuse women, having her take out microloans in her own name and taking the money for themselves with no intention of repaying said loan. Cases like this have been documented, and in many cases the loans are then used for unimportant, trivial costs that will neither benefit the woman nor their household (Karim, 2012). Though it is true that there are downsides to microfinance, it is important to note that the general impact of MFIs is positive and have historically contributed to gender equality through financial independence ("Women", 2008).

2.2 Economy in Ecuador:

Ecuador has seen great economic prosperity through their exports, their biggest success being crude oil. Between 2016 and 2021, their profits from exports have increased from \$9.78B to \$27.3B. Ecuador generally imports more than they export which negatively affects their revenue. The economy continues to be greatly affected by the pandemic, lack of employment, and lack of macroeconomic opportunities. Ecuador imports almost \$1B more than they export in goods, with them importing \$2.46B worth of goods and exporting only \$1.65B worth resulting in a trade deficit (Observatory, 2021). A trade deficit in a country leads to inflation of prices to the public to compensate for the frequent spending to import goods into the country. If citizens cannot keep up with the inflation rates, then they may not be able to afford living necessities and in certain cases, a home to live in. Ecuador has not been as heavily affected by inflation

compared to other Latin American countries. Statista published data in 2022 indicating the inflation rate in various countries from 2021 leading into 2022. Ecuador's inflation rate being 3.47%, increasing from an average of 1.6% of the previous 10 years. Countries such as Columbia, however, had an inflation rate of 10.18% over 1 year. Even though Ecuador's inflation rate is relatively low compared to its neighboring country, being in a trade deficit still limits the country on how much they can invest in the various communities.

Ecuador also does not have the equipment and machinery to refine the oil they export, which leads to them importing the refined oil to be used for energy, gas, and general living necessities. With the current technological advancement of Ecuador, they are not able to refine their oil on a large scale. As of 2022, it was documented Ecuador can only produce 186 thousand barrels of oil per day as this is their maximum capacity ("Ecuador", 2023). Comparing oil refining capacity to that of the US, in 2023, they were able to refine 18.1 million barrels of oil per calendar day ("The", 2023).

With a 25% poverty headcount as of 2019, a quarter of the population is unable to have monetary benefits in the country (International Federation of Red Cross and Red Crescent Societies, IFRC). This population is limited to only \$5.50 per day, whether this is due to people being unemployed or being in debt from loans, this has been an ongoing issue for Ecuadorian people. Since 2015, the poverty rate has been fluctuating going above and below 25% annually. To combat this, the government has adopted several methods to reduce the poverty and homelessness rates. One of these methods involves paying closer attention to social spending and investing in infrastructure making homes more accessible to the people, approved by the

Inter-American Development Bank (IDB). Outside of this, improvements and investments have been made to microfinance institutions as a way for individuals to better support themselves.

Before the start of the 21st century, the monetary unit for daily transactions was known as the Sucre; named after the Latin American Political leader Antonio José de Sucre. Due to exponential increases of the inflation rate, Ecuador was forced into a financial crisis. Inflation led to 1 USD now requiring 25000 sucres in the late 1900s compared to in 1942 when 1 USD only required 14 sucres to match. This led to the dollarization of Ecuador to begin using the US dollar to prevent further spiral of the economy, which posed both advantages and disadvantages for the country. On one hand, with inflation still being relevant, as the US dollar increases, so will the value of their dollar in Ecuador. Countering, with the US dollar being the global dollar, foreign exchange is not as extensive. If Ecuador had their own currency, while still being less than the US dollar, they would then be able to benefit from tourists visiting the country and purchasing items.

2.3 Gender Dynamics in Ecuador:

The gender gap in Ecuador is apparent across professional fields, communities, and families. Being ranked 41st on the global gender gap index, Ecuador has closed approximately 74.3% of the gender gap, with the expectation of reaching full gender equality around 2089 (“Global”, 2022). As an even 50% of the population, women are reported to have lower representation in the labor force, parliament, and ministerial positions (“Global”, 2022). Though the 2022 Global Gender Gap has no data regarding the specific wage gap in Ecuador, the estimated average yearly income of Women in Ecuador is \$2,740 less than the average male

income (“Global”, 2022). Despite having a lower average income, women have a higher enrollment in secondary and tertiary education, with 7.34% more women pursuing further education, yet women have a much higher unemployment rate (“Global”, 2022).

Particularly when it comes to representation in politics, Ecuadorian women are drastically under-represented in parliament making up a mere 38.7% of political leaders (“Global”, 2022). In the fight for greater rights of marginalized groups, the rights of women within the marginalized group are often ignored or pushed aside, largely due to their lack of representation in politics. In the case of the indigenous rights movement, women were fundamental in gaining attention for the movement and eventually helping improve the rights of indigenous people in Ecuador. Just as is seen every day, all over the world, these women were dismissed and robbed of their accomplishments (Picq, 2014).

Strict gender roles exist for both men and women in Ecuadorian communities that continue to promote the endless cycle of sexism (Espinosa, 2022). In a study conducted to see how Ecuadorian teenagers view assigned gender roles, most males agreed that female jobs included teaching, hairdressing, and secretary positions (Espinosa, 2022). On the contrary, the same teenage boys categorized informatics, electronics, and industry as male roles (Espinosa, 2022). These perceptions by the younger generation clearly highlight the assigned gender roles of both men and women, leading to the encouragement of continued pursuit of these allotted fields.

An additional result of gender-based inequality is an increase in violence against women, with most of this stemming from partner violence (Friederic, 2014). About 47% of women say that they are assaulted by their partner 2-3 times per month, making for a much higher violence rate than the global average (Friederic, 2014). Much of this violence stems from the idea of

machismo, which is rooted in toxic masculinity and can sometimes result in men being physically abusive towards women (Friederic, 2014). *Machismo* was found to be most prevalent in households where the man is the primary source of income (Espinosa, 2022).

A way of bridging gender inequality and addressing the issues it causes is by bringing more women into the workforce. Many women in low-income communities sell goods at local markets to generate income for their household; however, they are challenged with obtaining the means necessary to begin their business and begin profiting. Many women seek small loans to help them start working and make greater contributions towards familial income, and their role in the household. Cajas are in place to reduce some of this divide by giving women in local markets the ability to grow their business and make smarter financial decisions.

It is widely agreed upon that microfinance provides women with the means and opportunities to improve their lives, but microfinance does not just affect the lendees. There has been strong evidence that women who use microfinance are able to provide a higher quality of life for their children (“Women”, 2008). This comes in several forms, such as greater access to food on the table or a safer home environment. However, the most notable positive effect on children is that they can stay in school longer (“Women”, 2008). There is undoubted benefit to children staying in school for longer periods of time, and with their mothers being able to support the family, children are less likely to need to leave school and begin working. In addition to their own children, the community lenders benefit greatly from microfinance. The lenders can make a profit on their money, collecting sensible interest rates on the loan (Egyir, 2010). This creates a mutually beneficial system, where lenders can continue growing their money and lendees get the money they need.

2.4 Cajas in Ecuador:

The idea of a Caja stems from the microfinance institution the Grameen Bank, as do all other MFIs. In July of 2004, the Grameen Latin-American Foundation (FLAG) was founded, and the implementation of Cajas in Latin America began (“Las”, 2004). The philosophy of the Grameen Bank is one of reducing poverty (particularly amongst women), promoting human development, and creating banking systems that are made for the people that need it most (Marban, 2005). Since the implementation of FLAG, the effect of microfinance can be seen all around Ecuador. Even in an isolated rural province called Loja, there exists a Caja of women that has both educated the members of the Caja, as well as given them the opportunity to save and borrow money within the Caja. These loans help them with things like their businesses so they can generate an income for themselves and their families (Carrion, 2023).

Unlike traditional banks, Cajas are allowed their own freedom to create their own set of regulations (“Norma”, 2018). This allows Cajas to raise funds from their own members but no outside sources of funding (“Norma”, 2018). Though certain national regulations exist, the Cajas can run as they see fit and operate legally under a resolution proposed in 2018 which aims to be more inclusive of non-traditional finance opportunities (“Norma”, 2018).

2.5 Conclusion:

Microfinance institutions in Ecuador provide people, who might not be able to get them on their own, with financial resources like workshops, loans, and more. These institutions are most often used by low-income individuals, with the primary customers being poor women in agriculture dependent communities. The wage gap in Ecuador remains a pertinent issue and MFIs

have contributed a great deal to increasing financial independence for women. They offer things like small loans with low interest rates, allowing these women to maintain or create a business. MFIs can help these women maintain a stable income to support themselves and their families, as well as help increase local trade and economy within Ecuador.

There is a need for microfinance institutions all over the world. In Ecuador specifically, many women rely on these MFIs to help maintain their businesses and income.

3.0 Methods

3.1 Introduction

Marisol Peñaloza, the vice mayor of Cuenca, and the sponsor for this project, is putting an emphasis on making microfinance more accessible to female entrepreneurs who need it to continue the fight against gender inequality. The goal for this project is working with local “Cajas”, or groups of women who support one another financially, specifically through microloans. To accomplish the project goal, collection and analysis of information regarding the specific experiences of the women in the Cajas, information about Peñalosa and her campaign, and background information regarding the Cajas and microfinance for women was done throughout the time in the field. The developed deliverable is relevant specifically in Cuenca, and thus will be utilized by Cajas across Cuenca for both current and future members.

The process began by conducting document analysis research. This established a strong understanding of the historical relationship between women and microfinance which allowed for identification of the research question. Based on that question, semi-structured interview questions were prepared to be conducted on site. In addition, ethnographies were used for observations to read between the lines and obtain specific and personal information. In addition, interviewee consent was requested before every interview and ethnography conducted. The completed consent form can be found in Appendix B.

3.2 Archival research

Due to the nature of the data being collected, the methods of data collection for this project were all qualitative. However, before data could be collected, the understanding of the

topics at hand had to be deepened by reading and analyzing the research of others. This method, called archival research, involves seeking evidence and facts from a database of documents which are stored either physically or electronically, including archived papers from universities and institutions, audio files, and accounts from people that have direct experience with and knowledge on the topic at hand. Before beginning archival research, one should formulate a research question and use it to search for studies with similar research questions and methods. From there, the research question can be made more specific and a more concrete plan for conducting research can be formed (Berg, 2017). For this study, archival research provided important information on what microfinance is and how it has developed the history of Ecuador's economy, and the current and historical dynamics and social implications of being a woman in charge of her own finances. In this study specifically, archival research helped with seeing the evolution of microfinance from its beginnings to present day, along with any of the effects it has had on different economies and the wellbeing of different communities.

While reading articles about microfinance and the previously mentioned topics, the credibility of sources had to be validated by checking for peer review and ensuring that the publisher and the author(s) were credible. This allowed for the elimination of any biases that could appear in the foundational knowledge of the study. Another important method of bias elimination is triangulation, which Lune and Berg refer to as “the use of multiple lines of sight,” (Berg 2017) otherwise meaning the process of comparing many different sources to develop a well-informed opinion of the topic being studied. This allows the researcher to form their own conclusions of the research question while also properly explaining their reasoning of how that conclusion was drawn.

There was also the possibility of selection bias, the act of not selecting a sample that appropriately represents the topic being researched, occurring in archival research. Although it is possible to select reliable and diverse sources when researching, it is not always possible to include all available data in one's research.

3.3 Semi structured interviews

Semi structured interviews are informal interviews that consist of asking questions in a low-pressure, low-stakes environment. The benefit of this interview style is its allowance for a more natural conversation, as opposed to a precise question-answer format (Berg, 2017). Due to the nature of the project, personal financial questions were asked, and potentially sensitive topics were covered. To receive the most honest answers from interviewees, it was imperative for them to feel comfortable and safe throughout the interview process. This was guaranteed through establishing mutual trust prior to interviews and encouraging interviewees to set and communicate boundaries throughout the interviews.

Preparation for these interviews involved writing a summary of the project to present to interviewees, a list of questions, outlining the roles of each team member, and gathering ethnographic data. For each individual interview, identifying which questions were most relevant based on the interviewee's relationship to the Caja, and what information was needed from the interviewee ensured that the interview was well structured; the specific interview questions that were asked can be found in the Appendix D of this paper.

The objective of the interviews was to seek information on how the Cajas run. Specifically, to learn about the administration, who distributes and stores the money, the size of each Caja, what interest they charge, and other information about what differentiates the Cajas. The interviewees were members and leaders of the Cajas, women anywhere from 18 to 80 years old, usually from rural communities outside of the city of Cuenca. While it was not possible to interview every person involved or affected by the work of the Cajas due to limited time in the field, the sample properly reflected the experiences of the women in these organizations.

Throughout the interviews, audio recordings and physical note taking was conducted, pending the approval of the interviewee. This allowed for the verification of information after the conclusion of the interview. Interviews were conducted at the end of the second week in the field, and continued into the fifth or sixth week. This gave ample time to begin conducting ethnographies and further consult with the sponsor on the desired deliverable.

After conducting the interviews, responses were analyzed to find repeating patterns and common shared experiences, as well as identifying financial characteristics of each Caja. Each individual experience was considered, but the greatest emphasis was placed on recurring responses within each community and Caja. This helped produce a deliverable that was most effective for increasing general knowledge on the benefits and process of starting a Caja.

One of the biggest ethical issues considered with this method was obtaining and documenting the consent of interviewees. This was carried out by explicitly asking for consent at the start of each interview. Interviewees were informed of the scope of the project, as well as given the option of remaining anonymous in the published findings and deliverable. Due to the

sensitivity and privacy of the information being shared and gathered, the identities of interviewees were protected if they so choose.

The use of semi structured interviews added value to the project as it allowed specific questions to be asked. These questions provided further insight into the lived experience of the interviewees, and answered the research question in the most relevant and contextual way.

3.4 Ethnographies

Ethnography was a very important method of data collection for the project due to the nature of the deliverable. Lune and Berg describe an ethnographer as “virtually anyone who enters the natural setting in order to conduct field research,” (Berg, 2017). It can be defined as a qualitative research method which requires the researcher to immerse themselves in the environment of the participants to develop a deeper understanding of their culture and customs.

For this project, that meant taking time to visit the workplaces of the interviewees, taking extra care to note things like subjects’ body language, tone, and the general surroundings. This ethnographic research took place throughout the entire time in the field, whether in the rural communities, in interviews, or in interactions with clients and directors of the Cajas. Verbal and visual notes were taken in the field in the form of photos and written observation. By gathering ethnographic data on top of archival research and data collected from interviews, the creation of an effective deliverable was possible.

The more time spent completing ethnographic research for a study, the more personal and in-depth the results are. However, this means that projects with ethnographic research require a

much bigger commitment, both in terms of time and possibly relocation, which might not always be feasible. The intimacy with the subjects can provide insight that no other method of research could. For this project archival research provided historical context and general background, semi-structured interviews supplied case-specific data and current context, but the intricacies of social interactions, daily tasks, and more were explored with ethnographies.

3.5 Limitations:

Conducting research using qualitative methods, while essential for this project, yielded many limitations. Firstly, due to the nature of the data being collected, it was impossible to interview every single woman in each Caja thus impossible to get every single perspective. With this in mind, the primary focus was on interviewing the Presidents of each Caja. Having limited time in the field collecting data resulted in a small data set with a limited number of data points; however, each one provided relevant and personal information. =All this data allowed for a better understanding of the implications of microfinance for the women in these Cajas, and made it possible to consider how the final product would affect them, as well as any future Caja founders, on a personal level. A generalization of findings was not possible as the sample size was not large enough to do so. However, a strategic sample of Cajas was chosen in rural and urban communities, and Cajas of varying ages, to represent the widest possible range of results. While the final deliverable was applicable to the specific rules regarding Cajas within the network that the sponsor is creating, this means that the deliverable was not easily transferable to other regions or countries. The inability to replicate the deliverable of this project in other

regions poses a significant limitation to the project. However, as this project goal specifically addresses the Cuencan Cajas, so this limitation is not relevant to the success of the project.

In addition to general limitations, each of these methods posed unique limitations. Archival research alone was extremely limited as documents were often slightly out of date, and did not offer any ability to ask further questions to the authors. Semi-structured interviews granted access to the more personal accounts that archival research did not. The downside of working closely with people and gathering information from primary sources is that bias could arise with time, which could influence data collection and analysis. Similarly, ethnographies were limiting because of the close involvement the researchers had with subjects and there was a higher probability that bias could appear because of this. However, the closeness with the subjects provided context on MFIs in Cuenca that no other method of research was capable of. While each of these methods only told part of the picture, it was possible to learn and develop a well-rounded idea of the material with the use of multiple methods. Archival research gave historical understanding that assisted with conducting the semi-structured interviews. With several archival resources and semi-structured interviews, it was possible to triangulate information and verify the credibility of the research. This was also improved through the use of ethnographies, which added deeper context to the data. When compiled, the methods used complimented one another and were used to their full potential.

This project relied heavily on culture, so the obvious disconnect from it took effect while out in the field. This was relevant while conducting ethnographies as there was a lack of comfort with and knowledge of the culture, but it also presented as a language barrier during the interview process. Spanish is not the team's primary language, so there was potential for

miscommunications and lack of understanding in interviews. In addition, it was likely that the team would be working with some indigenous women that primarily spoke the indigenous tongue, Quichua, which also posed a challenge. This could have created an even more prominent language barrier, as the team is completely unfamiliar with the language and would have required the use of translator apps. Due to poor historical experiences with foreigners entering their home and land, indigenous groups in Ecuador could have also been unwilling to be interviewed (Roiman, 2009). It was important that caution was exercised, that each interviewee was treated with the utmost respect and that cultural differences were always taken into consideration. The duration of time in the field was an additional limitation. It was known that only a mere 7 weeks was allotted to conduct this research and analyze findings. This was not enough time to interview every member of every Caja in Cuenca or to truly understand the culture.

There were certainly limitations presented by this project. In an ideal world, access to unlimited, unbiased data regarding the project goal would be easily attainable. Unfortunately, this ideal situation was impossible to achieve. While unrealistic to eliminate every possible limitation of the project, the minimization of each limitation through triangulation of sources, using a variety of methods to gather information, and by identifying and addressing limitations as they came up throughout the project proved to be beneficial.

4.0 Findings and Results

4.1 Cajas and their structure

Through the conducted semi structured interviews and ethnographies, much more information was gathered regarding the Caja structure and the running of each of the Cajas. All the gathered information was used directly in the creation of the final deliverable. Of the 14 *parroquias* working with the “red” or the network of Cajas, each has multiple Cajas in their suburb. Meaning that there are far more than 14 Cajas in total. Of the 5 *parroquias* in this investigation, each had as many as four Cajas.

Contrary to the initial thought or hypothesis, many Cajas do not have a set location. As they are not formal cooperatives or institutions, they often will meet in the town center or a multipurpose building. The exception to this is the markets that usually have a meeting room – though still not exclusively belonging to the Caja. Cajas meet monthly for approximately two and a half hours. Every member is expected to attend the meeting and participate actively in voting. This is also when monthly Caja dues and monthly loan payments are made.

Cajas are composed of both male and female members. Though most members are female, each Caja has a portion of male *socios* (members) that are just as involved in the Caja. All the savings and credit building operations remain the same regardless of the members’ age or gender.

The specific results of the conducted interviews and ethnographies can be found in the table below. Highlighted in the table is the contrast between the number of male and female members. For example, looking at the largest Caja, Sinincay, the female members outweigh the male members by 63, meaning women make up over 70% of the Caja. The gap in gender

representation in the Cajas makes it clear that the target audience of the Cajas is the female *socias*.

Table 1: Comparison of members across the Cajas

| | Age of the Cajas | Male members | Female members | Junior members | Total members |
|----------|------------------|--------------|----------------|----------------|---------------|
| Llacao | 1 year | 12 | 33 | 0 | 45 |
| 3 de Nov | 3 months | 3 | 17 | 0 | 20 |
| Sinincay | 1 year | 12 | 75 | 19 | 87 |
| Syausi | 6.5 year | 4 | 57 | 3 | 69 |
| Victoria | 1 year | 1 | 15 | 0 | 16 |

The money put into the Caja every month grows the Caja capital as members continue to pay interest on their loans and monthly dues. Members have access to all their saved money should they ever choose to leave the Caja later. There is no outside funding; the Caja money is the member's money, just being stored in the Caja, as it would in a savings cooperative.

As opposed to a traditional method of building credit, there is no quantitative way to measure the credit earned; all "credit" earned is on a trust-based system. This applies to loans given out, where the longer a member has been in the Caja, and the more reliable they have proven themselves to be, the more they are able to take out through a loan. Because of this, there is a tight Caja community where everyone knows one another, and they build their reputation in this way.

Due to the need to establish trust, many people are not able to take out a loan right away, and they will not see the growth of their saved money for up to a year. This is one of the reasons why it is difficult to get people to join the Caja, because there is a hesitation to putting money, time, and effort into something that will not positively impact a member for up to a year's time.

Another interesting observation is that the Cajas are considerably younger than first imagined. Of the Cajas that were interviewed, none were older than seven years, and four out of five had been started within the past two years. While the older Cajas had more credit and were able to disperse bigger loans, many of the smaller Cajas were still struggling to give the loans needed and requested by their members.

Based on the findings regarding the Cajas themselves, a strong understanding of the organizational structure was developed amongst the group. This knowledge was then applied towards the creation of the deliverable as well as understanding what is individually important to each Caja. Though the final deliverable reflected a more general Caja structure, specific Caja examples discovered throughout the time spent in the field were included.

4.2 Cultural findings

The cultural component is very significant to this project and one specific piece of feedback that stood out during the investigation revealed that long text documents are daunting and often not well received by the public. For this reason, the strong cultural influence of the community and how the final deliverable is presented must respect these practices. In addition, there must be an understanding that the deliverable would be poorly received if these factors are not taken into consideration or if it is not easily readable by the public.

Much of the information received came in the form of oral stories. From the time of arrival in the field, there was a strong emphasis on the storytelling aspect, and the greater part of interviews conducted became a sharing of stories. Many of the women would share their experiences through the stories they had and the way they felt about their Caja. This gave a more

personal perspective on being involved in a Caja. As a clear part of the culture, it is important that this be reflected in the final deliverable as well. A straight text document would not be well received or understood by the community.

In addition to the storytelling component, there is not much published about the Cajas or how to become involved. All information is shared through word of mouth. In the observed Caja meetings, there are deep personal connections within the Caja. Everyone seemed to get along during these meetings. Even as interviewers, being well received and treated with familiarity was keenly observed and noted. This is a reflection on the strong Caja community as well as the general desire to make meaningful connections. Never being met with any reservations, people were always eager to share their experiences with others that they deemed trustworthy.

Another component that included in the final deliverable are the many pictures that were taken. Everyone loves taking pictures, and knowing that their involvement in the Caja is something they want highlighted, it has been integrated into the final deliverable. This also assisted in breaking up the text and making the document more easily readable and less daunting.

4.3 Strong Female leadership

Cajas are not strictly for female members, but they mainly consist of, are run by, and aim to empower women. The pride and emphasis on female leadership in these communities is inspiring and well promoted. These leaders are not only welcomed and respected by the people in their Caja, but they are also well regarded by those who are not a part of their Caja. Some of these female leaders are single mothers, disabled, or finishing their education while simultaneously running their Cajas. Despite these attributes which most would consider

disadvantages, these women manage to maintain a stable government within the Cajas while overcoming their personal situations. When choosing leaders for the Cajas, it is important that they already be a well-respected and trusted individual. Many interviewees have stated that one of the most important things a Caja needs to run is faith. This means faith in the leaders of the Caja, but also faith in the Caja process, which can take time to have any result.

4.4 Money Operations

Because a Caja is a microfinance institution and not an establishment like a bank or a cooperative, there are certain rules they must follow to be considered a Caja. For example, in the case of the network of Cajas that the sponsor is creating, the interest rate for a standard loan must be 12% or less. For the five Cajas interviewed, the interest rates for standard loans ranged from 12% to 14% annually and anywhere from 6% to 24% annually for emergent loans; however, emergent loans are given over a three-to-six-month period. Another significant way in which the Cajas differentiate from banks and cooperatives is the way that credit is built. Instead of having members build a credit score through credit card payments and prior loans, the credit in a Caja is based on one's standing in the community. In most cases these Cajas are based in tight knit communities where everyone knows each other in some capacity, whether it be because they work at the same market, or they have been neighbors all their lives. That allows for the board of these Cajas to determine if someone is reliable enough, or has enough "credit", to join the Caja. The cost to join each Caja is different, but almost all require some form of down payment from new members to add to the total pool of cash, or *credito*, that will be given out in the form of loans. Each month, there is a fee anywhere from \$1 to \$20 to maintain membership which

contributes to the initial down payment each member made. This money is used by the Caja, but it is returned to the members when they decide to leave the Caja and retire those funds. Some Cajas will keep a percentage of that money, but most do not. Once someone is in the Caja, their credit is determined through their attendance to monthly meetings and other events, their timeliness in paying fees or loans back, and how long they have been a member of the Caja.

Table 2: Comparison of money operations in each Caja

| | Entry Fee | Membership Fee | % of Savings Returned | Interest % (emergent) | Interest % (standard) | Max Loan Size |
|----------|-----------|----------------|-----------------------|-----------------------|-----------------------|---------------|
| Llacao | >\$1 | \$5/month | 100% | 1.5/month | 1.5/month | \$1,000 |
| 3 de Nov | \$20 | \$10/year | Unknown | 3/month | 12/year | ~\$180 |
| Sinincay | \$20 | \$1/month | 100% | 12/year | 12/year | \$500 |
| Sayausi | \$30 | \$10/month | 100% | 24/year | 12/year | \$3,000 |
| Victoria | >\$1 | \$5/month | 100% | 14/year | 14/year | \$500 |

4.5 What works well for Cajas

One topic that came up in every interview was community, or something similar. To maintain a successful Caja, it is important that there be trust and faith in the Caja. This means trust in the *socios* to pay their loans on time, trust in the directors to not mismanage the money, and general trust in the process of the Caja. Many established Cajas hold annual events like a Christmas dinner or a celebration for Mother’s Day, as well as more casual events like bingo and raffles. These events help strengthen the sense of community, and help raise money for the Caja to spend on necessary supplies or for renting a meeting space. These events are also made to be interactive, engaging the members of the Caja. The entries for the raffles, for example, are only \$1 and the members are given multiple chances to win the prizes available. The raffles provide a

way for the Cajas to generate more capital as well as having a fun activity during meetings to give back to the community with prizes. In addition, bingo nights provide an opportunity to strengthen the bond between the members of the Caja outside of the work environment while continuing to bring in more capital. Due to the emphasis and reliance on the Caja community, events that combined the community aspect with the ability to bring more money into the Caja were met with great success by the Caja, and members regarded such events fondly.

Since trust cannot always be enough, there are also incentives for members to remain responsible. For example, many Cajas have fines for unexcused absences to the monthly meetings or late loan payments. This creates a system of accountability which aids in the ability for members to gain trust, as well as gaining more capital for the Caja as each of the fees is brought into the Caja as credit. One Caja has a junior's program that allows children of the *socios* to begin saving before they turn 18, and to take out loans for school expenses like uniforms or notebooks. This program has allowed for younger generations to understand their potential and ways they can grow with the Caja. They are gaining financial literacy through their involvement in the Caja, and they are learning lessons which will better prepare them for their future. In addition, it was noted the significance they have on the Caja and how they chose to give back. One example of this was a technologically savvy 10-year-old junior member that ran the zoom and recordings of each Caja meeting so they could be more widely accessed.

In the future, other methods of incentivization could be implemented within the Cajas. For example, introducing a program where whoever has the newest Caja members sign up in their name every month gets a bonus. The goal would not be to rapidly increase member numbers, but to have existing members encourage close friends and family to join the Caja by highlighting their benefits and how it has positively affected them since joining. This method

would help members to promote and grow their Cajas. Seeing as some Cajas have junior programs, there is also the possibility of incentivizing the youth in the community to practice financial responsibility. The juniors could either earn a small interest on their savings in the Caja, or there could be some financial reward for the junior that saves the most every year.

In addition to all that is going well for the Cajas, the largest noted room for growth is the communication across the Cajas. The once yearly meeting between all the Caja presidents that currently takes place is a great step in the right direction, but is proving to still not be enough. The team has spoken to the Caja presidents informally about their thoughts on increasing communication across the network, and having greater collaboration with the other Cajas. The ethnographic research concluded that storytelling and community are strong cultural values, and yet this is the missing piece in the Caja collaboration. Possible improvements in the Caja could come from a monthly sharing of information across the Cajas, one recommendation for this is a monthly newsletter shared between Cajas and the surrounding community.

4.6 Final Deliverable

Based on the findings, and all other gathered data, the deliverable should be able to guide future and existing Caja presidents on how to run a Caja. It should include simple language since fear and intimidation are big demotivators for women starting Cajas. Some of the technical language can be confusing and difficult to read, especially for part of the target audience because they do not have the education to understand it. For this reason, the deliverable balanced causal and technical language to assure that it is easily readable while still upholding the formality desired.

The deliverable is not a legal document outlining everything a Caja must be, it is more concentrated on the network of Cajas being formed in the Azuay. Although this can be used by all Cajas, it focused on those that work with the *municipio* and so reflected those specific requirements and the advice pertaining to the Cajas already involved in the network.

The final deliverable is a document for advising new and existing Cajas in legal and social matters, which was presented in the form of a manual. It begins with information on why to start a Caja, and the realities of the hard work that goes into starting and running a Caja. To not discourage readers from forming or joining a Caja, the benefits of starting or joining one are also discussed at the start of the manual. The following sections go over the technical steps to starting a Caja such as creating a directive with at least a president, secretary, and treasurer, writing a constitution, and establishing enrollment and membership fees. Once the steps for starting a Caja have been completed, the manual outlines the process of maintaining a Caja. This section focuses more on the cultural findings of the study such as the importance of community and methods for handling any issues that could arise in a Caja. The appendix of the manual contains a sample constitution and attendance sheet for users to reference. All of this hoped to make the process of starting and running a Caja a little easier and encourage more people to get involved.

5.0 Conclusion/Recommendations:

After conducting all required research to produce the deliverable, there were certain discoveries that came through as the most relevant to the study and the Cajas. In every interview, interviewees stated that the Caja provided them with a community that they otherwise would not have had, and all said that fighting to maintain a sense of trust and faith in the directive was the best way to establish that community. It was also found that many women are hesitant to join a Caja because of how unfamiliar they are, emphasizing the need for the promotion of Cajas by members and local governments. Motivation and incentivization also came up in many interviews. For example, all five Cajas had fines for late payments or unexcused absences for meetings, and all five said that attendance and punctuality increased because of these consequences.

The very foundation of these Cajas is the promotion of female empowerment, which is obviously seen in the fact that every Caja in this study has more female members than male members, and are all run by women. Members and directors alike are encouraged to invest in their futures and themselves. This could be through continuing their studies or growing their businesses, both of which are possible because of their Cajas. Employment for women in Cuenca is difficult to find and maintain. Society relegates them to roles such as mother and wife, and very few can attain successful jobs, and if they do it is not for a sustained period. Within the Cajas, members can take out loans that allow them to grow their own businesses and oversee their own livelihoods.

Following the end of this project there is much that is still needed to be done for the betterment of the Cajas. Across the observations, was the recognition that the Cajas are lacking

collaboration, incentives, organization and general communication within and between Cajas. A goal that came to light during the data collection process was increasing communication between Cajas. This could mean sharing the total number of loans given every month, member gains and losses, or anecdotes from members about their Caja experiences. A proposal for sharing ideas across the Cajas is the creation of some sort of newsletter which can be sent out to all Caja members, and shared with the community every month. There has also been discussion about the possibility of creating a website to hold information about the Cajas, and to advertise the Cajas to the community. Should this newsletter be formatted and started, it could easily be transferred to the website.

Another area in which the Cajas need significant improvement is the organizational component. All the Cajas rely on a select few people to keep track of the financial operations of the Caja. This can lead to significant consequences should there be a miscount. To avoid this, it is recommended that there be a better system in place. Perhaps there is the possibility of tracking things digitally as well, or using a digital counting system. Improvements in organization are beneficial for the long-term well-being and upkeep of the Caja. Additionally, it is recommended that the Cajas employ a system of incentivization for their members. Where there is a reward system for bringing people into the Caja, or bringing along a family member to monthly meetings. This would also address increasing community awareness of the Cajas and make it easier for community members to join the Caja.

A final recommendation for the Cajas is an increase of communication between the Caja and its members. It was often noted during votes and other Caja events that there seemed to be a lack of knowledge amongst the Caja members of the content proposed. The sharing of an agenda

or other meeting summary may prove beneficial in keeping all the Caja members engaged and prepared to participate.

Though many of the recommendations described were addressed in the final deliverable at some point, there is still work to do. Compromise, hard work, and continued dedication to the betterment of the Cajas will yield immeasurable benefits for the women of Cuenca.

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7.0 Appendices

7.1 Appendix A: Interview Consent Form (English)

Consent for Participating in a Research Interview

Most Effective Strategies for Increasing Financial Literacy and Independence for Cuenca Women

Funded by Marisol Peñaloza and Worcester Polytechnic Institute

You are being asked to participate in a research interview about the life of women in Cuenca, Ecuador and how it relates to the concepts of finance and microfinance inside and outside of local Cajas. The information gained will be used to produce a report for the Faculty of WPI and for the Vice-Mayor of Cuenca.

This study is being conducted by students of Worcester Polytechnic Institute. The principal investigators are Isabela Sugden and Maya Gallego Borkowski. The team can be contacted via email at gr-Microfinanza@wpi.edu.

You will be asked a series of questions about your background, your household status, and your financial status. You may be asked questions that could be uncomfortable to hear or to answer. This is completely voluntary, and you understand that it is your right to withhold from answering a question if you feel uncomfortable.

You will be asked to give or withhold consent for the following:

-

I consent to be interviewed.

-

I consent to have the audio of my interview recorded.

-

I consent to have my interview be recorded on video.

-

I consent to the use of my name in the study.

-

I consent to have my picture taken for use in the final report.

Participant's Name _____ Signature _____ Date _____

7.2 Appendix B: Interview Consent Form (Spanish)

Consentimiento para participar en una entrevista de investigación
Estrategias más efectivas para aumentar la educación financiera y la independencia de las
mujeres Cuencanas
Financiado por Marisol Peñaloza y Worcester Polytechnic Institute

Se le pide que participe en una entrevista de investigación sobre la vida de las mujeres en Cuenca, Ecuador y cómo se relaciona con los conceptos de finanzas y microfinanzas dentro y fuera de las Cajas locales. La información obtenida se utilizará para preparar un informe para la facultad de WPI y para la Vicealcaldía de Cuenca.

Estudiantes de Worcester Polytechnic Institute están realizando este proyecto. Los investigadores principales son Isabela Sugden y Maya Gallego Borkowski. Se puede contactar al equipo por correo electrónico en gr-Microfinanza@wpi.edu.

Se le harán una serie de preguntas sobre sus antecedentes, su situación familiar y su situación financiera. Es posible que le hagan preguntas que podrían resultar incómodas de escuchar o responder. Esto es completamente voluntario y usted comprende que tiene derecho a no responder una pregunta si se siente incómodo/a.

Se le pedirá que dé o rechace su consentimiento para lo siguiente:

-

Doy mi consentimiento para ser entrevistado

-

Doy mi consentimiento para que se grabe el audio de mi entrevista.

-

Doy mi consentimiento para que se grabe el vídeo de mi entrevista.

-

Doy mi consentimiento para el uso de mi nombre en el estudio y en el informe final.

-

Doy mi consentimiento para que me tomen una fotografía para usarla en el informe final.

Nombre del participante _____ Firma _____ Fecha _____

7.3 Appendix C: Interview Questions (English)

Section 1: Background

Can you tell me a little bit about your Caja?

How many Cajas are in your suburb?

What is your work within the Caja and how long have you been involved?

What is your job outside of the Caja?

How would you describe your current financial situation?

What are the financial dynamics of your household?

Who lives in your household?

Do you have any dependents?

What has your experience been with finance/banks?

Have you ever applied for a loan from a large bank?

Would you say you are financially literate?

Do you feel like you are financially independent?

In what format (cash/credit) do you conduct most sales and purchases?

Section 2: Microfinance

Have you heard of microfinance before? If so, what have you heard about it?

How are small loans currently benefiting you? What encouraged you to take out these loans?

Section 3: Women in Cajas

What are some ways in which being in a Caja has affected you?

Is there anything you think could be changed about the Cajas?

Do you have any advice for women who have not been in a Caja before?

What method(s) of learning work best for you?

What is the average loan amount given?

What would you recommend to Cajas that have not yet started?

What is your favorite thing about your Caja?

What would you recommend to women not yet in a Caja?

What is the interest rate on loans given?

How do people get started/involved in your Caja?

How many people are in your Caja?

7.4 Appendix D: Interview Questions (Spanish)

Sección 1: Antecedentes

- ¿Me puedes hablar un poquito sobre tu caja?
- ¿Cuántas Cajas hay en tu parroquia?
- ¿Cuál es su trabajo en las Cajas y cuánto tiempo lleva en él?
- ¿Tiene trabajo fuera de su Caja?
- ¿Cómo describiría su situación financiera actual?
- ¿Cuáles son las dinámicas financieras de su hogar?
- ¿Quién vive en su hogar?
- ¿Tiene algún dependiente?
- ¿Cuál ha sido su experiencia con las finanzas/bancos?
- ¿Alguna vez ha solicitado un préstamo a un banco grande?
- ¿Diría usted que tiene conocimientos financieros?
- ¿Sientes que eres financieramente independiente?
- ¿En qué formato (efectivo/crédito) realiza la mayoría de las ventas y compras?

Sección 2: Microfinanzas

- ¿Has oído hablar de las microfinanzas? Si es así, ¿qué has oído al respecto?
- ¿Cómo le benefician actualmente los pequeños préstamos? ¿Qué te animó a solicitar estos préstamos?

Sección 3: Mujeres en Cajas

- ¿Cuáles son algunas formas en las que le ha afectado estar en una Caja?
- ¿Crees que hay algo que se podría cambiar sobre las Cajas?
- ¿Tiene algún consejo para las mujeres que no han estado antes en una Caja?
- ¿Qué método(s) de aprendizaje funcionan mejor para usted?
- ¿Cuál es la cantidad de préstamos que da la caja cada año?
- ¿Qué recomienda para las cajas que aún no han empezado?
- ¿Qué le gusta más de su Caja?
- ¿Qué recomienda para las mujeres que quieren estar en una caja?
- ¿Cuál es la tasa de interés de los préstamos?
- ¿Qué necesitan hacer las personas que quieren estar en su Caja?
- ¿Cuántas personas están en su Caja?