



How to Improve Banking for Rural Women

Guidelines for Action



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**INTERREGIONAL TRAINING
SEMINAR ON**

**"HOW TO IMPROVE BANKING
FOR RURAL WOMEN"**

**Nicosia , Cyprus
19-30 November 1990**

**Organized jointly by
International Fund for Agricultural Development
(IFAD)
Mediterranean Institute of Management
(MIM)
International Research and Training Institute for
the Advancement of Women
(INSTRAW)**

WOMEN, CREDIT AND RURAL BANKING: GUIDELINES FOR ACTION

INTRODUCTION

A few statistics tell the story: rural women in the developing countries grow 70% of the food, manage about 80% of small village enterprises, but receive no more than 5% of the financing dispersed through multilateral banks. Yet it is these women, who are generally the poorest of the poor, who are most in need of funds to survive and to feed and clothe their families.

The seriousness of the situation is not in dispute. Over the years, development workers have consistently reported that it is women's income which is usually used for food and education; men's earnings are generally spent on supplies and equipment for larger, profit-making activities. In a bad year, faltering short-term prospects are the main problem for men; for women, when incomes are severely restricted or even non-existent, the well-being of future generations is at risk. And credit to help increase income, or even just to plug the temporary gap, is almost impossible to obtain.

Ironically, it is the very nature of their domestic activity that has perpetuated the restrictions on women's access to credit. Both law and tradition have made men the owners of property and primary providers of family income. In contrast, women's unpaid work in the home and on the family farm is not valued and any supplemental income from the informal sector -from marketing handicrafts, for example- is considered too small or too inefficient to be credit-worthy.

In recent years, the problem of women's access to credit has been aggravated by the often adverse effects of national economic austerity programmes, so-called structural adjustment policies, which have caused severe dislocations among the poorest segments of the population as government spending falls and credit tightens still further.

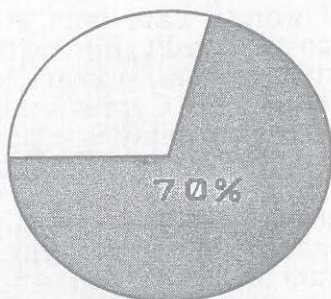
In an attempt to reverse the negative impact of these new developments as well as more traditional constraints, international organizations, governments and no-governmental organizations (NGOs) have been trying to develop innovative banking techniques to improve women's access to credit, particularly in rural areas where the situation appears to be worst. The short-term objectives are to increase financial and technical assistance programmes geared specifically to women; the long-term goal is more ambitious: to enable rural women to enter the economic mainstream and be equal participants in their nations' economic and social development.

It was to exchange ideas and experiences, and train development officials, bankers and credit union officers from both the public and private sectors in new practices that a seminar was convened in Nicosia, Cyprus, in November 1990, under the auspices of the International Fund for Agricultural Development (IFAD), the Mediterranean Institute of Management (MIM) and the International Research and Training Institute for the Advancement of Women (INSTRAW). What follows is a summary of the suggestions and recommendations for action which emerged from two weeks of discussions and workshops.

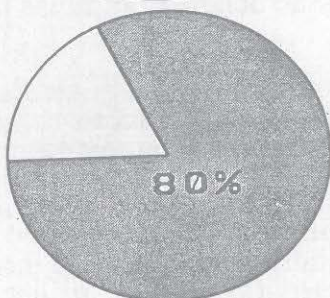
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THE RURAL WOMEN'S SHARE

***Rural women
in developing
countries***

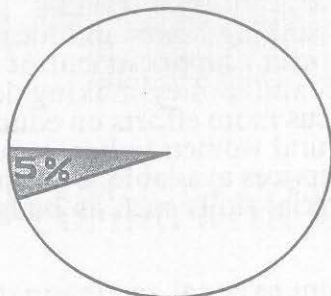


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THE CYPRUS PERSPECTIVE: A BRIEF OVERVIEW

Access to credit does not, and should not necessarily mean cheap credit. This was the common theme running through all the workshops and technical presentations made at the Nicosia seminar.

Historically, rural women have been accustomed to paying the high costs of credit afforded them through traditional informal sources, primary local money-lenders. The emphasis at the Cyprus seminar, therefore, was on the need for flexibility in adapting legal, cultural and institutional practices to the formal financial requirements of rural women. Specific suggestions and recommendations were made mainly to governments and public and private lending institutions, but are equally relevant to the local and national activities of NGOs, village associations and even family units as well.

In general, it was suggested that governments remove the legal barriers to women's access to financial services, and to create a more hospitable economic and social environment through increased allocations for transportation, technical assistance and rural extension services, among others. It was suggested that financial institutions re-orient their policies to include more innovative definitions of collateral, smaller and new types of loans, more "consumer friendly" procedures in such areas as banking hours and locations, and perhaps more important, appointment of more women at managerial and policy-making levels. NGOs were asked to focus more efforts on education and training to enable rural women to know and understand the financial services available to them, and to acquire basic managerial skills such as budgeting and accounting.

And everyone from national and international development officials to male heads of household were asked to be sensitive to the special characteristics and impact of women's economic activities. Increased

productivity should be seen as both objective and outcome.



UN Photo/John Isaac

WHEN MONEY IS IN SHORT SUPPLY: COPING WITH AUSTERITY

Credit for rural women has been scarce; structural adjustment programmes have made loanable funds still harder to come by. Many possibilities for improvement remain, however.

HELP FROM GOVERNMENTS: INCENTIVES FOR ACCESS

Despite constraints on spending, governments can help both women and rural development by providing direct assistance through re-allocation of funding priorities and, indirectly, through tax and other incentives. **For example, governments can:**

- ***Improve the collection of statistics on the economic contributions of women's activities, both unpaid and in the informal sector, and incorporate data in the national budget-making process; include incentives for commercial banks to use this information in their loan decisions. If properly implemented, sound statistical policies will result in recognition of the value and credibility of women as contributors and managers of projects previously regarded as small or non-viable.***
- ***Establish special lines of credit to commercial banks and other financial institutions willing to provide the terms, types and size of loans needed by rural women.***
These loans would help provide start-up capital for micro-enterprises at the village or household level such as food processing or handicrafts, which were previously ineligible for traditional loan arrangements. Women's traditional agricultural activities should also be considered credit-worthy. For example, in allocating development funds, banks tend to think in terms of traditional economic sectors; the wholesaler who exports is considered part of the same agricultural sector as the farmer, frequently a woman, who grows a small part of the crop. Normally, the dealer rather than the primary producer would be granted the credit based on the potential

value of the total harvest. Special lines of credit for women would help redress the financial imbalance.

- ***Establish guarantee funds for banks which provide loans to rural women who lack the assets for standard collateral but whose projects are otherwise viable.*** The risk to both government and ultimate lender is small; women seldom default. Repayment rates run between 85% and 95%.
- ***Offer tax deductions or similar incentives to commercial banks which provide special financial services to rural women, particularly decentralized operations with outreach to remote rural areas.***
- ***Improve the agricultural infrastructure and increase support services for small producers.*** Allocations should range from road building, which improves women's access to markets, to increased agricultural extension services. Other assistance might include the supply of new equipment, if appropriate, or the exploration of innovative cost and time-saving techniques.
- ***Provide insurance programmes against crop or livestock loss to protect banks against unavoidable defaults on loans.*** These programmes should be supported by development assistance for improved facilities and techniques for storing and processing food. This would not only prevent crop loss but also allow rural women -and their financial partners- to benefit from higher off-season prices.
- ***Make more flexible export licensing and other trade policies.*** Elimination of some re-

quirements as to size and type of product or producer would allow women, probably through small village associations or cooperatives, greater access to more and larger markets.

■ **Give greater priority to improved social services in rural areas.** Rural women are among the most disadvantaged segments of the population, and their health and nutrition standards have deteriorated disproportionately. As a result, their productivity has also decreased, eroding their ability to qualify for credit still further.



Ginnie Azcona

Women's traditional agricultural activities should also be considered credit-worthy.

HELP FROM THE BANKS: OPTIONS FOR OUTREACH

Traditional banking policies and procedures tend to preclude rural women from qualifying for credit. Several changes can be implemented by both public and private financial institutions to meet the special needs of women without incurring imprudent expenditures or undue risk. **Banks can:**

- ***Re-define collateral requirements to permit alternatives to land and property.** For example, banks should accept loan guarantees by local women's associations or other traditional groups which assume collective responsibility for the debts of its individual members. Close relatives who would themselves qualify for standard credit arrangements should also be permitted -but never required- to guarantee women's loans.*
- ***Establish special credit programmes for rural women based on new, gender-specific criteria** such as the value of a woman's labour in the family's enterprises or her own economic activities in the informal sector.*
- ***Re-orient the loan evaluation process to include small-scale enterprises and the reliability and know-how of the women who hope to manage them.***
- ***Eliminate all requirements for guarantees or collateral for small loans for start-up projects.** In such cases the bank's risk is minimal; more stringent conditions can be added at a later date if the project prospers and the requested loans get larger.*

- ***Encourage savings by rural women by eliminating requirements for minimum deposits and by offering attractive interest rates or other incentives.*** One incentive is to inform the women that their savings can be used for the collateral they need. Another possibility might be establishing targets for savings within a specific time period, after which loans would be granted far in excess of the amount saved. In the meantime, the savings being accumulated could be used by the bank for loans to other women.
- ***Grant loans based on the "tangible assets" of an enterprise as it grows, rather than security based on separate and unrelated holdings.***
- ***Reduce interest rates as much as possible through introduction of more efficient management practices.***
- ***Provide advisory services on how women can expand their current enterprises and participate in other non-traditional mainstream activities.*** One area in particular needs special attention: making women aware of the necessity and value of making installment payments rather than lump sums, as a means of establishing their credit-worthiness, among others.
- ***Establish branches in rural areas or arrange for mobile banking at times and locations convenient for women.*** Many rural women have no means of travelling to distant banks, and even if they did, their daily duties would conflict with normal business hours. Banking hours which coincide with local market days, for example, would greatly improve women's access to banking services.

- *Simplify banking procedures and try to hire personnel fluent in the local language or dialect. Many rural women are illiterate or at best minimally educated and cannot cope with loan applications or other paperwork. In addition, many are unfamiliar with what may be the country's official or working language. Special efforts should be made to help them understand the various types of accounts and services available and how best to take advantage of them.*



UN Photo/John Isaac

Banking hours which coincide with local market days would greatly improve women's access to banking services.

HELP FROM NGOS: FILLING THE FINANCIAL GAPS

Banks can provide credit and other financial services, but cannot by themselves create the environment for the demand for those services. This is the area in which NGOs can be most useful. For example, they can:

- ***Apply for loans on behalf of women's enterprises.*** Large organizations or their local affiliates are usually considered more credit-worthy than small local groups or individuals and can obtain bank approval more easily.
- ***Establish funds for revolving loans or for deposits as loan guarantees in local banks.***
- ***Educate rural women on the basics of financing.*** Most rural women need knowledge of the fundamentals before they can begin to apply for credit; increased participation in formal financial arrangements depends to a large extent on women being able to identify and increase their personal assets, from traditional know-how to learning why, how and when to buy shares in the local cooperative or even the local bank.

NGOs can educate rural women on the basics of financing.



UN Photo/John Isaac

THE HEART OF THE MATTER: BREAKING DOWN THE BARRIERS

The mechanical difficulties of obtaining financial services are symptomatic of the deep-seated legal and cultural constraints on rural women in many, if not most developing countries. Almost twenty years after the first international women's conference, many women still lack the fundamental rights and legal status to be able to participate as equals in their own societies. Tradition can still be an economic impediment; in many countries, women are not permitted to own or inherit property. Laws often consider them minors, unable to enter into contracts and often dependent on their husbands' consent and guarantee of all their economic undertakings. And, perhaps most important of all, their education is either non-existent or far inferior to the males in their communities. One of the most important keys to redress, to both political and economic empowerment, is access to credit. It is the responsibility of governments, financial institutions, organizations and individuals to help break down the barriers to that access.

THE GOVERNMENT'S ROLE: SETTING THE STANDARDS

National governments can set the legal and political tone for removing the constraints on women's full participation in economic activity. **Official actions should:**

- *Repeal or amend all laws which discriminate against women. Women should be treated as adults and equals under the law, particularly with respect to ownership and property rights. For example, women should be legally and individually entitled to the same tax exemptions and other economic incentives as men.*
- *Create incentives, through tax policy and allocation of funds, to ensure rural women's equal access to education and training at all levels. Education is expensive, and families tend to use limited funds on their sons. Special government scholarships for women and girls would be one possibility.*
- *Support economic and social policies which are sensitive to and address the special needs of the most disadvantaged segments of the population, including rural women. Actions might include the establishment of special ministries for women's affairs and the appointment of women to other policy-making and administrative posts as well.*
- *Ratify the United Nations Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW). Once ratified, implementation of the Convention must be carefully and continually monitored to ensure its effectiveness.*

THE BANK'S ROLE: CREATING A RESPONSIVE ENVIRONMENT

To the rural woman seeking an economic partner, the bank staff is often the primary, if not the only representative of the larger society and its practices. Communication and procedures which are sensitive and responsive to their individual situations are critical to meeting their needs. **Banks can:**

- ***Train all staff to understand women's financial problems and requirements.*** This is particularly important for clerical workers, who are usually the first people potential borrowers meet. They should be trained to identify women needing special credit arrangements and be ready and able to help them fill out forms and understand the procedures involved.
- ***Delegate authority to branch and field workers to grant small loans*** without the normal administrative approvals.
- ***Recruit, train and promote qualified women at all levels from top management to mobile field workers.*** Allowing rural women to speak to other women will help communication, improve outreach and also provide badly needed female role models.
- ***Treat women as independent adults. Eliminate all internal administrative requirements for male consent or guarantees for credit arrangements.***
- ***Advertise the services available.*** Radio programmes in local languages or dialects are particularly effective in making rural women aware of the opportunities available to them.

THE NGO ROLE: HELPING WITH THE BASICS

The move to the economic mainstream begins at the grass roots level. There, women must first learn not only how to read and write, but also what options are open to them beyond their households and how to reach out to take advantage of them. Private sector organizations whose representatives have already achieved economic and political success should assume some responsibility for contributing to the empowerment of their less fortunate sisters. **NGOs can help lay firm foundations when they:**

- ***Educate rural women about their legal, political and social rights.*** This should include helping them understand the issues on which they may be asked to vote and on undertakings in which they should participate more actively. For example, women should know when they are entitled to full individual membership in cooperatives and other local associations, and to receive income from them proportionate to their productivity, equal to or perhaps beyond that of their husbands.
- ***Provide education and technical assistance in diversifying their economic activities.*** Rural women can increase both their incomes and credit-worthiness by moving beyond traditional household-related micro-enterprises such as textiles and handicrafts to larger, higher profile mainstream production.
- ***Teach women how to organize themselves into community and borrower groups.*** Such groups usually qualify for larger loans with fewer restrictions. The specific credit mechanisms which will develop as a result of these recommendations will vary widely, depending on the structure and resources of the

local economy and the amount of funding available. What all such schemes have in common, however, are their overall objectives: to help rural women increase their income and productivity, raise their standard of living and that of their families, and enter the economic mainstream of their respective societies. In doing so, they will both contribute to and participate in their countries' overall economic and social development.



UN Photo/George Frayne

Governments can improve the collection of statistics on the economic contributions of women's activities, both unpaid and in the informal sector, and incorporate data in the national budget-making process.

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Printed in the Dominican Republic
English - 1991 - 1,000 - INSTRAW/SER.A./31