Women's business: access to credit for Indigenous women entrepreneurs within Torres Strait

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Series Note

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Professor Jon Altman
Director, CAEPR
The Australian National University
September 1999

Foreword

In April 1999 the Centre for Aboriginal Economic Policy Research published an abridged version of Siobhan McDonnell's Honours thesis on the Grameen Bank micro-credit model as Discussion Paper No. 178.

Subsequently, Ms McDonnell was awarded an Australian National University Summer Research Scholarship by the Department of Economic History, Faculty of Economics and Commerce that she utilised in a brief scoping visit to the Torres Strait in June 1999. While her earlier work was entirely desk-based, this research provided Ms McDonnell with an opportunity to visit Thursday Island, engage in limited primary data collection and interview some Islander women seeking credit, as well as staff of the Torres Strait Regional Authority and the region's only commercial credit facility, a branch of the National Australia Bank.

While this discussion paper focuses on an issue of particular interest to the author, namely access of Islander women to credit, it complements her earlier research on micro-credit. It also complements other research undertaken at CAEPR by Neil Westbury on Indigenous access to the delivery of banking and other financial services in central Australia (reported in CAEPR Discussion Paper No. 187).

The discussion paper is somewhat different from most other CAEPR publications in that it is an exploratory 'ideas' piece of research. In reading this work, it may assist the reader to know that Ms McDonnell is a young graduate economist who was studying full-time for a law degree in 1999. Simultaneously, Ms McDonnell was working on a part-time basis at CAEPR. While it may seem a little invidious to differentiate CAEPR Discussion Papers, I think it important to highlight the particularities of this piece of research. I personally commend Ms McDonnell's efforts in following up her earlier literature-based research with an attempt at field-based 'ground-truthing'. CAEPR has sponsored this research to a great degree and I am very pleased that Ms McDonnell has provided a second discussion paper to the CAEPR series in 1999.

Professor Jon Altman
Director
CAEPR
September 1999

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Summary

This paper begins with a profile of Torres Strait and an analysis of potential areas, such as tourism and art and craft, in which Indigenous women's businesses could be developed. Such business development can only occur if Indigenous women are given adequate access to credit. Credit sources available to the Indigenous population in Torres Strait include the Torres Strait Regional Authority's (TSRA) Business Funding Scheme and the loans available from the National Australia Bank. However, at present, very low numbers of Indigenous women are independently accessing credit from these sources.

Further research needs to be conducted before conclusions as to the adequacy of current credit sources for Indigenous women can be reached. However, within Torres Strait the perception of problems with access to credit for Indigenous borrowers have prompted calls by the Islander Board of Industry and Service for an Indigenous credit union to be established along the same lines as the Traditional Credit Union in Arnhem Land. Another credit model that could possibly be used within the Torres Strait is the Grameen Bank micro–credit model. Key aspects of the model are discussed in this paper. In particular, the model highlights the benefits that can be accrued in lending capital to women.

Acknowledgments

First and foremost, I must thank the Department of Economic History (Faculty of Economics and Commerce) for giving me the Australian National University Summer Research Scholarship that made my trip to Torres Strait possible. Second, thanks must go to Bill Arthur, for his generosity in sharing his knowledge of, and contacts in, Torres Strait with me. Third, thanks must also go to Andrew Plate from the TSRA, Peter Strong from the Canberra Business Centre and the staff of the Thursday Island National Australia Bank. Thanks also to Boyd Hunter, Will Sanders, Diane Smith, Jon Altman and John Taylor for their insightful comments into my work. Editorial assistance was provided by Linda Roach and Hilary Bek, with layout by Jennifer Braid.

Introduction

This discussion paper arose out of a two-week field trip made to Torres Strait in mid-July 1999. The issue of Indigenous women's access to credit is one of immense personal interest to me. In line with this interest, the purpose of the trip was to investigate business development and, in particular, access to credit for Indigenous women in Torres Strait. In relation to this second objective, the trip to the Torres Strait was designed to provide a more practical focus for my earlier work on the possibility of replicating a Grameen Bank micro-credit[1] model with Indigenous women in Australia (McDonnell 1999). To this end, a period of time was spent at the Torres Strait Regional Authority (TSRA) collecting loans data, and in conducting informal interviews with Indigenous women and organisations. Based on this research, this paper describes the credit sources available to Indigenous people within Torres Strait and briefly details a number of alternative credit models (including the Grameen Bank micro-credit model) which may improve the access to credit of Indigenous women in the Torres Strait. This paper should thus be viewed as an attempt to promote further research into improving the access to credit of Australian Indigenous women through the use of alternative credit models.

Profile of Torres Strait

The Torres Strait region is a collection of 150 islands located between Cape York and Papua New Guinea (Arthur 1990: 6). Of these islands, only 18 are permanently inhabited. Torres Strait can be divided into the Inner Islands, consisting of the islands located around the administrative centre of the Strait, Thursday Island, and the Outer Islands that stretch to within a few kilometres of Papua New Guinea. Two Islander communities are also located at the top of Cape York at Bamaga and Seisia.

In 1985 the Australian and Papua New Guinean Governments ratified the Torres Strait Treaty. The Treaty established the Torres Strait Protected Zone that circles all but the south-western islands of Torres Strait. The most notable characteristics of the Treaty, as identified by the Commonwealth Department of Foreign Affairs and Trade (Babbage 1990: 293) are that:

> The Treaty explicitly acknowledges and preserves the traditional way of life and livelihood for the traditional inhabitants of the region ... The treaty calls for the protection and preservation of the environment ... [and] contains detailed and complex provisions relating to commercial fisheries in the protected zone.

From an economic perspective it is the last of these characteristics which is the most important, for Torres Straits' lucrative commercial fishing industry is predicated on Treaty provisions. In 1992, it was estimated that the value of this fishing industry was $26.7 million, with a potential value then of $40 million (Altman, Arthur and Bek 1994).

The major political and economic development to occur in Torres Strait in the last decade has been the replacement of the Aboriginal and Torres Strait Islander Commission's (ATSIC) Torres Strait Regional Council with the TSRA, on 1 July 1994. The formation of a separate and autonomous TSRA served as a recognition of the 'separate and distinct nature of Torres Strait Islanders' from Aboriginal people (TSRA 1998a). Under the *Aboriginal and Torres Strait Islander Commission Amendment Act (No. 3) 1993 (Cth)* the TSRA has authority over all islands in Torres Strait (excepting Crab and Barn Islands) as well as the Islander communities of Cape York for all matters pertaining to Indigenous people (Arthur 1994: 1). In attempting to improve the economic status of Indigenous people within Torres Strait the TSRA operates a number of economic development programs including a Business Funding Scheme (BFS), a range of Community Development Employment Project (CDEP) schemes and a Community Economic Initiatives Scheme (TSRA 1998b: 36–44).

Census data indicate that in 1996 the population within Torres Strait was 7,615 people, of which 6,064 (79.6 per cent) were Indigenous. Of this Indigenous population, only 5 per cent identified as Aboriginal. In terms of population distribution, 2,158 Indigenous people were located in the Inner Islands with the rest being located in the Outer Islands (Sanders 1999: 3).

Of the 1,871 Indigenous women of employable age located in Torres Strait in 1996, 10 per cent were employed in CDEP schemes and 30 per cent were employed in other areas. By contrast, 5 per cent were unemployed and 51 per cent were not in the labour force.[2] While this unemployment rate seems low, the TSRA claims that without CDEP schemes the unemployment rate for Indigenous people in Torres Strait would be 44 per cent (TSRA 1998a). In addition, the percentage of self-employed Torres Strait Islanders is relatively low, at 4 per cent, when compared to the Australian average for all people, of 16 per cent (Arthur and Taylor 1994: 4). In line with this finding, the majority of Indigenous women employed in Torres Strait are located in the public sector with 30 per cent employed in the health sector, 27 per cent employed by government and 17 per cent employed in the education sector. Moreover, these findings are supported by those of Daly which show that nationally in 1991 54 per cent of employed Indigenous women were located within the public administration and community services industries, compared with 24.7 per cent of non-Indigenous women (Daly 1995: 21).

Within Torres Strait, nearly 31 per cent of Indigenous women have a weekly individual income of between $120 and $199 (see Table 1).[3] A further 25 per cent of Indigenous women have a weekly individual income of between $200 and $399. Also the incomes of Torres Strait Indigenous households are, on average, lower than non-Indigenous households. In 1996, 36 per cent of Torres Strait Indigenous households received less than $500 per week compared to 22 per cent of non-Indigenous households. Only 5 per cent of Torres Strait Indigenous households had income in the upper income levels (weekly income greater than $1,500) compared to 14 per cent of non-Indigenous households (see Table 2). This disparity between Indigenous and non-Indigenous households is even more acute if the number of dependent children per household is taken into account, given that Indigenous households often have a greater number of dependants than non-Indigenous households. In 1996 the dependency ratio for Indigenous people within Torres Strait was 0.86 compared to 0.27 for non-Indigenous people.[4]

Table 1. Weekly individual income for Indigenous women by age, 1996

	15–24	25–34	35–44	45–54	55–64	65>	Total	Per cent
Neg/nil income	115	15	17	20	8	7	182	9.7
$1–$119	67	30	20	20	12	6	155	8.3
$120–$199	134	100	87	65	92	99	577	30.8
$200–$399	102	126	110	63	33	31	465	24.8
$400–$599	30	62	64	30	12	0	198	10.6
$600–$799	6	37	15	8	0	0	66	3.5
$800–$999	3	7	5	3	0	0	18	1.0
$1,000 or more	3	0	4	0	3	0	10	0.5
Not stated	83	32	38	13	13	24	203	10.8
Total	543	409	360	222	173	167	1,874	100.0

Source: 1996 Census of Population and Housing.

Table 2. Weekly household income of Indigenous and non-Indigenous households located in the Torres Strait (per cent), 1996

	Indigenous Per cent	Non-Indigenous Per cent
Neg/nil income	1.3	0.0
$1–$119	1.2	1.0
$120–$199	5.0	4.0
$200–$299	4.8	3.1
$300–$399	7.6	4.0
$400–$499	8.8	5.6
$500–$599	9.7	5.6
$600–$699	7.4	8.4
$700–$799	5.7	5.0
$800–$999	11.4	14.6
$1,000–$1,199	7.4	8.4
$1,200–$1,499	5.0	6.2
$1,500 or more	4.7	13.9
Partial or full income not stated	20.0	20.0
Total	100.0	100.0

Source: 1996 Census of Population and Housing.

Potential investment opportunities for Indigenous women within the Strait

In their recent 'Torres Strait Development Plan' the TSRA argue that 'in the short term, the major economic opportunities are sea based', in areas such as commercial fishing, prawning and pearl farming (TSRA 1998c: 10). While it appears that there are potential investment opportunities in these areas, at present these sectors remain male dominated. For example, in 1996 23 Indigenous men were employed in the Agriculture, Forestry and Fishing sector in the Torres Strait, compared with only three Indigenous women. Similarly, studies of traditional Islander society indicate that while women participated in fishing off rocks surrounding islands it was the men who engaged in commercially orientated fishing arrangements which involved a crew of men hunting a particular species (Beckett 1987: 150; Fuary 1991).

Areas in which Indigenous women can, and have, successfully invested include the art and craft and tourism industries. Moreover, these areas of investment seem both culturally and economically attractive in that they allow for culturally sensitive business opportunities and represent the potential to market items in which Indigenous people have a potential monopoly.

Tourism

Discussions about the viability of the tourism and the arts and crafts sectors as investment opportunities in Torres Strait are not recent. Since the early 1990s Arthur has repeatedly highlighted these sectors as ones in which increased economic activity could occur (Arthur 1990, 1991: 6–7). The potential of tourism in Torres Strait has also been recognised by the TSRA. In a recent submission to Parliament the TSRA argued that, '[t]he pristine environment, abundant fishing stocks and presence of a unique Indigenous culture are all drawcards to both local and international tourists' (TSRA 1998a).

Traditionally the main bases for tourism in the Torres Strait region have been the Bamaga and Seisia communities located on the tip of Cape York, Horn Island and Thursday Island. In 1994 Altman estimated the value of tourism in the Seisia community at $870,000 per annum (Altman 1995: 8). It is presumed that this amount has since increased. Similarly, tourist infrastructure exists on Thursday Island. This infrastructure consists of hotels and hostels, day tours, ferries to and from the Cape, a museum and several tourist shops. In addition, there are now daily flights to Horn Island from Cairns. However, while a small tourist infrastructure has been developed, this infrastructure is not well integrated and is not predominantly Indigenous owned or run.

The main issue of concern relating to developing a tourist industry in Torres Strait is the possibility of tourism having a negative social impact. To assuage this concern it is essential that tourist development is culturally sensitive. Islanders, for their part, are divided as to the benefits of tourism. In 1991, Arthur reported that Islander's, while not overtly anti-tourism, would prefer tourist development to occur away from their community village, or on uninhabited islands (Arthur 1991: 6). More recently Arthur has suggested that this perspective may have changed, with Islanders now being more interested in introducing tourism to the Outer Islands (Arthur 1999b: 10). Another possible impediment to the development of a tourist industry is the high cost of airfares to Torres Strait as compared with the Great Barrier Reef which has similar, if not superior, natural attractions (Arthur 1991: 7).

Despite these impediments, recognition of the potential of the development of tourism in Torres Strait can be seen in the TSRA's $150,000 grant to the Seisia Island Council to establish huts on the Council-owned camping grounds (TSRA 1998b: 43). Further tourist developments include the Torres Strait Regional Employment Committee (TSREC)-assisted tourism initiatives on Hammond Island (TSREC 1999). Beginning this year, the Hammond Island tourist initiative involves monthly day trips by tourists to the island to visit various historical and cultural sites as well as to partake in a traditional island feast accompanied by singing and dancing (TSREC 1999).

Art and craft

Arthur estimated that in 1989 the annual turnover from the art and craft industry in Torres Strait was only $8,000 (Arthur 1990: 28). While the industry has since expanded, there remains potential for further development. At present a number of stores on Thursday Island as well as the Islanders Board of Industry and Service (IBIS) Travel Centre and the Café Gallery sell a variety of Islander artefacts. Of concern is the fact that there is little to no quality control over the art and craft sold within the Strait, with many pieces developed for the tourist market which are either sub-standard or are imported from either the mainland or Indonesia rather than being made by Torres Strait Islanders. Other problems identified by Arthur in 1989 and which remain of concern include a lack of marketing advice, structure, and a pricing system for art and craft production within the Strait (Arthur 1990: 53). These problems mean that Islander artists have not developed a strategy for the effective product development and marketing of their artefacts. For example, IBIS has encountered problems in getting a sufficient stock of local artefacts for their travel centre. Thus it seems that at present Islander artists remain unaware of what, and how many, items to produce, how much the items are worth and how to sell them (Arthur 1990: 53).

In relation to Islander women, generating an art and craft industry based on high-quality artefacts will require promotion and investment in traditional weaving. At present Islander women make a range of woven products including baskets, mats, hats, woven birds and other decorations and the traditional Islander head-dress or darri (Arthur 1990: 132). While attempts have been made by the Indigenous women's organisation Mura Koskar Sorority to develop a women's art collective and market women's art and craft, these attempts have been haphazard and poorly funded and, as such, have had little success. One of the factors identified by Mura Koskar Sorority as contributing to this failure has been that of generating a guaranteed supply of artwork.

Finally, there is a need to acknowledge the inter-relationship between the art and craft industry and the tourism industry. As regional tourism expands there will be increased opportunities for local artists to sell their wares. An example of these increased opportunities is the recently introduced Hammond Island trips during which tourists are encouraged to browse through 'mini-stalls' that sell locally made jewellery, artwork and woven hats (TSREC 1999).

Access to credit

TSRA

Potential investment opportunities can only be utilised if entrepreneurs have adequate access to credit. The major source of business enterprise funding for Indigenous people within Torres Strait is the TSRA's BFS. Based on ATSIC's BFS, the TSRA's BFS has been designed to provide concessional finance in the form of loans and loan guarentees, to Indigenous individuals, partnerships and corporations residing in the Torres Strait region (TSRA 1999: 1–14). In accordance with this objective, the BFS provides low interest loans to enable Torres Strait Islander and Aboriginal individuals and organisations to purchase or establish commercially successful business enterprises (TSRA 1999). The interest rates applied by the TSRA to loans are 1.5 per cent for loans up to $50,000, 3 per cent for loans of $50,000 to $100,000 and 6.5 per cent for loans of between $100,000 and $500,000. These interest rates are almost the same as those charged under ATSIC's BFS (ATSIC 1998: 8–10) and are far lower than those offered by mainstream commercial institutions.

Under the BFS, the maximum funding available is normally $100,000, however loans in excess of $100,000 may be considered (TSRA 1999: 6). The TSRA has adopted strict commercial requirements when lending money. Of the money borrowed, 80 per cent must be used to purchase capital assets. The basis for this proviso is that these assets can then be used as security for the loans provided. Moreover, applicants must contribute at least 20 per cent equity to the enterprise. However, while the TSRA's BFS operates within strict commercial parameters, it nevertheless offers Indigenous borrowers assistance in developing a business plan. In addition, applicants are assisted in undertaking training to improve their business management skills (TSRA 1999: 3).

Prior to the formation of the TSRA in 1994, two loans with a cumulative value of $12,150 were provided to Indigenous people in the Strait under ATSIC's BFS. Neither of these loans was awarded to Indigenous women. In March 1998 the TSRA had a portfolio of 54 loans and eight community enterprises valued at over $2 million (TSRA 1998a). According to the TSRA, the majority of these loans were used to allow Indigenous people to enter into small business; 75 per cent were used to establish businesses within the commercial fishing industry, 14 per cent of loans were invested in the retail and light industrial sectors and the remaining were invested in trade services, seafood processing and tourism (TSRA 1998a). The average size of loans invested in the commercial fishing industry was $10,500 (TSRA 1998a).

By July 1999, over 100 loans had been funded by the TSRA under the BFS scheme. Of these loans, only five went to independent Indigenous women borrowers. While the small sample size precludes any in-depth analysis, the size of loans awarded to Indigenous women under the TSRA's BFS ranged from a very small (or micro-credit) loan of $3,480 invested in the retail sector to a loan of $100,000 which was invested in the tourism industry. While the number of independent Indigenous women borrowers remains low, figures available from the TSRA suggest that 20 per cent of BFS loans go to partnerships. However these are not legal partnerships but rather partnerships where the male partner is the formal loan applicant (and thus owner of the business under law) and the female partner is involved, to some degree, in managing the business. Interviews with the TSRA's Loans Officers suggest that often this partnership operates where the male partner is involved in commercial fishing business and a female relation, usually a wife, undertakes the bookkeeping for the business. The TSRA estimates that 20 BFS loans operate under this type of partnership. Of these partnerships, 90 per cent are located in the commercial fishing industry, with the others being located in the transport and retail industries. The average size of a loan to a partnership within the commercial fishing industry is $21,474. In spite of the fact that women are partners in a large proportion of BFS loans, the degree of this involvement varies, making any attempt to quantify the level of such participation difficult.

A possible criticism of the commercial lending requirements placed on the TSRA's BFS loans (that borrowers provide 20 per cent collateral and invest in capital) is that they may restrict access to the scheme to relatively well-off Indigenous entrepreneurs who might otherwise be served by mainstream commercial financial institutions. Thus, it is arguable that the TSRA's BFS does not offer an alternative source of finance to Indigenous entrepreneurs who cannot generate financial collateral. The TSRA has responded to this criticism by arguing that the collateral requirements placed on loans can be easily met by a borrower engaging in a brief period of cray fishing. One estimate suggests that a good cray fisher can earn $4,000 a day (Bowie 1998). However, while it is true that in a good season cray fishing is a very lucrative industry within the Strait, it is plausible that this rationale is more easily applied to Islander men, who have access to fishing equipment and skills, than to women.

A second related criticism made of the TSRA (by other institutions such as the IBIS and the TSREC) is that its lending procedures are not flexible in that they do not allow for 'unorthodox' business investments. An analysis of TSRA's BFS as of 31 January 1998 shows that commercial fishing enterprises dominated investments, with 76 per cent of BFS loans being invested in commercial fishing (TSRA 1998a). Other sectors invested in included the light industrial sector, retail, trade services, seafood processing and tourism. While these all represent firm business investments into already established sectors it is debatable whether the TSRA is supportive of entrepreneurial initiatives into less ‘orthodox’ business sectors.

Finally, further research may indicate that the dominance of commercial fishing as an area of investment demonstrates that a male bias informs the commercial lending criteria adopted by the TSRA. While there are legitimate commercial reasons for the continued concentration on commercial fishing as the primary area of investment, this concentration, when combined with the patrilineal structure of Torres Strait society, may operate to preclude women from investment opportunities. Thus, while further research is needed in this area it is possible that the continued emphasis of the TSRA on sea-based investment opportunities may work to maintain the gender imbalance in TSRA’s BFS borrowers.

National Australia Bank

The other formal finance provider that operates within Torres Strait is the National Australia Bank. Operating as the only bank within the Strait, the National Australia Bank was, prior to the commencement of the TSRA’s BFS, the major source of finance for Indigenous entrepreneurs within the Strait. Work by Arthur shows that of the 105 loans made in the Torres Strait region in 1988/89, 92 of these were made by the Bank, suggesting that, at the time, the Bank was the major source of business funding in the region (Arthur 1990: 137). Of the loans made by the Bank in 1988/89, 41 per cent were invested in dinghies and outboard motors and 10 per cent were invested directly in other enterprises, with the remainder being invested in household goods, cars and motor cycles, social and cultural events (for example tombstone openings) and generators (Arthur 1990: 137).

Data already discussed show that the TSRA has replaced the Bank as the major source of business funding for Indigenous people in the Strait. At present the National Australia Bank deals with very few Indigenous business loans. Of the small number of Indigenous business borrowers that the Bank does lend to, none are independent female borrowers but some are male and female partnerships. The rationale for this movement of Indigenous borrowers away from the Bank as a source of funding is obvious in that the Bank charges commercial interest rates (of up to 13 per cent for an unsecured loan of between $5,000 and $10,000, and up to 10.49 per cent for an unsecured loan in excess of $20,000),[5] whereas the TSRA’s BFS interest rates are far lower. Furthermore, it appears that many of the problems often encountered with ATSIC’s BFS, such as the long time period between submission and approval of application,[6] appear to have been avoided in the TSRA’s BFS thereby reducing the major competitive advantage of banks.

In 1988/89 the repayment rate on National Australia Bank loans was 98 per cent (Arthur 1990: 137). This high repayment rate is probably due to the fact that investment in the commercial fishing industry can be highly lucrative, and loans are small and are repaid quickly. Similarly, experience detailed by the TSRA suggests that of the 60 loans provided to Indigenous borrowers in the first two years of operation only two were defaulted on (Arthur 1999a: 5). However, the brevity of the time period during which the TSRA's BFS has been in operation means that it remains to be seen whether such an excellent repayment record will be sustained.

General barriers to the operation of Indigenous business

While there are obviously a number of contributing factors which require further research, one possible explanation for the failure of Indigenous women in Torres Strait to become involved in independent commercial enterprises in large numbers may be a lack of access to credit. As detailed elsewhere (McDonnell 1999), there are a number of problems for Indigenous entrepreneurs in accessing credit. For example, they often face language barriers, have limited credit records and no collateral. The language barriers faced by Indigenous people within Torres Strait are exemplified by the fact that, for Islanders situated on the Outer Islands English is often their 'third language' after their Islander language and the Creole spoken throughout the islands.

Another barrier to the establishment of Indigenous businesses is that most Indigenous communities lack savings; Commonwealth and State legislation limits the use of inalienable Indigenous land as collateral and, in general, Indigenous people have few employment opportunities in rural and remote areas from which to accumulate equity (ATSIC 1998: 22–3).[7] The inability to place a mortgage over inalienable land was identified by the Manager of the Thursday Island National Australia Bank as a major impediment to Indigenous entrepreneurs in Torres Strait. Similarly, the TSRA in their submission to the Inquiry into Indigenous Business listed the Deed of Grant In Trust (DOGIT) land tenure system that pervades much of Torres Strait, combined with the 'constraints placed on the Community Councils to borrow money' as major impediments to Indigenous business development (TSRA 1998a; see also Arthur 1999a: 9–10).

Problems faced by Indigenous women in terms of access to credit are often more acute than those faced by Indigenous men. Indigenous women are less likely to have personal collateral or a credit history than their male counterparts, making the perceived risks of lending to them even greater (Dana 1996: 55). Further, work by Howell suggests that in general women are considered less financially attractive by lending institutions than men because they tend to borrow smaller amounts which have a smaller profit margin than large-scale loans (Howell 1993: 20–23).

A further barrier specific to the operation of retail businesses within Torres Strait is competition from IBIS stores. IBIS is a State Government Authority, funded by the Queensland Government to deliver goods and services in the Torres Strait region. Currently IBIS operates 23 retail outlets comprising of 14

Outer Island stores, two supermarkets (located on Thursday Island and Bamaga), two branch stores (located at Rosehill and Tamwoy on Thursday Island), two service stations (located on Thursday Island and Bamaga) and the Torres Strait Travel Centre (IBIS 1999). In 1996–97 IBIS had an annual turnover of $24,600,000 (IBIS 1997: 16).

IBIS is one of the major employers of Indigenous people within Torres Strait and Indigenous people are represented on both the IBIS Board and as managers of IBIS stores (Arthur 1999b: 10). Despite this, many Islanders are critical of the role that IBIS stores play in Torres Strait; in particular, they argue that the subsidised nature of IBIS operations allows them an unfair advantage over local retailers. Criticisms of IBIS stores are not new. Work conducted by Arthur suggests that Indigenous people trying to operate retail businesses in the Strait in 1989 saw their greatest competition as coming from IBIS stores (Arthur 1990: 33, 1999a, 1999b: 10).

Indigenous women entrepreneurs in Torres Strait

In spite of these barriers there are reports of Indigenous women engaged in entrepreneurial activity within the Strait. In addition to the women funding businesses through the TSRA (as described above) these reports suggest that there are a number of women engaged in self-financed businesses. The presence of Indigenous women engaged in self-financed businesses was first noted by Arthur in his report in 1989. Arthur detailed the existence of Indigenous women 'petty traders who carry very little stock and sell cigarettes or soft drink from their house for a few cents profit' (Arthur 1990: 33). Moreover, he suggested that these women were evidence of an 'entrepreneurial bent on the islands and a desire for some to become involved in the retail sector rather than in commercial fishing' (Arthur 1990: 33). Finally, Arthur concluded that development of these retail businesses might be impeded by the presence of IBIS stores (Arthur 1990: 33).

Similarly, anecdotal evidence based on informal interviews with Indigenous women indicates that there are a number of women engaged in self-financed businesses in Torres Strait. In particular, it appears that operating as an agent for pyramid selling companies like Avon, Amway and Nutrimetics is popular with Indigenous women in the Strait. Possible reasons for this popularity are the low start-up capital requirements and the highly social nature of the way this type of business is conducted. Other small-scale businesses that Islander women are involved in include making traditional clothing and art to sell at local stores and fetes, and buying clothing, jewellery and other stock in from Cairns to sell on the islands. These businesses are also usually self-financed and as such have relatively small start-up capital requirements. Finally, it is possible that the reports of women engaged in self-financed businesses within the Torres Strait may indicate both the problems that Indigenous women have in accessing credit as well as an indication of the potential demand for credit were such to become available.

Proposed strategies to promote development of Indigenous women's businesses

A credit union

A perception of problems with access to credit for Indigenous borrowers within the Strait who are unable to meet the strict lending criteria associated with the TSRA's BFS have prompted calls for alternative sources of finance to be implemented. In response to these calls the IBIS has begun to look at the potential for operating an Indigenous credit union along similar lines to the Traditional Credit Union (TCU) in Arnhem Land.

Impetus for the establishment of the TCU came from recognition of a lack of banking services in Arnhem Land. In particular, problems were caused by the fact that residents had to cash cheques on a fortnightly basis making budgeting difficult and resulting in the 'feast and famine' cycle that plagues many Indigenous communities. At present the TCU has branches in six remote communities and a head office in Darwin. Membership is open to all Australians, and is currently at 5,200 members. The TCU provides banking services, manages periodical payments and loans and provides financial counselling to its members (Westbury 1999: 24–5).

Loans available to members are in line with micro-credit lending, with amounts of between $1,000 and $5,000 available. In order to be eligible for a loan a member (or joint members) is required to deposit 10 per cent of the value of the loan in a TCU account. In addition, the TCU requires that this deposit be accumulated progressively over a three-month period in order to establish a savings history. The majority of TCU loans are accessed by women who invest in whitegoods, such as refrigerators and washing machines (Westbury 1999: 25).

The high transaction costs incurred by the TCU in the provision of banking services has resulted in high service charges. For example, the TCU charges a fee of $10 to make a deposit of over $200. In June 1999 the amount of money lent by the TCU was $622,000. Of these loans only two borrowers have defaulted. According to the TCU this high repayment rate, combined with a commercial interest rate of 14.95 per cent and the recognition of the need to cover transaction costs, has made the TCU a profitable financial institution (TCU 1999). However, despite this analysis, recent figures indicate that the TCU made a loss of $24,014 in the 1998–99 financial year (TCU 1999: 7). In addition, the requirement of a deposit on TCU loans may operate to deter some Indigenous borrowers.

A Grameen Bank model

One model that operates without financial collateral is a Grameen Bank micro-credit model. A Grameen Bank model would operate to lend small amounts of money (amounts less than $15,000, with initial loans of less than $10,000) to Indigenous women in collective groups. While the problems associated with putting such a model in place have been discussed elsewhere (McDonnell 1999) the key elements of the model are outlined below.

To overcome problems of loan defaults the Grameen Bank has developed a system of mutual accountability based on a peer group lending structure. Under this structure the group as a whole becomes ineligible to receive any additional loans if any member of the group defaults. This ensures that peer pressure is exerted on members to maintain regular payments. In this way the mutual accountability fostered by the Bank works as a form of social capital, as opposed to the financial capital which is the basis for mainstream commercial banking (Hossain 1985).

The process of forming groups by allowing members to self-select into groups of five has been found to reduce the credit risks associated with lending. Given that each member of a group is awarded loans depending on the outcome of other members' loans, individuals have an incentive to join a group where all members have an equal, if not lower, credit risk than themselves (Varian 1990). Put another way, when one individual is a higher credit risk than all other group members, then that individual is potentially being subsidised by the rest of the group (Stiglitz 1990). The Grameen Bank policy of lending to relatively homogenous groups comprised of members of the same sex and from similar economic backgrounds helps to explain why the Bank's repayment rates are far higher than loans programs in which groups are formed on the basis of administrative decisions (Huppi and Feder 1990). In order to improve access to capital for Indigenous women within Torres Strait it appears that successful peer monitoring would require that borrower groups are comprised strictly of Indigenous women.

Another reason for lending credit specifically to Indigenous women is that the Grameen Bank model highlights a number of benefits that can be accrued in lending capital to women. Within the third world context in which it was developed, studies indicate that the model works to economically empower women. Research suggests that significant benefits accrue to households, and in particular children, by lending to women (Goetz and Sen Gupta 1994; Hashemi, Schuler and Riley 1996). In addition, there is evidence which suggests that providing funds to women is more likely to result in new investment opportunities being exploited. However, substantial empirical research is needed before assessments can be made as to whether similar benefits may accrue to Indigenous women in Torres Strait from a Grameen Bank-type model.

The social relationship or social capital that exists between members also has a direct impact on the repayment rate of a group. A dominant feature of many communities in developing countries is the degree of interdependency that exists between individuals. Within this context village organisations often serve to provide welfare services and infrastructure. Participation in village life often requires a restraint on self-interested behaviour, and a variety of enforcement mechanisms in the form of social sanctions are invoked to ensure this. Working from this understanding, it has been argued that if an individual does not repay their loan this will cause a loss to other members of the group invoking social sanctions against the defaulting member (Besley and Coate 1995; Cable and Shane 1997).

The types of penalties that may be imposed on a defaulting member of a group include the loss of material goods and reputation. Within the Grameen Bank, contributing members report the behaviour of a defaulting member at a centre meeting, thereby augmenting the admonishment felt by the defaulting member. Also, other members of the group will reduce their cooperation with the defaulting member in the future. This penalty can be particularly devastating if there is some form of exchange or mutual support that occurs between group members independent of the loan scheme. For example, group members may rely on one another's help in productive activities or may help one another in times of trouble. Finally, if social penalties are sufficiently severe, group lending will yield higher repayment rates than individual lending (Beasley and Coate 1995).

Thus it appears that social capital, in the form of sanctions available to community members to discipline poor repayment behaviour, is a key element in the operation of group lending schemes. This may explain why group lending schemes such as the Grameen Bank, have been so successful in developing countries where interdependence within communities is typically high (Besley and Coate 1995). In contrast, an absence of interdependence in most communities in developed countries may help to explain why group lending schemes in these countries have been less successful. Torres Strait has a stable, coherent social environment with a high degree of interdependence, so it is possible that a successful peer group monitoring structure could be designed. While the problems faced by the adoption of a Grameen Bank model are numerous (McDonnell 1999) it may be that, given the interdependence of Islander society, it could provide credit access to Indigenous women in Torres Strait.

The use of business incubators

Whatever source of credit is adopted within Torres Strait, such access to credit will remain under-utilised unless Indigenous women are given business training. Indigenous women in Torres Strait have identified small business enterprise training as among their key training needs. In workshops conducted by the women's organisation Mura Kosker Sorority, Indigenous women of Darnley, Saibai, St Paul, Mabuiag and Dauan Islands all listed small business enterprise training as one of their essential training requirements (Mura Kosker Sorority 1996).

While the TSRA provides basic business training, this training is available only to borrowers. Recently the TSREC has established a small business initiative. The initiative is designed to offer help to Indigenous entrepreneurs to: do a feasibility study, prepare business and marketing plans, and comply with legal requirements and make presentations to a bank (TSREC 1999). While this initiative remains important, a more cohesive business training structure is needed. One way of providing such a structure is through the use of business incubators.

Traditionally incubators are business centres that provide serviced offices (including a receptionist, phone and fax and photocopier), training and mentoring services to small or micro-businesses.[8] Staff are employed to provide financial and business advice and, in some cases, facilitate access to start-up capital. The main advantage of incubators is that the clustering of small businesses within a business centre allows for reduced costs to businesses and facilitates exchanges of knowledge. In addition, access to development capital coupled with intensive monitoring and preparation for commercial activity ensure that small businesses are much more likely to succeed.

While it is clear that the small population size in Torres Strait would make a traditional incubator model unviable, the incubator concept has recently been expanded to include 'incubators without walls'. It is anticipated that these incubators will work by providing a small business centre within a community together with outreach services throughout the region. The business centre would then provide business advice and assistance on site as well as provide a base for outreach business services for the region. In addition, it is envisaged that the business centre would be used by remote businesses when conducting business in the community. At present, investigations into the use of 'incubators without walls' by Aboriginal communities are being conducted in Arnhem Land and Tennant Creek (Canberra Business Centre 1998: 1). Importantly, impetus for these investigations has come from the Aboriginal communities themselves rather than from government. It is possible that the application of the 'incubators without walls' concept to the Torres Strait region could mean that a distance business mentoring and advisory service is carried out in Torres Strait from a business centre such as the one in Canberra.

Discussion

This paper has attempted to provide a practical focus, and thus an impetus for further research into, alternative credit models which can be used to improve the access of Indigenous women to credit. In relation to Torres Strait, while a number of areas in which successful Indigenous women's businesses could be developed have been identified, at present it appears that only a small number of women are accessing loans from the TSRA's BFS independently.

Within Torres Strait a number of strategies have been proposed in an attempt to appease the perceived problem of lack of access to credit for Indigenous people. First, the IBIS has begun to look at the potential for operating an Indigenous credit union along similar lines to the TCU. Another model that may possibly generate improved access to credit for Indigenous women is the Grameen Bank micro-credit model. However, a number of issues need to be addressed, through further research, before either of these models could be put in place within the Strait. These issues include:

- the demand in particular by Indigenous women, for additional financial services within the Strait;
- the extent of entrepreneurial culture within Torres Strait;
- the extent to which welfare payments work as a disincentive to invest and, in particular, the effect of the replacement ratio (which measures the extent to which income from welfare compensates for the loss of employment) on the incentives for Indigenous women to participate in business;
- the effect of Islander cultural practices on the adoption of alternative credit models;
- the demand that exists for Torres Strait Indigenous art, craft and tourism products and the difficulties faced by Indigenous people within the Strait in accessing markets for these products; and
- the development of institutions that offer Indigenous women business training.

Finally, it may be that not only should alternative credit models be considered in trying to generate access to credit for Indigenous women, but also there may be a need for a re-orientation of existing institutions to enable them to better meet the needs of Indigenous women.

Notes

1. For the purposes of this paper, micro-credit in an Australian context is defined as amounts of less than $10,000.
2. Five per cent did not state whether they were located in the labour force or not.
3. It should be noted, however, that these income measures do not take into account the subsistence practices such as fishing, gathering bush food that Islanders may be engaged in (for a more detailed discussion of this point see Altman, Bek and Roach 1996).
4. This dependency ratio is the number of persons aged 0–14 and over 65 years divided by the number of persons aged between 15 and 65 years.
5. Interest rates on Housing Secured loans range between 8.25 per cent and 9.4 per cent which are also considerably higher than the TSRA's BFS.
6. For a more in-depth discussion of this point see Arthur (1999a: 8–9).
7. Recent work on economic literacy in Aboriginal communities shows that Aboriginal people in remote areas continue to be confused about a range of contemporary economic issues. Aboriginal people in Arnhem land were found to be confused about words like 'trade, economics, economic development, budget, auditor, credit, creditors, value, debt, Government revenue etc' (Buchanan 1998).

8. Micro-businesses are defined as those businesses that employ less than five people.

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