

« GIVE CREDIT TO RURAL WOMEN »

The aim of this document is to provide **information** on the theme of granting credit in a rural environment, and to rural women in particular.

Rural women play a fundamental role in daily management of agricultural activities and of the family unit. They are however often confronted with numerous obstacles when applying for credit. Consequently, they try to optimise their possibilities of accessing credit from the various existing rural finance services:

1. **The “unofficial” system** (an alternative established by community members)
2. **The “official” system** (banks and other official financial institutions), and
3. **Farmers’ organisations** which give loans to their members.

Each of these points is discussed in this document.

This document is concerned with full financial services (savings and loans facilities). Merely providing loans will not allow optimisation of management activities in rural environments.

Savings therefore have an essential role to play in ensuring against future risk and, consequently, ensuring future food security for the family unit which is the main reason for creating income-generating activities for rural women.

This document deals with credit in the wide sense because the objective for developing access to financial services for rural women is to enable them to control these sources of income and their utilisation. Thus "giving credit to rural women" cannot be limited to merely granting micro- credit should they wish, for example, to set up an agricultural food processing company.

This document does not necessarily represent IFAP’s official position and does not constitute an IFAP policy on credit. Its aim is to stimulate debate and discussion during this important day for rural women.

IFAP is the world farmers' organisation grouping together national agricultural organisations throughout the world. It maintains close links and partnerships with the main inter-government organisations, playing a dynamic role in agricultural and rural development.

The IFAP Women's Agricultural Committee is a permanent discussion forum for giving encouragement and support women's agricultural activities, recognition of rural women's rights and developing their representation in agricultural organisations.

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PART 1: WHY "GIVE CREDIT TO RURAL WOMEN?"

Rural women fulfil multiple functions on a daily basis: they are mothers providing for their family's well-being, farmers producing food for the family, shopkeepers supplying indispensable additional income. They are also in charge of natural resources management which ensures future food security for their families.

Although rural women represent a fundamental pillar for survival and management of the family unit, they are confronted with real difficulties in accessing additional resources such as credit. Various barriers arise when they try to undertake or develop any income-generating production activities.

1.1. Why facilitate loans to rural women?

Loans play an important role in the economic, social and political improvement of the situation of women throughout the world.

Improving rural women's access to finance gives them a chance to become autonomous. This can contribute to increase agricultural productivity, development of income-generating activities alongside their production activities, better control of production methods, and improved natural resource management. As a result they will be able to ensure food security for the future of which they are the guarantors. Additional sources of finance can help in developing necessary commercial agriculture within the national and international context, whilst retaining subsistence farming for the community's daily needs.

By increasing their economic power, they will be able to organise themselves more efficiently, to affirm their position as rural women farmers, to participate in decision making processes and to draw up policies which concern them; as well as defending their own interests with public authorities and other relevant institutions.

1.2. Why facilitate savings for rural women?

Savings are seen as insurance against foreseeable future difficulties (constituting a dowry, bridging a difficult period, etc) or completely unpredictable (food shortages, natural weather phenomenon, foodstuffs sold cheaply because of the death or accident of a member of the family, etc). Rural women therefore insure themselves against future risks by saving in the form of land, herds, trees, gold jewellery, or by hoarding money, which also include risks such as theft, the compulsory gift of a sum to a member of the family in difficulty, a livestock epidemic, etc.

Access to safe and secure savings is an important part of addressing short-term, medium-term and long-term unforeseen circumstances. These savings allow them to protect their own funds and, as a result, to undertake other income-generating activities. Allowing them to control their incomes and to be paid for these activities is to participate in granting autonomy to rural women.

1.3. Women's responsibility in agricultural activities

Food crops are the basis of most rural production as they provide the necessary daily food rations for rural families. Within this context, women have a fundamental role in farming production activities, in particular looking after crops, and ensuring good management of these activities.

Faced with depletion of natural resources, men are increasingly forced to migrate and/or carry out non-agricultural activities in order to secure their livelihood.

Rural women are therefore left to take on full responsibility for agricultural activities.

Savings/loan systems can therefore have considerable impact in such cases. For example, loans can enable the acquisition of a new technology or make it possible to hire labourers, thus allowing rural women to save time – hence reducing the fatigue of manual labour – in their agricultural activities. They can therefore retain their income-generating activities which they might otherwise have had to sacrifice in order to provide food.

Over and above their own economic interests, savings/loan facilities for rural women include much wider notions of political and social development such as time saving, family well-being and food security, improved finance management, personal autonomy and increased representation.

1.4. What sources of finance are available to rural women?

Women have several possible sources of finance at their disposal, each with its own advantages and disadvantages.

(i) The Unofficial Sector

The unofficial sector has always played an important part in financing rural women's activities. The different players in this sector are families, relatives or friends, private lenders including loan sharks, rural shopkeepers, and rural solidarity arrangements such as “tontines” in West Africa. The loans are thus either in money or in kind (for example loans of inputs reimbursed by harvested agricultural produce). A new system of “semi-unofficial” micro-financing has also appeared during the last decade: the system set up by the non-government organisations which provide savings/loans to local rural and/or urban populations allowing populations who do not have access to the official sector to obtain loans at rates which are much better than in unofficial systems. We are including this finance model within the unofficial system as it was inspired from this system to better respond to the needs of the population. It attempts to correct the negative aspects whilst retaining the main operational methods.

(ii) The Official Sector

The official sector includes country's various official banks (national banks, rural banks, etc). These official finance institutions are dealt with in the second section of this document.

(iii) Farmers' Credit Institutions

Farmers' Credit Institutions exist alongside the systems mentioned above. They are specific to farmers' organisations and take the form of agricultural loans/savings institutions and co-operatives which we will deal with in the third section.

Whenever possible rural women use several savings/loans strategies simultaneously, depending on their requirements, the amounts they may consider necessary, their reimbursement capabilities according to redemption dates, and as a function of their assessment of the risks they are taking in borrowing from the different finance systems.

At present, National economies are in the process of addressing the phenomenon of internationalisation and its implications for the rural economy. Savings/loan systems can play an important role in avoiding the marginalisation of rural women by their partial or total lack of integration into economic and marketing streams at the local, provincial and national level.

PART 2: SAVINGS/LOANS IN THE UNOFFICIAL FINANCE SECTOR

Small farmers have always set up unofficial micro-finance systems, even before experts in the field of development made this one of its favourite themes. To begin with, these were only bartering systems, before the unofficial finance system developed into proper loans which could be large sums of money.

Despite the constraints of this system, the unofficial sector is still today widely used and very useful for small producers and for rural women in particular.

Moreover, since there are numerous obstacles preventing access to the official credit system, many people retain the unofficial system as a source of savings and loans even if this alternative has a number of negative implications.

2.1. How do rural women use the unofficial finance system?

Rural women often use this system as they need small amounts of cash and the loans are granted according to social, relational and cultural conditions, and not according to purely economical conditions which would not allow women to benefit from them.

They also constitute personal savings funds which enable them to address their family's basic needs. These savings, if they are not hoarded or invested in material goods (herds, gold, or land etc), can be invested in the unofficial sector (private loans, relatives; tontines) and are generally given in the form of loans to another person.

Thus the unofficial sector functions as real banks with their own savings and loan criteria depending on the socio-economic context of the region in which it develops, and it is successful because it is appropriate to the local situation.

Revolving loans and savings associations meet both economic and social needs are very common in developing countries. They have considerable impact for rural women who have their own funds and control the use of them. Through women's groups they are also empowered to manage, to be represented and to make claims and demands and are thereby no longer alone to face obstacles encountered in their daily lives.

This revolving system of savings/loans is a basic element in the life of rural women and allows numerous activities to emerge from these funds which can sometimes attain quite high levels.

2.2. Various obstacles to the unofficial finance system's efficiency

Numerous studies, mainly carried out by universities and non-government organisations, have highlighted obstacles in the unofficial savings/loans systems. According to purely economic criteria, the impact of loans is limited, partly because unofficial systems imply limited capital and high costs which do not permit the development of large-scale activities.

Moreover the system usually lacks reliability through insecurity of deposits and the lender's more or less good management of his finance system.

Although the loans are granted at high interest rates, there is virtually no remuneration for savings.

Apart from the development of community relationships, one of the possible negative points that can be noted is the social dependence which comes about due to the existing relationships with the person who has facilitated and/or made the loan.

Finally, by using the unofficial finance system, rural women are not integrated into the official finance system and their economic activities continue to be marginal. Therefore, their activities remain on a small scale and cannot develop in a satisfactory manner.

The unofficial finance system is interesting in that it constitutes a recourse in the event of sudden difficulties. Its impact remains limited also because of the essential role of the personal relationships played in granting loans.

PART 3: OFFICIAL SYSTEM: FINANCE INSTITUTIONS

The official system (public or private national banks, rural banks, or development banks) can ensure more ambitious financial services than unofficial systems. However, using them may be difficult for rural women.

As rural women are increasingly in charge of the family farm's general management (rural exodus of men) and have to deal with the official finance system, facilitating access to loans could be a driving force in developing their production and processing activities, and in progressing towards agriculture for the local market.

3.1. Obstacles preventing rural women's access to the official finance system

First, rural women have little access to information concerning official savings/loans institutions. In fact banks have a considerable communication problem with the rural environment in general, and with women in particular. The rare extension programmes concern their operating and financial services, targeting mainly farmers, without worrying about the specific nature of female problems. This means that rural women have a very limited idea of the nature of institutional savings/loans facilities.

Second, rural women are often considered as being insolvent because they are subsistence farmers, and are seen as a high-risk population for finance institutions.

Third, banks and financial institutions hesitate to grant loans to women, as they are usually small loans and do not provide a good enough return for the banks.

Fourth are heavy institutional constraints such as administrative procedures and the necessity for guarantees (land ownership title deeds). With the problems of illiteracy and the lack of management knowledge, rural women are discouraged from accessing these financial services. Of course groups of women have a better chance of being provided with credit, but this necessitates organising women inside the community and this is not yet common practice.

Fifth, and perhaps the most difficult of obstacles to be cleared are those of a socio-cultural nature. It is particularly complex for rural women to address the social practices of their communities and is a long-term challenge. These include standards and social rules

(including land rights and inheritance procedures), religious practices and cast systems, social taboos, prejudice against women and rural women in particular.

Finally is the classical difficulty of all rural populations, and not necessarily specific to rural women. Banks rarely have agencies in rural zones and women therefore have to go to towns which often means walking for many hours. This is the case not only to open an account or ask for a loan, but also whenever they make a deposit, require information, or have a request. To add to the cost in time and in transport, one must also add the social cost as many prejudices exist concerning rural women going to the town and the economic cost of their absence from their families with regard to their daily domestic tasks and production.

Difficulties in accessing loans encountered by rural women reduce the scope of their initiatives, block their economic and social development, with the result that they are kept in a state of dependency and daily insecurity.

PART 4: AGRICULTURAL ORGANISATIONS WHICH PROVIDE FINANCE SERVICES

Specialised in the rural sector's problems, agricultural organisations are characterised by the fact that they are set up, owned, managed and controlled by their members. As they are independent and democratically operated, they can set up credit policies and programmes which are better adapted to rural environments and to rural women when their voices are heard. They are consequently an extremely important element for implementing rural policies and defending the interests of all farmers, women and men.

Agricultural organisations have multiple sectors of intervention and can set up genuine rural development programmes. Loans are one of the tools used in a general rural development policy, working towards solving the various economic, political, technical, social and cultural difficulties of this sector.

However, setting up such a programme of associating savings/loans for the development of other income-generating activities or parallel activities (training, techniques, nutrition, health etc) requires several conditions for success.

4.1. Rural women's participation and representation in agricultural organisations

To ensure a better participation, it is important that borrowers – and women in particular – take part in the assessment of savings/loans programmes so that they are involved in their sound management and therefore of their sustainability. Moreover, as there is no typical finance model, this active participation enables actual local needs to be identified and the best-adapted savings/loans system to be provided.

This is particularly true when the target population are rural women whose specific needs are not yet clearly defined. As the members of these organisations are in control of the policies set up, it is absolutely essential that agricultural organisations facilitate greater representation of rural women as members, allowing them to be represented in decision-making processes and on management committees.

Equal opportunities for men and women in becoming members of and participating in farmers' organisations is a fundamental precondition for success. Rural women need to be active within decision-making structures to be able to draw up savings/loans policies which really meet their specific needs.

4.2. Rural women's access to facilities provided by agricultural organisations

A rural development programme including financial services should associate these services with improved access to inputs, land, technologies and training.

It is very important for rural women to have full and direct access to the different services as members in their own right and not as wives of member farmers. This would enable them to have real control over the use of these facilities, in particular with respect to finance granted to them.

4.3. Taking the family unit into account

In rural development programmes, efforts should be made to develop savings/loans facilities for the whole family unit, with lines of credit specifically for women. This will mean less division within the family, the community and society as a whole.

Also, implementing a rural finance programme for women should entail considerations on maintaining the right balance between food production and commercial production so as not to affect family food and nutritional security. Such programmes should allow all daily activities of the rural woman to be linked together without endangering family unit's working and living conditions.

4.4. Training of and information for rural women

As regards training, extension and information on credit facilities from agricultural organisations, these should be adapted to the differences in men and women's knowledge, to their different activities and to their daily planning (schedule and length of meetings are an important element in optimising the presence and participation of rural woman).

Agricultural organisations must therefore take into consideration the issues of rural women when drawing up policies which are more in keeping with their needs and requirements and thereby reducing the existing inequalities between men and women's access to their various facilities.

Under these conditions, finance can have a considerable direct impact on the life of farming families and on women in particular.

PROPOSALS BY IFAP WOMEN FARMERS

Government

- Request the government's official recognition of this day.
- Ask the government :
 - to widen the macro-economic context and the facilities which would encourage rural development in general and the economic activities of rural women in particular.
 - to take into account women's issues in drawing up their rural support policies in consultation with the agricultural organisations that represent women farmers.

Official banking institutions

- Ask official banking institutions to extend their services to rural women, if they have not already done so.
- Ask that finance systems seek to ascertain the needs and real requirements of the women and to adapt their services to their needs, and to lift the barriers preventing access to this finance

Farmers' credit co-operatives and institutions

- Increase the participation of rural women as members and leaders within the agricultural organisations
- Take into account women's issues when drawing up their rural environment support policies
- Increase rural women's negotiating power with loan institutions