

Breakout 2: **Surveys of Delivery Systems in Rural Finance**

“Serving Small Rural Depositors: Proximity, Innovations and Trade-offs”

Author

Madeline Hirschland (Independent Consultant)

Summary and Key Findings

This case study looks at several institutions and their delivery services in providing services to small rural depositors. In looking at these institutions, the key factors examined are proximity, innovations and trade-offs with the security and liquidity offered to help banks find alternative delivery systems to benefit small rural depositors. Rural savers who don't have transportation may have to travel a great distance to deposit or withdraw large sums, but for smaller amounts, traveling several hours is not a practical option. It is necessary that services for small depositors are located in convenient places.

“Business Transactions for Kenyan Smallholder Farmers and Entrepreneurs via DRUMNET”

Author

Jonathan Campaigne (PRIDE-Africa)

Summary and Key Findings

This case study examines PRIDE Africa's introduction of a group solidarity model in East and Southern Africa. The DRUMENT project combines the use of Internet and web-technology with its knowledge of local markets, co-operatives societies, microfinance organizations and private sector in Africa and with the intent of becoming an online agricultural marketplace in Africa. Key constraints encountered by the program are: low teledensity, collapsing infrastructure, limited dial-up Internet costs that have restricted affordability, cost recovery, and e-business.

“DEMOS - A Savings and Loan Cooperative in Croatia”

Author

Caroline Tsilikounas (DEMOS)

Summary and Key Findings

Although DEMOS is successful in the delivery of credit, it lacks the skills and expertise to implement successful business development services. A suggestion in mitigating the risk is to focus on the facilitation rather than the direct provisions of business development services. The author feels that the future is dependent on the combination of financial and non-financial services and thus enhanced sharing between these two industries should be a priority for donors and policy makers.

Break out session # 2
Surveys of Delivery Systems in Rural Finance
Notes from Question and Answer Discussion

Moderator: Martin Hanratty, USAID

4 speakers presented papers in the session.

Discussion notes:

1. For paper presented by Caroline Tsilikounas, DEMOS, Croatia

Qn. What was the asset size of DEMOS when you break-even? Did you hire new staff to develop linkages with transport and cow suppliers?

Ans. Asset size at break-even was close to \$850,000

We used part-time employees and also regular employees. Regular staff was provided with additional salary for the extra work.

2. For paper presented by Madeline Hirschland

Qn. Do you see any gender differences in savings behavior? What are the prospects for mobilizing savings in rural areas?

I found piggy banking system used more by women compared to men due in part to its flexible design. Collectors have more potential to reach women than men. However, several NGOs primarily target women so it's difficult to see a pattern.

Postal banks are a good way to mobilize deposits in rural areas. She then referred to Geetha Nagarajan to elaborate on that based on her recent research on post office savings banks. Geetha Nagarajan said that postal banks are very common in several developing countries, conveniently located in rural areas, open for longer hours, deposits protected by the government, offer several attractive schemes for small rural depositors at a good rate and cater to all income strata in the village.

Comment was made by Calvin Miler of CARE: Several savings based programs offered in rural areas can be downloaded from the CARE website. Several of the savings products can be used to protect HIV/AIDS affected clients.

Qn. How are security issues and corruption dealt with?

Ans. Procedures are usually laid out for single collectors and passbooks are verified often. Clients are educated to check their passbooks for entry. Usually, collectors are paired-up to avoid corruption and frauds.

3. For paper by Charles Gore:

a. Qn. What services do you offer to farmers?

Ans. We are only brokers and only lend money based on the products. We do not provide any other services.

b. Qn.. How is your model different from that of Lebanese traders operating in west Africa?

Ans. We are not just making profits. We are trying to compete with high priced NGOs who use donor funds for making loans. We are trying to reduce costs of financing and make lending operations efficient.

c. Qn. Do you compete with banks that do lending to private sector?

Ans. Yes, we do. Our main competitors are boutique banks. We may partner with NGOs and boutique banks if we can find the right ones.

d. qn. What is the best role for NGOs to pull in small producers into commercial sector so they can access financing from you?

Ans. Venture capital, business incubators can help. This may need grants and donor capital to implement. Also, NGOs are good in doing some special activities but not all. They can help incubate the market and make it easy for private sector to provide other services.

4. For paper by Jonathan Campaigne, PRIDE

Qn. What are the strategies to overcome transactions costs in providing information?

Who are the partners for DRUMNET?

Ans. DRUMNET information brokers are producing commission agents in markets. They collect this information on regular basis for their own activities from rural areas and pass it on DRUMNET at no cost.