

## Rural Finance

Rural finance comprises all types of financial services for households and micro, small, medium, and large enterprises in rural areas. Specifically, rural finance includes providing credit, savings, insurance, transfer payments and other financial services to farm households or off-farm businesses. These services are provided in return for some interest or fee for loaning and safeguarding funds.

### Rationale for Integrating Gender into Rural Finance Projects

There is evidence that women use credit as effectively as men, when it is available, and that their repayment rates are generally much higher than men. Further, savings are an essential mechanism for managing the risks and variable income patterns typical of rural areas. Yet women have more limited access to formal financial services than men. Overcoming the constraints to women's access to convenient savings, credit and credit-financed inputs is essential for improving their capacity to raise productivity in rural development activities.

### A Micro-Finance Scheme for Women: The Kenya Women Finance Trust

Kenya Women Finance Trust (KWFT), an affiliate of Women's World Banking, has been working towards strengthening women's participation in the economic mainstream. Focused on women who have little access to formal credit, it provides requisite training to help women entrepreneurs. KWFT started its operations in early 1980s with several donors providing grants. After a restructuring in 1990s KWFT focused on a group based credit strategy that improved its performance immensely. KWFT has since emerged as a reliable source of quick credit to rural women, promoting entrepreneurship and empowerment by providing additional sources of income. It has also created long-lasting bonds among the members, which has contributed to social harmony.

KWFT's strategy is to keep administrative costs down and link the growth in lending to the availability of funds. The sustainability is improved by charging competitive interest rates, lending to many clients, and maintaining a high repayment rate. KWFT sets targets on a yearly basis to add value to the management and evaluation of credit programs. It also emphasizes non-financial services like client training to enhance credit management performance.

Some of the important KWFT initiatives are:

- The Biashara Scheme, a group based model of intermediation, similar to the Grameen Bank model in Bangladesh, which was adopted by the Kenya Rural Enterprise Program
- The Uaminifu Scheme, which seeks to wholesale a unit loan to existing groups which then retail loans to their members. This reduces the expenses on group formation and loan administration, and strengthens the KWFT outreach
- The Small Enterprise Professional Service Organization (SEPSO), developed in collaboration with the Kenya Management Association Program (KMAP), to provide training to bigger clients
- The "best practice learning and market linkages" program to support successful women entrepreneurs act as mentors for other women.

**Source:** Kenya Women Finance Trust: Case Study of a Micro-Finance Scheme. Findings, Africa Region. No. 70. Sept. 1996.

### Innovative Project in Micro-credit for Women in Ethiopia: Women's Development Initiatives Project (WDIP)

Women's Development Initiatives Project (WDIP) is geared towards enhancing skills, productivity and income of women who bear the burden of poverty in Ethiopia. It is designed to address the financing needs of poor women who will not otherwise have access to institutional finance, and improve household, social and economic welfare in selected poor districts. Grants will be used to encourage women to form and remain in groups organized around productive activities. The project has benefited from lessons from earlier experiences such as:

- *Community participation requires time and resources due to the need for capacity building.* The WDIP was divided into a number of microprojects, and 9 to 12 months were allowed for capacity development after credit effectiveness. The structure and arrangements have been kept simple
- *Community participation and contribution are necessary for increased commitment and sustainability of projects.* Women's groups will be asked to provide savings of about 10% of the total assistance (5% in kind)
- *Traditional and modern communication media (e.g. theater and radio) need to be more effective in reaching men and women of poor households.* Messages and promotion measures will ensure that women's increased participation is seen as a household decision rather their own concern
- *Capacity building is needed both at the central and regional government levels to effectively supervise the implementation of the project*
- *A good M&E system is necessary to fine tune project implementation mechanisms*
- *Pilot activities by private sector should be promoted, and NGOs and other organizations are useful in providing local technical assistance.*

Based on these experiences, the project components aim to address women's needs through:

1. *Grassroots Initiative Fund (GIF)*, a financing window, will be demand-driven to provide support to women's groups so that they can organize and decide on which productive activities they will invest
2. *Institutional strengthening* including capacity building for intermediaries and facilitators in group organization, project design, appraisal, monitoring and evaluation, and technical support provided on contract basis depending on the needs. The information, education, and communication components will improve awareness among women communities on legal issues, health, nutrition, environment and natural resource management
3. *Monitoring and evaluation* that will assess the overall efficiency of project implementation on the basis of identified indicators for input, process, output/impact, and sustainability.

## Checklist of Gender-Related Issues and Activities during the Project Cycle

	Identification and Preparation	Design and Appraisal	Implementation and Supervision	Implementation Completion
Social and Economic Aspects	<ul style="list-style-type: none"> <li>✓ Farmers using institutional finance and services by rural men and women</li> <li>✓ Reasons for low % of female farmers receiving credit including access, control and cultural issues</li> <li>✓ Differential control over assets, income and decision making between men and women</li> </ul>	<ul style="list-style-type: none"> <li>✓ Gender inclusive project design – balance in male-female ratio among the beneficiaries</li> <li>✓ Project design to ensure women's empowerment through access to project incentives</li> <li>✓ Support to women's savings and credit group formation around productive activities</li> </ul>	<ul style="list-style-type: none"> <li>✓ Promote female savings accounts, and increase applicants for credit and % of approval</li> <li>✓ Funds disbursed for men and women</li> <li>✓ Monitor women's usage and control over credit</li> </ul>	<ul style="list-style-type: none"> <li>✓ Reduction in dependence on informal money lenders</li> <li>✓ Women's empowerment– increased role in decision making within family and in the community</li> </ul>
Capacity Building	<ul style="list-style-type: none"> <li>✓ Viable farmers' groups – men's, women's and mixed and their activities</li> <li>✓ NGOs and other support groups providing technical assistance and grassroots management training to the communities</li> </ul>	<ul style="list-style-type: none"> <li>✓ Project assistance to NGOs and other grassroots organizations to train women's groups</li> <li>✓ Provision for leadership training for women on business and financial management</li> <li>✓ Skills development for men and women in micro-enterprises</li> </ul>	<ul style="list-style-type: none"> <li>✓ Training for men and women in managing finances and enterprise development</li> <li>✓ Increase in micro-enterprises run by men and women</li> </ul>	<ul style="list-style-type: none"> <li>✓ Increase in women's access and control over financial resources</li> <li>✓ Improvement in women's capacity to generate income</li> </ul>
Institutional	<ul style="list-style-type: none"> <li>✓ Assess policy level, legal, and procedural constraints to women's access to credit</li> <li>✓ Reservation among the poor about institutional finance and services—access to adequate information</li> <li>✓ Capacity within the financial institutions to handle small loans</li> <li>✓ Sustainability of MFIs serving the poor</li> <li>✓ Men's and women's repayment records</li> </ul>	<ul style="list-style-type: none"> <li>✓ Policy initiatives to improve access to credit, simplify procedures for poor and illiterate</li> <li>✓ Design and deliver special line of credit for small loans – raise awareness</li> <li>✓ TA/capacity-building for MFIs, linked to performance and outreach</li> <li>✓ Community participation and contribution to ensure sustainability and commitment</li> </ul>	<ul style="list-style-type: none"> <li>✓ Collect sex disaggregated data on volume and frequency of credit, savings, and repayment</li> <li>✓ Improve repayment rates-portfolio at risk reduced</li> <li>✓ Increase MFIs efficiency</li> </ul>	<ul style="list-style-type: none"> <li>✓ Improvement in financial institutions' services for rural poor</li> <li>✓ Better access to credit for men and women</li> <li>✓ More MFIs targeting women in poor communities</li> </ul>
Note for Task Teams	<ul style="list-style-type: none"> <li>✓ Engender benchmark survey and collect sex disaggregated data on credit and savings</li> <li>✓ Gather information on social and cultural norms on gender-based differences in handling finances and decision-making.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Important lessons in design stage:                             <ol style="list-style-type: none"> <li>1) credit and savings societies to be formed around activities,</li> <li>2) need for farmers' capacity building in financial skills and management.</li> </ol> </li> </ul>	<ul style="list-style-type: none"> <li>✓ Project monitoring should reveal the extent of control over resources by women in addition to quantitative aspects.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Project's overall impact on men and women needs to be documented separately.</li> </ul>

## Suggested Gender-Related Indicators for Rural Finance projects

Input Indicators	Process Indicators	Output Indicators	Impact Indicators
<ul style="list-style-type: none"> <li>◆ % of funds disbursed by component, and % of women among beneficiaries</li> <li>◆ Number of women's groups financed</li> <li>◆ Average group investment</li> <li>◆ Number of new loans for target clientele</li> <li>◆ Average size of loans for individual women beneficiaries</li> <li>◆ Number of grassroots management trainings organized – % of female participants</li> <li>◆ Number of intermediaries, facilitators used.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Compliance with targeting criteria</li> <li>◆ Number of requests received by sex</li> <li>◆ % approved relative to the number of requests by sex</li> <li>◆ Proportion of target population receiving training</li> <li>◆ Total No. of women reached relative to target by component</li> <li>◆ Administrative cost as proportion to total cost.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Number of women acquiring new skills and/or improving their existing skills</li> <li>◆ Number of women actively taking part in micro-credit project after training</li> <li>◆ No. of groups created or strengthened compared to target</li> <li>◆ Level of satisfaction of the beneficiaries with group level and community level outcomes</li> <li>◆ % of micro-enterprises managed by women</li> <li>◆ Repayment rate by individual woman to the group</li> <li>◆ % of profit generated compared to grants for raw materials and inputs.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Number of women's groups continuing operation after the project</li> <li>◆ Increase in assets and income of women</li> <li>◆ Improvement in overall well-being of women and children – health, education.</li> </ul>