
Breakout 14: **Rural Financial Institutions: Savings Mobilization**

“Adapting to the Challenges of Changing Financial Paradigms: WOCCU’s Savings Mobilization Programs in Latin America”

Author

Janette Klaehn (WOCCU)

Summary and Key Findings

This paper discusses WOCCU’s model credit union methodology, an integrated savings-based development plan, which can minimize dependence on external sources of financing and create a financially self-sufficient, sustainable institution. Financial resources, in the form of subsidies from donors and/or governments, could be better used to support institutional strengthening programs, second-tier entities and supervisory agencies so that credit unions can adapt to the future challenges of changing financial paradigms.

“ASA Experience in Bangladesh”

Author

Mostaq Ahmmed (ASA)

Summary and Key Findings

ASA has introduced flexible, affordable and convenient savings products, such as voluntary savings accounts, which, to the extent possible, has enabled ASA to mobilize savings and generate funds for micro finance activities. However, as local savings mobilization capacity is limited, most MFIs in Bangladesh, including ASA, still depend on donor organizations for capital to operate micro credit programs. ASA faces several challenges in the market place including the lack of a legal regulatory framework, the need for staff training, and the lack of awareness of the benefits of saving.

“Centenary Rural Development Bank (CRDB) in Uganda”

Author

Richard Nalela (CRDB)

Summary and Key Findings

This paper provides an overview of the Centenary Rural Development Bank (CRDB) including its five-year business plan, financial projections and budget. In order to improve bank performance, the bank is attempting to place more emphasis on the growth of the micro loan portfolio while trying to increase borrower outreach in rural areas. Challenges the bank faces include political instability in some rural areas, cultural practices that do not encourage savings, challenges/costs associated with expanding the existing branch network, various natural hazards, and a traditional belief in investing savings in cows and other fixed assets.

“The Bolivian Experience of the PRODEM Private Financial Fund”

Author

Eduardo Bazoberry, PRODEM

Summary and Key Findings

Based on market research showing that rural clients with savings accounts placed more importance on the security and ease of access of their deposits than on the interest rate offered, Prodem designed and implemented savings accounts that incorporated fingerprint identification and a “smart card.” Prodem still faces many challenges in the Bolivian market including the need for need for outreach, training, education and enhanced management capacity.

Breakout Session 14: Two presentations: WOCCU and Prodem

Discussed points and questions:

1. Governance and equity structure. In the case of Prodem, despite the fact that 70% of the capital is in the hands of the NGO, being the board constituted by people coming from the private sector ensured the governance problem doesn't arise.
2. Transformation into Private Financial Fund(PFF) : Prodem Mr. Bazoberry said that there was no needed the donors support for transformation.
3. Regulation. Most of the Credit Unions (if not all) are self-regulated. This implies that it should be sure that there exist technical and human capacity to manage saving before a cooperative starts operations, and that's what WOCCU does. Like the other deposit-taking institutions, cooperatives must protect savings.
4. Is promotion of a "savings culture? Important? For the WOCCU presenter yes. However, as Prodem typical savers are older peasants, they are clear about the importance of saving, said Mr. Bazoberry. The attendants did agree with the importance of creating a savings culture.
5. Zechnology (ATM) is a means to protect against fraud. Committed by employers.
6. Savings as a tool used to finance loans, so reducing the dependency of external sources of funds, was a point shared by both presenters.