



The Social Construction of Gender: Microfinance and *fa'afafines* in Samoa

What is a Woman? What is a Man?

In 2003 Minh Lai, manager of the South Pacific Business Development Foundation (SPBD), a non-profit microfinance institution providing financial services to woman in Samoa, made a decision to lend to *fa'afafines*, after several asked whether SPBD would lend to them.

Fa'afafines are biologically men, but dress and behave like women. How boys become *fa'afafines* varies. It may be a matter of choice by a boy to take on a female role or it may be a role that they are raised to play by a family that has no or few daughters and needs someone to carry out female tasks within the household: cooking, cleaning and washing. Some *fa'afafines* are active in Samoan cultural life, performing on stage and in drag queen beauty contests, but others go about their everyday lives as women without calling much attention to their status. Regardless, *fa'afafines* perform the roles of women and remain a prevalent, integral and accepted part of Samoan society, a society in which homosexual acts are still illegal. *Fa'afafines* are widely regarded as valuable members of the community given the combination of their masculine and feminine traits. Within Samoa, there is a saying, "If you want something done, ask a *fa'afafine*."

When *fa'afafines* requested loans from SPBD, Lai had to consider this request in the context of SPBD's women-only policy. He recalled the controversy that surrounded his mandate to begin lending to them.

The biggest resistance came from male staff members, but I overrode them.
In order to calm some nerves, I left it to each loan officer to decide whether

This case was written by Regina Galang and Susie Margolin under the supervision of Guy Stuart, Associate Professor of Public Policy at the John F. Kennedy School of Government, Harvard University. The case is intended for the purpose of class discussion, rather than to illustrate either effective or ineffective handling of a management situation. Parts of this case are drawn from "Microfinance and Social Entrepreneurship: The South Pacific Business Development Foundation," CR16-05-1804.0. (0805)

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to admit *fa'afafines* in their respective regions or not. Only Penitito never admitted any *fa'afafines*.

While all female loan officers were very accepting of the new policy, some male Center Managers said, "They are men and we don't lend to men." Lai's response to them was, "But what is a man though? And how do *fa'afafinis* behave?" He elaborated:

If you act as a woman, you want to be a woman, you dress as a woman, you talk like a woman; therefore, you are woman and therefore, eligible. So for me, why can't *fa'afafines* being transvestite, join in the program? In many ways they are not men. They dress as a woman and they do women's duties. The *fa'afafines* are very accepted in society. You see them in government positions and they dress as women and they go to work. I think they [*fa'afafines*] expected a negative answer as the services are clearly marked for women only. For me, it was very simple.

By early 2005, approximately 20 *fa'afafines* had received loans from SPBD and, according to Lai, they had been good members. Dr. Viopapa Annadale, a medical doctor, a SPBD advisory board member and a woman that Lai called the Ms. Gender of Samoa, remarked of this management decision, "The literal translation of *fa'afafine* is "like women." They behave like women and in many ways they think like women. Well done, Minh! They fulfill a lot of the criteria apart from gender or in this case sex." Of SPBD's policy on *fa'afafines* Casagrande, an American businessman and Founder and President of SPBD, commented, "I delegated that decision to Minh. It's a Samoan cultural issue."

SPBD, Microfinance and Women

Microfinance is the provision of financial services to poor people. It is common in developing countries, especially in Asia, and it often targets women. Initially, SPBD had lent to both men and women, but in October 2000, about nine month after starting operations, it switched to lending to women only.

Greg Casagrande explained the decision by noting that women demonstrated better repayment rates, attendance, on-time payment at the meetings, a stronger willingness to enforce the group guarantee and did not "pull cultural rank over our female CMs."¹ He added, "... the men's poor repayment rate and the extra effort required by CMs to get payments from them, meant that the business decision to focus on women was also a good financial decision." Furthermore,

¹ CMs were Center Managers who were SPBD's loan officers. They were each in charge of managing about 20 centers composed of about 20 women each. The CMs collected payments from the women members of each center every week, and disbursed new loans at the same time. If a person was not able to pay their weekly installment, it was largely the responsibility of the CM to find out why they could not pay and find a way to get them to pay.

Casagrande felt that SPBD could have a greater development impact by focusing on women. He explained:

SPBD Foundation began with a focus on women but not exclusively. My interest in working primarily with women was spurred on by international development literature which suggested that a dollar invested in a woman yields a bigger developmental impact than a dollar invested in a guy. At the end of the day, I started SPBD Foundation to make a positive impact upon the poor. If investing in women was going to yield the biggest impact, then that's where I wanted our limited resources to be focused. I was also mindful that I was not an expert on Samoan society and did not want to upset any locals, hence I thought that keeping it open to men, but focusing on women was the safest strategy ... [A]necdotal evidence suggested that women were passing on more benefits to their families than the men who tended to spend more money on drinking and smoking, socializing and gift-giving.

Both male and female Center Managers agreed that SPBD was more successful in lending only to women. Center Manager Ken commented:

If men are allowed in the program, they are tough. If a CM faced a man, they would be tough and not pay. If a CM faces a woman, it is very easy. She takes what I say. For example, if I'm a CM and I tell a man to pay his payment, he might fight me. But women understand. They will listen. Samoan men are tough guys. If a man cannot be in at the center, maybe he goes out drinking or smoking when the money is disbursed. But a woman always thinks first of family and kids. Men are spending too much. They don't think first this is for the kids. They're always drinking, smoking. When it's time for a payment, there's no money. But women thinking family first, kids first.

Male Center Manager Polevia observed, "When they give the money to the men, they do the business, and stop in two weeks. But the women do the business. It's the women's mentality. They're working hard. They don't give up early. Some men do." Tae Anasapi, an SPBD client and center chief of one of the centers in Vaimoso Uta added: "The women can do the program in the family. They buy clothes for the kids. It's different from the men. They share."

Figure 1

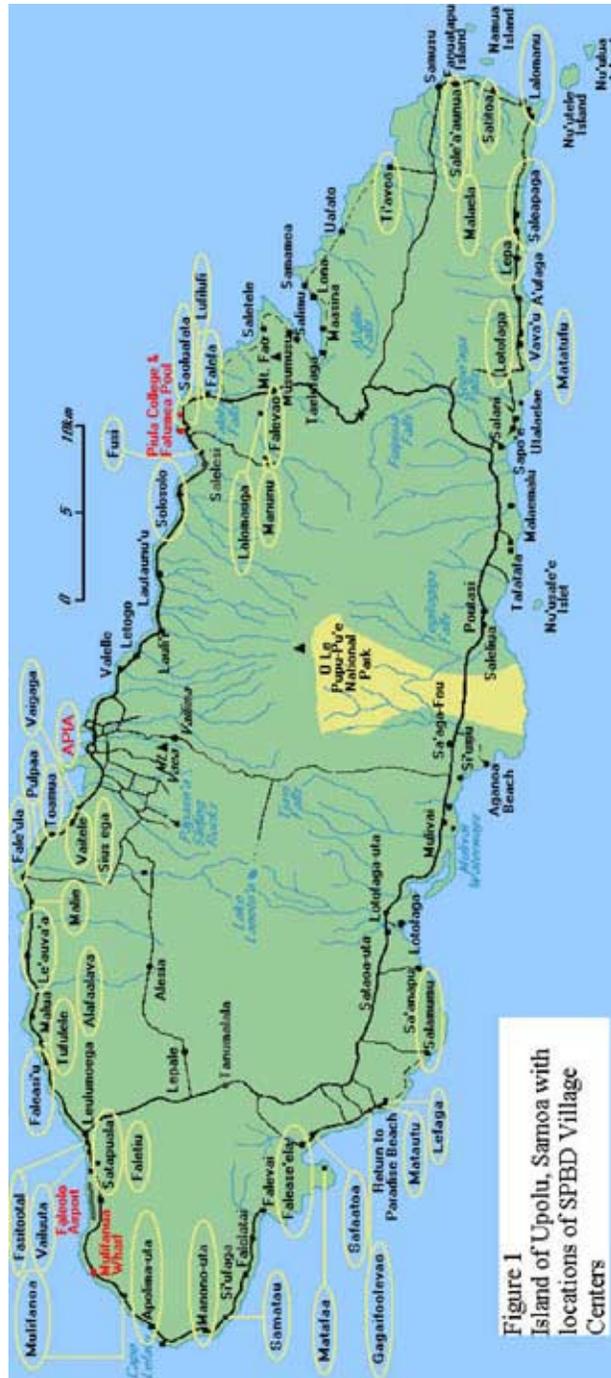


Table 1
Client Outreach & Loan Activity

All amounts in Samoan Tala	2004	2003	2002	2001	2000
Number of active members	2,511	1,740	647	1,510	1,463
Number of loans issued in period	2,985	943	400	629	1,630
Cumulative # of loans issued since 2000	6,702	3,717	2,771	2,259	1,630
Value of loans issued in fiscal period	T\$2,552,053	T\$891,875	T\$494,957	T\$735,936	T\$1,378,553
Cumul. value of loans issued since 2000	T\$6,007,194	T\$3,455,191	T\$2,563,266	T\$2,114,489	T\$1,378,553

T\$ = tala

Table 2
Portfolio Performance

	2004	2003	2002	2001	2000
Gross loans receivable (in NZD)	T\$657,731	T\$284,144	T\$223,967	T\$489,398	T\$591,607
PAR* > 30 days	0.2%	1.7%	4.1%	49.9%	10.4%

*PAR: Portfolio-at-risk ratio using CGAP definitions

T\$ = tala

Table 3
Loan Products of Commercial Banks

Bank	Amount	Interest Rate	Criteria/Conditions
ANZ	Up to 1,500 tala; 2,000 on during Independence weekend	12%	50% debt servicing ratio, minimum balance in bank; direct payment from paychecks where possible
WestPac	3,000 to 5,000 tala	16.5%	Maximum term 3 yrs. Permanent employment, demonstrated surplus funds, minimum account balances

Table 4

SPBD Foundation Staff Gender Analysis					
	<u>31-Dec 2000</u>	<u>31-Dec 2001</u>	<u>31-Dec 2002</u>	<u>31-Dec 2003</u>	<u>31-Dec 2004</u>
# of CM's					
Male	1	0	0	3	5
Female	<u>2</u>	<u>6</u>	<u>3</u>	<u>3</u>	<u>3</u>
Total	3	6	3	6	8
Other staff					
Male	1	4	2	2	2
Female	<u>2</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>4</u>
Total	3	6	5	6	6
Total Staff					
Male	2	4	2	5	7
Female	<u>4</u>	<u>8</u>	<u>6</u>	<u>7</u>	<u>7</u>
Total	6	12	8	12	14

Table 5

Comparison of 50-week loan and the 4-month loan products

Key Comparisons	4-Month Loan	50-Week Loan
Maximum 1 st loan size	T\$300	T\$750
Subsequent loan increase	T\$200	T\$500
Interest rate	10%	21%
Fees	None	None
Repayment Term	17 weeks	50 weeks
Security/Collateral	None	None

T\$ = tala

Table 6

Staff Capacity & Productivity

	2004	2003	2002	2001	2000
Number of active members	2,511	1,740	647	1,510	1,463
Number of full-time paid staff	13	13	10	12	8
Number of active members per staff	193	134	65	125	182

Institutional Sustainability

As of December 31 ^a	2004	2003	2002	2001	2000
Operating Revenues/ Operating Costs	77.3%	44.6%	22.0%	46.1%	34.7%
Operating Revenues/ Total Costs	66.5%	34.1%	19.1%	32.6%	19.6%
Total Revenues/ Total Costs	85.6%	42.7%	42.1%	33.4%	20.4%

Note: 2004 data is being audited.