

### III. RURAL WOMEN'S LIMITED USE OF FORMAL FINANCIAL MARKETS

In developing countries the world over, rural women make only limited use of formal financial markets for either saving or borrowing. One reason often cited is sex discrimination by lenders. But the issue is more complex, with other factors appearing to have greater importance in determining the supply of financial services to women. A number of constraints to the supply of credit, apply to all small borrowers in rural areas. In the case of women, the influence of these factors is often considerable in limiting their access to credit. In addition, there are also factors that affect women only.

Therefore, the question of supplying financial services to women needs to be understood within the more general context of rural financial services for the poor.

#### *3.1 Institutional Borrowing*

##### *3.1.1 Limited Supply*

The main institutional services which could potentially provide credit and savings opportunities to rural men and women can be considered under three categories:

- the banks, consisting of a central bank and normally commercial, agricultural and other specialized development banks;

- other banking institutions with lending or saving as their primary activity, for instance: credit unions and thrift and credit cooperatives; and
- cooperative societies or unions of farmers, peasants, women, occupational groups or other categories of people, which provide financial as well as other services to their members.

*The Banks:* The major providers of formal financial services, are of course, the banks. In the majority of countries they provide only limited service to rural areas and even less to small farmers, rural landless and women. It has been estimated that rural areas in many developing countries receive, in general, less than one-fourth of the national credit outlay. In Africa, it has been estimated that less than 20% of farmers have some access to financial services. Even agricultural or rural development banks are little used by the poorer farmers, still less by the landless or near-landless poor.

In situations when special government or external agencies actively promote lending to the poorer sectors of the population, experience shows that such credit often tends to reach farmers with larger holdings and those who are generally better off. This is particularly the case when loans are provided at below-market interest rates under the assumption that they are subsidizing the poor. In IFAD's project planning and review in India, it was found that, only about 27% of the total institutional credit provided funds to farmers owning less than two hectares; in Brazil, 88% of the funds distributed in agricultural credit programmes went to large agricultural male operators.

Finally, where such special credit programmes do reach the poorer sectors of the rural population, women are usually under-represented as borrowers, even when there is a large percentage of female-headed households. A 1980 study in St. Lucia showed that women farmers received only 1% of the total loans distributed by the

Agricultural and Industrial Bank. A study of six major national banks in the Dominican Republic found that women comprised less than 9% of their loan portfolios. A recent IFAD review of the lending portfolio of several agricultural and commercial bank branches in Pakistan found that women accounted for less than 0.1% of the borrowers and the proportion of credit disbursed to women was still less, as the loans taken by women were smaller than those taken by men.

Many banks are reluctant to lend to small borrowers because of the high unit cost of making small loans. It has been reported that in some Latin American countries, the unit cost of making a small loan can be as much as four times higher than the unit cost of making large loans. Invariably, poor women tend to take smaller loans than their male counterparts. They also tend to be new borrowers and in need of considerable assistance, which further adds to administrative costs.

The common practice of fixing interest rates at below market rates by central and cooperative bank regulations prevents banks from compensating for higher costs of this type of lending by increasing their interest rates. There is therefore little incentive for such lending by banks. Streamlining procedures and group-based lending would help minimize such costs, but banks often do not have relevant staff skills and find these procedures difficult to introduce.

This constraint relates to the poor in general, not only to women. Its implications for targetting, financial viability and longer term sustainability of credit operations are discussed in more detail in the forthcoming IFAD publication entitled *Credit for the Rural Poor: A Review of IFAD's Experience, 1978-1987*.

*Other Banking Institutions:* While their access to capital is more limited, frequently institutions such as credit unions and thrift and credit cooperatives are better able to serve the poor, including

rural women. In some countries, such as Zimbabwe, the Solomon Islands, India and Indonesia credit unions are widespread, with both urban and rural women representing a large percentage of their membership.

Co-operative credit unions are self-help institutions that low-income people in rural areas can own and control. They function in rural areas in all regions, and have both women and men members often encouraging members to put aside a small amount of savings every week. The information currently available on credit unions with women as the principal participants is, however, limited.

In Africa in particular, co-operative credit unions have registered a high growth rate. They provide their members with savings and credit facilities at the rural level, on a self-help basis, offering simple but useful financial services to those who have no access to banks and other financial institutions. In most countries, higher-level bodies or leagues, grouping individual credit unions, have come into existence, their most important role being to provide technical assistance and other services to member credit unions. They also maintain a core of trained field workers, who visit each credit union in turn, and bookkeepers and committee members are trained on a regular basis.

## BOX 4

*DOMINICA: The Credit Unions as Sources of Credit*

The Credit Union movement has become very strong in Dominica with 22 societies, extent and comprising a total membership of approximately 34 000 in an island population of approximately 78 000 at the end of 1984. Women's participation in the credit union movement in Dominica is quite high; women constitute approximately 60% of the total membership.

The Credit Unions come under the jurisdiction of the Cooperative Division of the Ministry of Agriculture. Although the cooperative movement in Dominica dates back to the early 1940s, the first Cooperative Credit Union was established in 1951.

The members buy shares in their union, thereby gaining access to small loans without having to furnish collateral as required by banks. Loans are more often taken for financing consumer goods, especially for housing rather than for farming. Average loan size to members was US\$ 617 in 1983. The distribution of loans is as follows:

<i>Purpose</i>	<i>Percent Distribution</i>
Housing	44
Health, Education, etc.	1
Household	6
Vehicles	11
Debt Reconstruction	26
Agriculture	2
Business, Production	8
Other	4
Total	100

Overall, the Dominican credit unions have a history of good loan recovery and a reputation for reaching out to the poor who would otherwise be ineligible for loans from either the development bank or from the commercial banks.

The Credit Union League which is the umbrella organisation for credit unions operating in the country is influential with all the unions affiliated to it. The League's assets grew from US\$ 9 141 in 1979 to US\$429 489 in 1984. It operates a central financing facility, whereby those credit unions with strong liquidity positions periodically deposit some of their excess cash with the league for on-lending to weaker credit unions and for other investments.

The League, in addition to acting as a central financing institution, delivers a wide range of financial and development support services to its members.



A similar development has taken place in Latin America. In Guatemala, for example, where credit union savings have grown during the last decade in both nominal and real terms, this is mainly due to the wide distribution of offices in rural areas and amongst the indigenous, highland population. As in African countries, higher-level bodies or leagues have been formed to attract savings from members and third parties. The National Credit Union League of Colombia, for example, has been able to mobilize more than US\$ 2.5 million since the programme started in March 1981. It provides extensive technical assistance to member unions.

A review of formal credit mechanisms operating in rural Indonesia found that while women account for as much as 23.4% of the borrowers of a special commercial bank programme funded by the World Bank and targetted to the smaller borrowers, they are a much higher percentage of borrowers of other financial institutions (60% under one and 57% under another). Finally, women account for as much as 80% of borrowers from government pawnshops which are very close to the informal lending model of pawnbrokers.

*Non-Banking Institutions:* Turning to non-banking institutions, we find that any financial services and credit information from theoretically mixed-sex agricultural and other cooperatives rarely reach women, as in the majority of developing countries few women are members in their own right. Women's lack of title to land is a major constraint both to membership in agricultural cooperatives and to credit through them. Therefore, women are normally excluded from direct access to such programmes, which only serve full members of the cooperatives. In Indonesia, it was found that women were rarely members of the agricultural cooperatives, unless they are widows of men who formerly belonged. None of the loans granted by ten village cooperatives studied in Central Java went to women.

Women's marketing and processing cooperatives, on the other hand, are few in number and with limited membership in many

countries. For example, in Honduras there are only 15 women's cooperatives among 971 cooperatives in the country. This limited participation by women in formal cooperatives means they have less access to credit. Where cooperatives serving women traders or others do exist, their provision of financial services to women is restricted by funds available and to actual membership.

### 3.1.2 *Exclusion of the Poor and Women*

The limited supply of financial services to poor rural women is in part the direct or indirect result of the financial objectives of banking institutions and the general unwillingness to engage in activities which are perceived as financially unprofitable.

*Banking Networks Which Do Not Reach Women:* Larger financial institutions, especially banks, are usually based in urban areas where their major clients are. Rural small town and particularly village branches are limited as rural markets are not sufficiently large to justify costly investment in bank buildings, staff training and incentives, and communications.

Within this general picture, regional differences are noticeable. On the whole, the major part of Africa is disadvantaged. Rural financial services are comparatively more developed in Asia and the Pacific, Latin America and the Caribbean and the Near East and North Africa, but where branch banks or similar do exist, they tend to serve the better off and more accessible rural areas, not the more isolated areas where the poor live.

The physical distance from village to branch banks will clearly affect supply to men as well, but will be a more important barrier to supplying credit to women. In many developing countries, women cannot undertake travel outside their immediate area without their husband's company or his permission. Their multiple duties and

child care responsibilities also make such travel more difficult.

*Delivery Systems Which Exclude Women:* Government programmes are often forced to rely on different kinds of non-bank intermediaries for credit delivery to rural smallholders or landless people in order to compensate for the inadequate bank infrastructure to rural areas. Two intermediaries normally used under externally financed credit programmes are rural cooperatives and the commercial or financial sections within the management unit of externally financed programmes.

In most developing countries, women are not full members of agricultural cooperatives in their own right, because they have no title to land. Therefore, where loans are channelled through rural cooperatives, as is often the case in Africa, women are excluded.

On the other hand, project management units under the Ministry of Agriculture in almost all countries and regions rely on male agricultural extension staff who tend to deal with men and male dominated local organizations or farmers' groups. Frequently, credit delivery follows the same lines as the groups formed under agricultural extension programmes. In such cases, the number of women who receive loans can be no greater than the number of women who belong to such groups. In those countries where women do belong to farmers groups, their number is usually small. Therefore, in Malawi, only 6.3% of the recipients of seasonal loans were women; in Sierra Leone, 7%; and in Dominica, 6%, in spite of women's strong role as independent food producers in these countries.

### 3.1.3 *The Administrative and Procedural Constraints*

In addition to the preceding general factors, there are a number of standard banking procedures and policies which may limit access by the rural poor, and especially by rural women. Constraints



or barriers are: (i) rigid collateral requirements; (ii) the narrow targeting of loans by economic activity; (iii) lending against the cash cycle; (iv) setting a high minimum loan size; (v) limitation of the number of loans per household; (vi) cosigning requirements and (vii) complicated and lengthy loan procedures.

*Rigid Collateral Requirements:* Some studies have come to the conclusion that, along with the nature of the credit delivery system used, rigid collateral requirements constitute the major barrier to rural women's access to formal financial services. Frequent insistence by rural banking institutions on securing loans with proof of land ownership is a barrier for poor and particularly landless male borrowers as well, since clear titles to land are often very costly and time-consuming to obtain, particularly for those with no influence in the right places. Nor are farmers always willing to risk and submit such titles. Women are less likely than men to own land in all developing countries and are therefore disproportionately excluded by this requirement.

Both customary inheritance laws and land reform and distribution tend to favour males. In most countries the traditional inheritance laws dictate that land be passed on through male heirs: women therefore do not generally own land. At the same time, many government land reform and land distribution activities in countries like Honduras, India, the Philippines and others, have granted rights to land solely in the name of the male head of the household, instead of the joint names of husband and wife. Men can therefore use the land as collateral, but women cannot do so even where women may be operating the farm in the husband's absence. Some countries such as India, are now actively advocating joint ownership under land reform and settlement schemes.

Banks which require that cattle be pledged as collateral, as does the Swaziland Development and Savings Bank, due to the fact that land in the traditional sector is not individually owned, also po-

ses a formidable barrier to women's access to credit. This is due to the fact that cattle are used as bridewealth and all decisions regarding their disposal are jealously guarded by men. Such constraints can be a serious problem in a country where 42% of all Swazi Nation homesteads are headed by women.

Even where property is jointly owned, it is common in some Asian countries to register it in the man's name: with the bank, it will be the formal certificate of registration that counts. Therefore, banks must adopt more flexible approaches to collateral requirements or eliminate fixed assets as collateral, to permit access to credit by both the women and the landless.

IFAD has had considerable success in promoting credit groups to provide joint or so called "social collateral" to circumvent the collateral problem (see section 6.2). Under social collateral, the group members' guarantee of the repayment of the individual loans replaces physical or financial surety. Many recent IFAD projects use this approach, for example, the *Smallholder Agricultural Credit Project* in Malawi, the *Small Ruminants Development Project* in Togo, the *Integrated Rural Development Project* in the Dominican Republic, the *Income-Generating Project for Small Farmers and the Landless* in Indonesia, and the *Hillside Farmer's Credit Support Project* in Jamaica.

*Narrow Targeting of Credit by Economic Activity:* The accumulated evidence in a number of programmes and countries argues that narrow targetting of lending by economic activity is also likely to result in reducing the supply of credit to women. This is certainly the case where the agricultural lending operation targets cash crops or selected crops which are men's responsibility rather than women's crops. A survey in Morocco, for instance, found this to be one of the stated constraints to women's access to loans (see Box 13).

Off-farm income generating activities can also be too narrowly

targetted to supply credit to women effectively. The obsession among many women's organizations and some government agencies with teaching rural women to sew, crochet and knit, with credit provided for the purchase of sewing machines or raw materials, is a case in point. Such programmes often limit credit by adopting a top-down approach to definition of appropriate income-generating activities, without involving the women themselves in determining their credit needs or taking market factors into account.

Narrow targeting is not a requirement for successful credit operations. The Grameen Bank attributes its phenomenal success with credit for women partly to the fact that it provides loans for a wide variety of different income generating activities, including almost any legal activity if sufficiently profitable.

*Lending Against the Cash Cycle:* One of the key aspects of a good lending scheme is to match the repayment schedule with the cash cycle of the loan project. This means scheduling the repayment to coincide with when the project begins to generate a cash surplus. In the case of lending for agriculture, it means tying the repayment schedule in with the harvesting of crops. When banks fail to do this, they restrict the supply of suitable credit to farmers.

While women often do prefer repayment in the form of small amounts at regular intervals, this applies to marketing or sometimes to small off-farm enterprises, but not to single-purpose crop loans or live-stock such as beef cattle. Therefore, when the Grameen Bank model of a weekly repayment schedule, with no grace period, was used for single purpose agricultural loans in Malaysia, it resulted in repayment difficulties and generally restricted the supply of credit to small farmers. In recent years IFAD and other financial and donor institutions have paid increasing attention to this key aspect of agricultural credit.

*Setting a High Minimum Loan Size:* When lending operations stipulate a high minimum loan size they have been found to elimina-

te credit supply to the poor. The minimum loan size needs to be even lower for women than for men. Women tend to take smaller loans, particularly in the case of first-time institutional borrowing, since their cash needs for traditional activities are usually small. Under special schemes it may also be necessary to set low ceilings for loans to encourage only the poorer women to utilize such funds.

*Limits on the Number of Loans per Household:* There are very valid reasons why some banking institutions adopt a policy of only granting one loan per household. However, in those countries where men and women have income generating activities which are fairly autonomous and keep their earnings separately, this policy can limit women's access to credit services.

*Cosigning Requirements:* In some countries banks have legal requirements for cosigning of business or personal loans by spouses. Field experience shows that even when such requirements may not exist formally, local customs or practices of specific banks or branches may require that any loans made to women be signed by husbands or village elders, but do not correspondingly require spouses to co-sign in the case of male borrowers. This of course adds to the transaction costs for women, due to transportation and time costs. In those instances where cosigning by the husband is required, women *de facto* heads of households are at a particular disadvantage.

*Complicated and Lengthy Loan Procedures:* Normally most banks have complicated and lengthy procedures for loan application, often requiring the preparation of financial statements and investment plans as well as the acquisition and submission of numerous documents. Actual applications are often many pages long. Such procedures make high demands on literacy, numeracy and education in general. They also require a certain amount of know-how in dealing with bureaucracies. Finally, the process itself can be very time consuming and require that the prospective poor rural borrower make many visits to the distant bank for one small loan.

While constituting a barrier to access for all poorly educated and distant rural populations, complicated procedures are a particular burden to women, since women are, more often than not, functional illiterates with no experience in dealing with formal institutions. Women are also more tied to their domestic obligations, with little time and opportunity to get away.

*Credit Information by-passes Women:* Women are frequently cut off from access to information about credit because of their illiteracy, their language constraints and their restricted access to the male-oriented information channels through which such information flows.

Booklets and brochures made available by banks in many developing countries do not use the local language, but instead employ the "official" language, which is often not understood by rural women. The literacy requirements for comprehension and style of presentation also exclude most poorer rural women.

Personal information channels for credit, such as extension agents, male credit officers, village or cooperative society leaders, commercial agents, or even tea houses, also frequently bypass women. Nor do most women often have indirect access to this information through their husbands, as is sometimes assumed.

Information, as always, is a major factor in determining who will have access to benefits. When women do not know that financial services are available and how to go about obtaining access to them, they cannot become users.

*Negative Real Interest Rates:* A negative real interest rate resulting from government regulations puts credit at a premium and reduces a bank's willingness to extend services and provide credit lines to the rural poor, including rural women who can provide little in the way of those non-tangible benefits of lending, i.e. high status and low risk that tend to determine who has access to credit under such conditions.



If the interest rate is regulated and maintained below its market level, lenders must compensate for lower returns by relying on lower risks and costs. This tends to favour established borrowers and results in high transaction costs, inflexible collateral and complicated loan initiation procedures which limit the supply of credit to women and the poor in general. Experience in many countries has shown that instead much of this credit goes to larger and better-off male borrowers.

### *3.2 Institutional Savings*

It is now being recognized that the rural poor have a much greater savings capacity than previously thought: remittances from migrant workers, sales from cash crops and small market oriented rural industries and trading activities are generating a cash income even for the poor.

Women's interest in and ability to save is being proven under many small programmes. A survey was conducted on women employed on a wage basis in one tea estate in Cameroon in order to determine whether the women must immediately consume their relatively stable, regularly paid earnings to maintain their family and household or whether they are able to accumulate part of their earnings in the form of savings for future consumption or investment. The survey showed that nearly everyone interviewed had some savings. Their achievement was compared to that of non-wage employed women in the same location. The majority of those women also saved, although in much smaller quantities<sup>5</sup>.

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<sup>5</sup>. DeLANCEY, V. - "Women at the Cameroon Development Corporation: How their Money Works", in: *Saving and Credit Institutions in Rural West Africa*, M.W. De LANCEY (Guest Ed.) RURAL AFRICANA, New Series, No. 2, Fall 1978. The African Studies Center, Michigan State University, East Lansing 1978.

Similarly, under the Kababarbag Barangay of Balacon (KBB), a Philippine expansion – meaning “women of the village” – co-operative type association women engaged in income generating activities and especially those involved in pig-raising were able to save half their earnings and still repay their loans.

### 3.2.1 *Saving in Banks*

While it is impossible to determine the exact percentages it is clear that much of rural women's savings activity is informal and never reaches a banking or other financial institution. A major cause lies in the fact that rural areas are undersupplied with institutional savings opportunities.

The Banks have usually not put much effort into the mobilization of rural savings for several reasons: their networks in rural areas have usually been inadequate; the capacity to save among the mass of the rural poor has been assumed to be very limited; and, the administrative costs of tapping rural savings has not been considered worth the likely financial benefits.

## BOX 5

*AFRICA: The Post Office Savings Banks*

The Post Office Savings Banks in Kenya, Zimbabwe and other African countries, were originally deposit savings banks targetted to the small saver, either male or female, who was not served by the commercial banks. Therefore low or minimum deposit requirements exist. They offer only a limited range of savings facilities and have simple banking procedures.

The original post office savings Bank in Kenya was established in 1910 with the following aims:

- to encourage thrift and savings
- to facilitate savings by the small saver who is not catered for by the commercial banks
- to mobilize savings for development
- to enhance economic well-being among small savers who are not catered for by commercial banks.

The bank was placed under the management and control of the Post Office Administration and was appointed as Government agents. In 1978, the Kenyan Government amended the law to facilitate establishment of an independent body, the Kenya Post Office Savings Banks, now called Postbank, with its own board of directors and management responsible to the Minister of Finance. The new Act also formally empowered the savings bank to open and close branches anywhere. The bank was also allowed to enter into agreements with the Post Office, paying for these services as agreed with the Post Office management. In 1986 Postbank had two branches of its own in Nairobi and agreements with 220 full post offices (administered by postal staff) and 60 postal agencies (administered by agents of the Post Office), and also with private individuals and Government officers. It is engaged in a programme of rural expansion

In Zimbabwe the Post Office Savings Bank has a large rural clientele and is the financial institution with the largest number of branch offices in the country. In 1984 deposits in about 77% of all POSB savings accounts amounted to Z\$100 (US\$43) or less.

There are exceptions to the rule, as in the case of the Post Office Savings Banks (Box 5). Another example of a bank that has been particularly successful in mobilizing women's savings is the Self-Employed Women's Association Cooperative Bank of India (Box 6).

## BOX 6

*INDIA: Saving with the SEWA Bank*

The Self-Employed Women's Association (SEWA) Co-operative Bank was set up by SEWA, which is registered as an autonomous trade union for women. From its establishment in 1974 to 1976, SEWA Bank concentrated on mobilizing self-employed women to bank with it. Only in 1976 did it begin to provide loans to depositors from its own funds (see Box 18).

SEWA places considerable emphasis on savings and argues that in the women's development bank the savings arm grows much faster than the loans arm of the operations. SEWA proves this point by its high deposit : credit ratio. In early 1989 the Bank had some 4400 borrowers with total loans outstanding of Rs.4.4 million. On the other hand, it has 22000 depositors with Rs. 11 million deposits.

Although any woman can open an account with the SEWA Bank, the members of SEWA union, numbering more than 21000, are the main depositors. As the majority of account holders are illiterate, the SEWA Bank has evolved a unique system of identification for them. Every account holder has an identification card which has a photograph showing her holding a slate with her account number written on it. This photograph is also fixed on her pass-book. Her name and account number are thus associated with her photograph and not her signature, as is the usual banking custom. This system is also used by other credit schemes in India.

The SEWA Bank has to give interest on savings as per the rates fixed for all other cooperative banks i.e. 6% per annum on Savings accounts and upto 12% per annum on Fixed accounts (See also Box 18).

### 3.2.2 *Saving in Other Banking or Credit Institutions*

In some countries, such as Zimbabwe, the Solomon Islands, India and Indonesia credit unions are widespread, with urban and rural women representing a large percentage of their membership. Credit unions and similar institutions are reported to be particularly attractive to women as a means of protecting their savings from wasteful expenditure and as a source of small loans to meet family emergencies or consumption needs.

## BOX 7

*SOLOMON ISLANDS: Small Scale Savings through Credit Unions*

Among institutional savers in the Solomon Islands, the credit unions are often preferred to other savings institutions because they are viewed as belonging to the community, and not some distant external organization. A significant number of urban workers in the Solomon Islands save with their village credit union as a way of maintaining links and assisting in the development of their village. This practice creates a basis for their later return to the village.

Many of the women members, who account for 40% of membership, see the savings role as important in curbing wasteful expenditure on such things as gambling and liquor, and ensuring that adequate money is available for more basic needs like food and schooling for children.

There are now some 180 credit unions on the Solomon Islands, with, on average, some 70 members each or about 10% of the adult population. Resources of the credit unions are relatively small, with average deposits of about S\$5500 (US\$2750) per credit union, which is not surprising, given the low levels of cash incomes in rural areas. In fact, the average deposit per member of S\$83 (US\$41.50) represents upward of 12% of the annual cash income of the average adult in rural areas.

At the national level, credit unions are spreading rapidly as their popularity has created competition with other financial institutions: as a result of their activity, the National Bank of the Solomon Islands have caused them to improve their services to the rural communities.

### 3.2.3 *Saving in Non-Financial Institutions*

Non-financial institutions such as building societies and insurance companies, which are sometimes active in urban areas in developing countries and responsive to small savers' needs, have limited or no activities in rural areas.

In Zimbabwe, which has one of the most sophisticated financial systems in Africa, the building societies call themselves "the small people's banks" and have deposit facilities compatible with small savers' needs. Although most branches are in urban areas they also have a fairly extensive rural network with mobile services that maintain a regular programme of visits to each village.



### 3.2.4 Linkages Between Informal and Formal Savings Organizations

The rotating savings and credit associations and savings and lending clubs occasionally deposit their savings in banks and use their collateral for bank borrowing. Also, informal savings groups in

#### BOX 8

##### *ZIMBABWE: Informal and Formal Saving under the Savings Development Movement*

The Zimbabwe Savings Development Movement (SDM) originated in the 1960s on a small-scale inside a mission network and is closely allied to traditional savings customs. In spite of a period of dormancy during the war for national liberation, by 1985, 500 clubs with 140 000 members were in existence. The large majority of club members are women, although membership is open to anyone. The clubs have successfully mobilized a considerable amount of rural and mainly women's savings estimated currently at around US\$6 million.

The clubs at the village level are formed by people who have common interests and are motivated to save money for investment in on or off-farm income-generating activities. Many women *de facto* heads of households belong and deposit remittals from their migrant worker husbands. Clubs are flexible in organization, taking into account members' needs and preferences. They have a minimum membership of 10 and a maximum of about 30.

The clubs are loosely affiliated into the national Savings Development Movement, which furnishes them with training, material, technical and supervisory services. The SDM consists of elected Area District and Provincial Committees having a keen interest in rural development and the mobilization of rural financial resources. These committees are recognized as efficient means of channelling technical and other information to women. Private concerns, such as fertilizer companies, have also used this channel to disseminate information. Several international donors have supported the administrative and training aspects of the Savings Development Movement.

The SDM training programmes, respond to the expressed needs of member Clubs. The most common courses include training in basic bookkeeping, leadership training, and technical training through coordination with other agencies.

An important factor in the outstanding performance of Savings Clubs is the direct involvement of agricultural extension workers, who provide technical services to the members, demonstrating up-to-date methods of keeping financial records, and negotiating contracts for the marketing of some of the members' products.

The SDM does not involve itself in the day-to-day management of individual Savings Clubs, where members are entirely responsible for the decisions taken. Also, it does not handle any of the Savings Clubs' money, each Club being responsible for its own deposits and withdrawals, the SDM being kept informed of all transactions.

Procedures for saving are simple and easy for illiterates to understand. Since 1970 special stamps of 20 cents value are stuck into a member's savings book. Each page holds twenty stamps and represents a \$ 4.00 savings certificate. Each certificate is numbered serially and a register of these certificates is kept by the committee by means of a simple monthly return which gives a summary of membership, cash savings and expenditure.

Savings are on an individual basis and are deposited at the weekly meetings. There is no real group control of either the deposits or the withdrawals. However, members usually deposit at least the minimum amount stated in the rules, about 20[cents per week. In practice many members deposit more. As soon as possible after the conclusion of the weekly meeting, money collected by the weekly club meeting is banked by two members of the Management Committee in a savings account with a building society, travelling bank or Post Office Bank (see above Box 5). The club passbook is inspected by the Management Committee to verify the banking of the cash providing the linkage between the informal and formal systems.

Use of funds is also individually decided. Members can have access to their savings upon giving one week's notice, but on the whole, they are encouraged to accumulate savings rather than to withdraw them. Often savings are used to purchase agricultural inputs by groups of women or men farmers or others investing in voluntary group projects. Common projects are group purchase of agricultural inputs, for poultry raising, piggeries, gardening, sewing and bread making. Estimates of the total number of SDM clubs vary somewhere between US\$ 3 500 and US\$ 6 000. Clubs differ as to their accumulated savings. Usually individual savings are fairly small: average savings in older clubs of about US\$ 300 per member, in newer clubs savings average US\$ 25 to US\$ 30.

The amazing growth of the SDM has resulted from a natural spread from one club to another, a limited number of field workers and the encouragement of outside organizations, especially missions. There is no pressure put on people to join. The concept of group savings is vital to the success of the savings club programme, as is the perceived security of savings, the regular meetings, stamp and certificate procedures and the open system of depositing and withdrawing savings, which leaves little opportunity for abuse of the system.

the Philippines, Thailand and Indonesia have organized themselves into credit unions, which are further affiliated with higher-level unions having direct ties with the formal financial institutions.

The well known Savings Development Movement in Zimbabwe (Box 8) illustrates such a case of mutually beneficial linkage of an informal movement to rural financial institutions. Collective

club savings are deposited in institutional accounts. Essentially the informal club structure takes on a voluntary role of mobilizing and channelling savings to the formal financial system, thus bridging the gap between it and the small savers.

### 3.2.5 Constraints to Institutional Saving

*Limited rural infrastructure* is an obvious constraint, since women in particular do not have the time and ability to travel and may need to deposit savings frequently. Innovations such as mobile banks require time for people to develop trust in them.

*Negative interest rates* resulting in the erosion of the purchasing power of their institutional savings can disillusion depositors and encourage them instead to invest in jewellery, animals, or other tangible assets with a ready nearby market for conversion into cash as needed.

*Inflexibility of Services.* It has been observed in India that if rural women have to make numerous trips to deposit or withdraw their savings, only to find that they are unable to do so, they soon become disinterested. Adherence to rigid banking hours is difficult for many to understand, since it is not a part of the informal system. Savings facilities need to be more accessible to be attractive to women.

*Minimum deposit requirements* have sometimes been too high for rural clients, especially the poorer rural women, and sometimes for joint accounts of savings groups or clubs.

*Bureaucratic barriers*, such as the formal and time consuming applications required for opening of group accounts as has been found to be the case with the Post Office Savings Banks in Zimbabwe, can be a barrier to access by savings clubs. One possibility

would be for such formal applications to be required only with larger joint accounts or when joint accounts reach a given size.

*Information gaps* are another constraint. Mobile banks that visit villages periodically to transact savings deposits and withdrawals, need to explain better the nature of their services, including what they do with the money deposited: to traditional rural people these types of services are often completely new. People also need to know when such services come to a certain area. This should preferably be done on a regular basis that coincides with weekly meetings of savings clubs.

It is clear that the banking community has shown little enthusiasm in expanding its network of outlets and staff in rural areas and adapting its procedures to suit the borrowing and savings needs of rural people, and especially women. Some of the problems here are much the same as they are in providing social services to isolated rural populations. Sectors such as health and even education have found they were able to extend services through linkage with informal arrangements at the village level. There is similar potential for financial services: institutional credit and savings supply can keep costs low through operational linkage to informal group structures for saving and lending. Similar strategies will also have a positive effect on demand, as discussed in Chapter 4.