

Urban Energy and Poor Women's Enterprises in Salvador, Brazil

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This article is based on the research study undertaken by Winrock-Brazil as part of the international team on the DFID-KaR funded project "Enabling Urban Livelihoods Policy Making: Understanding the Role of Energy Services". The study focused on the role of energy in small family enterprises in poor urban neighbourhoods of Salvador in Brazil.

The Survey and Its Findings

Winrock-Brazil conducted surveys in Canabrava and Plataforma, two impoverished suburban neighbourhoods of Salvador. The survey questionnaires targeted family businesses, with questions focussing on the main characteristics of the enterprise. In total, 26 entrepreneurs were interviewed in Canabrava, and 25 in Plataforma. The 51 interviews were consolidated into a single database for data analysis.

Women led the vast majority of the enterprises (88%), with only 12% being the responsibility of men. In terms of business segments, 39% of those interviewed worked in services and 52% in an enterprise combining production and retail; the remainder worked either in production or in commerce. Three business categories were identified: 54.9% worked in the production/sale of food and beverages, 25.4% owned beauty salons and 19.7% were seamstresses. It is not surprising that women head the majority of the enterprises identified through the survey since these are considered as typical female occupations in Brazil.

All of the enterprises found were in the informal sector, as reflected by the following indicators:

- In Plataforma, 84% of the women had not legalised their businesses. In Canabrava the percentage was 92%;
- In Plataforma, 60% of the interviewed women said they worked alone, as did 61% in Canabrava;
- Forty-four percent of the enterprises in Plataforma are seasonal; with 24% of them working for just a few months per year, often during the summer and coinciding with the main tourist season in Salvador when most of the popular festivities happen. In Canabrava, 27% of the women considered their businesses to be seasonal, with 15% saying that they worked whenever they had customers;
- Thirty-six percent of those interviewed in Plataforma were completely unaware that their activities were liable for tax duty. In Canabrava, half of those interviewed were similarly unaware.
- The enterprises were mostly home-based and often an extension of domestic tasks¹, with no special production facilities, commercial outlet or service centre.

Poor Women's Small Enterprises in Salvador

A popsicle maker, a dressmaker, and a "baiana do acarajé" (an Afro-Brazilian who sells bean cakes fried in palm oil in the streets) are used as examples to illustrate some of the typical features of small enterprises, particularly those of women, amongst the poor in Salvador.

Popsicle Maker (Canabrava)

Ms Ivonice produces popsicles at home. Her stove sits in her tiny and

steamy room. She dedicates every other day entirely to making popsicles. On these days, she wakes up, serves breakfast to her children and starts this activity, sometimes with the help of her daughter. She uses fruits, sugar, milk and packaging material (small polythene bags).

She usually shops at a street market but, whenever there is not enough money for transport, she goes to her neighbourhood's grocery store. She uses various fruits, but always those in season because they are cheaper: guavas, mangoes, passion fruit, umbü, acerola, peanuts and coconut. She relies on LPG and electricity for the production process. She says she does not use much of either in the process of operating the stove and the blender. She uses her fridge to store the popsicles but, according to her, fridges do not consume much energy.

The production process consists of washing, peeling and chopping the fruit and then putting them in the blender. Thereafter, the pulp is strained and water and sugar added until the mixture thickens. The mixture is then poured into plastic bags, the ends are tied up, and the bags are put in the fridge.

When peanuts are used, they have to be toasted in the oven for about 20 minutes and then peeled. After that, the nuts are blended with milk powder, water and sugar, until the mix reaches the right consistency.

Dressmaker (Plataforma)

Her house is divided into two areas: the home is on the first floor and the dressmaker's space on the second, also known as the "laje" (flagstone). The dressmaker spends most of her time on this second floor, which is still under construction – noticeable by the unfinished rooms, unplastered walls and bare columns, with iron extrusions. There are two rooms on the second floor, one for cutting and one for sewing, plus an uncovered space with a clothes line. The remnants of construction material - rocks, bricks and wood - lie around. The floor is made of cement and the roof is made of asbestos tiles. There are five sewing machines on separate tables and many bags on the floor. Some are open and contain tags, trimmings and cloth. There are many dress/fashion magazines, which customers pick up and choose styles and



The dressmaker of Plataforma (Photo: Winrock Brazil)



Canabrava, one of the suburban neighbourhoods in which the survey was conducted. (Photo: Winrock Brazil)

patterns from, and a mirror on the wall to be used by the customers when trying on their clothes. In the cutting room there is a large table, surrounded by mannequins, steel shelves and an old broken sewing machine. This upstairs area also has a bathroom with a toilet and a door that leads to a backyard with plants. Energy-saving fluorescent lamps are present in all rooms and are only turned on after dusk, with the dressmaker working until 11 p.m.

Acarajé and Abará Producer (Plataforma)

This small enterprise is located at Rua Paissandú, in Mr Raimundo (60 years old) and Mrs Benedita's (55) house. They live with their children: daughters Katis (34), Ivonete (33), Ivone (29), Cristiane (29), and Tatiane (23), and son Ivan (28). The enterprise is a small acarajé (fried bean cake) and abará (boiled bean cake wrapped in banana leaf) bakery/manufacturer. The owner does not accept this definition as an enterprise and vehemently says that he supports his family with his job as a security guard (around US\$ 120 per month) and that his profits on the cake sales are not relevant. In his opinion, the small enterprise is just a side income, "small change to buy bread".

The enterprise operates with a traditional gender division of labour: business management, transportation of materials, shopping for raw material and input control (accounting) are tasks handled by the men. The women are responsible for food preparation (using LPG) and for sales both on the streets and in three different shops they own around the city. It was impossible to get more data on their business.

In reality, although Mr Raimundo takes care of the accounting, Mrs Benedita is considered the owner because she does most of the production work and she is the one who appears in public to sell the product. People know her for the business, not Mr Raimundo.

The three businesses described above have common traits that were shared by most of the small enterprises identified in the study – they are run by women who rely on energy sources (electricity and LPG) to deliver their services or sell their products. Energy consumption in these families may absorb 30% of their income, and so the high cost of energy services (including transportation) have a significant direct impact on these small enterprises run by women. Another common trait is that these are poorly organised and inconsistent businesses – those who run them do not possess knowledge on business operations and management. They also lack access to credit because most could not afford to pay back debts. Many do not register their businesses to avoid paying the high taxes charged by both the local and federal governments.

'The greatest difficulty in an enterprise is finance. Nobody is able to invest and usually they have to pay in order to work', says Ms Lina, a Plataforma resident who buys and sells scrap iron. Most of the entrepreneurs started up their business with their own funds, with only 6% of those interviewed admitting to having made use of some type of loan or financing. The size of these loans ranged from R\$ 100 to more than R\$ 1500, and were taken out in the name of the entrepreneur and obtained from financial institutions.

The lack of access to credit reflects how vulnerable these enterprises are. In Plataforma, 88% of the interviewed women had never had the opportunity of a loan. The 12% that had, had been offered financial assistance from a business that offered loans with high interest rates and never more than US\$ 700. In Canabrava the situation was even worse: being a poorer neighbourhood, the people who live here rarely get offered a loan. Indeed, none of the people interviewed had had the option of a loan.

Making Women's Enterprises More Successful

Providing access to credit is essential in increasing women's ability to improve the success rate of their enterprises. Further, low-cost training on business management and finance is just as important as providing access to credit. The 2002 Global Entrepreneurship Monitor (GEM) positioned Brazil seventh among those countries with high rates of entrepreneurship, and first in the list of countries where people set up businesses based on necessity rather than on opportunity (due to the high unemployment rate, people are forced to create jobs for themselves). Among the entrepreneurs in Brazil, over 40% are women and more than 20% are people between the ages of 18 and 24². According to statistics from SEBRAE (Brazilian Support Service for Micro and Small Entrepreneurs), between 30% and 61% of entrepreneurs (depending on the region) shut down their businesses within the first year.³

If women from the poorer communities were better qualified to run their businesses, their success rate could be much higher. Interventions to support enterprises where profit margins are low need to tackle the issue of access to micro-credit. In particular, they need to take account of the impact that energy costs (including electricity, LPG and transportation) can have on small enterprises, as presented in this article, and to stimulate the use of micro-credit for investments in energy efficiency. ■

¹ Many already cook, sew, make desserts, etc. They try to sell what they already make, and use their house as a facility for selling goods or providing services such as haircuts, manicures, etc. It is informal, and their clients are people from the neighbourhoods and advertising is by word of mouth.

² Brazilian Institute for Quality and Productivity (IBQP – PR) GEM Report 2002.

³ Pequenas Empresas Grandes Negócios, 2001, Editora Globo S.A.

◆ Adriana Alvarez's contact details are on page 4.