

# issues

**Limited resources/assets and liquidity of low-income households do not necessarily translate into credit needs or demands.**

- ▶ Rural households with very small incomes reduce their effective credit demand to basic investment and consumption requirements.
- ▶ Small borrowers assess their own repayment capacity in a cautious manner and commit themselves fully to servicing credit instalments (generally from the informal segment of rural financial markets).
- ▶ Long-term security is a fundamental objective of household coping strategies. Thus, rural people accumulate savings in the form of land, livestock, trees, jewellery, etc., in order to obtain such security.
- ▶ If cash is not immediately required, men and women, depending on cultural habits, may use seasonal spare time to produce and sell handicrafts to build up personal savings. These goods are exchanged or sold as the need arises.



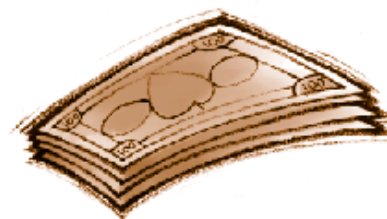
**A borrower (man or woman) has a greater commitment to an investment planned and appraised on his/her own initiative than to a project/programme-financed activity that he/she was not involved in identifying.**

**A line of credit will not automatically lead to benefits unless there is access to inputs, cultivable land, livestock and appropriate technology.**

**Experience shows that women are reliable borrowers and that they have a strong sense of dedication to the rural institution that provides the services they require.**

**Bureaucratic requirements, unsuitable conditions and inflexible attitudes of (bank) staff keep poor and illiterate potential customers, particularly women, from demanding financial services.**

- ▶ Women are accustomed to using several savings and loans strategies simultaneously. Whether their savings are in kind or in cash depends on opportunities and needs.
- ▶ A capacity for saving allows women to both resist demands on their cash and to build up reserves to respond to basic family needs.
- ▶ Small loan amounts can meet women's needs for working capital and facilitate low-risk borrowing.



## *implications*

FOR PROJECT AND PROGRAMME DESIGN

- ▶ Assessing informal and formal traditional networks and associations or credit and savings groups, particularly women's, is critical for:
  - ▶ designing new credit and savings approaches;
  - ▶ understanding the potential strengths and weaknesses in both systems; and
  - ▶ ensuring adaptability of new system without risk.
- ▶ Financial services should be promoted cautiously in areas with low savings potential, in economies with limited monetization, and where target groups are already indebted or cannot be expected to generate surpluses that permit capital accumulation.
- ▶ Women may require short-term loans corresponding to quick turnover of the petty trading and commerce they usually pursue.
- ▶ Provision of savings and credit for women must look beyond asset accumulation and incorporate time and labour savings, family welfare and ability to pursue better financial management strategies.



## *risks*

- ▶ Project/programme-induced credit demand at the household level may:
  - ▶ be accompanied by distinctly higher-risk outlays and less commitment to repaying; and
  - ▶ result in indebtedness and deterioration of the borrower's asset base if he/she attempts to service loan repayments regardless of the level of incremental income-generation.
- ▶ Lending without mobilizing deposits leads to dependence on government or donor funds.
- ▶ Difficulties for women in accessing credit may narrow the scope of a business, prevent hiring of needed employees and force use of obsolete technology.
- ▶ Unless appropriate conditions exist (time and labour availability, marketing opportunities, access to training and information, etc.) for women to be able to undertake new/enhanced income-generating activities in a sustainable way, they may run into indebtedness and/or risk personal and family well-being.