

# Financial Services for the rural poor

- What are scope and limitations of financial services for poverty alleviation?
  - credo
  - offer
  - financial services
  - don't's
  - challenges
  - vision

# My credo:

- Development implies having **choices**
- A well functioning **financial market** is a prerequisite for economic development but alone doesn't do it
- **Credit** is one option to generate income and employment and alleviate poverty  
It is only **one mean**
  - besides many others –
  - and very often not the right or the most appropriate one

# My offer

- **Regular access to financial services** which there are  
Savings – Credit –  
Insurance – Transfer payments
- **Adaptability** of these services **to the needs and capacities of the poor**,  
i.e. a mix of products and delivery techniques, taking into account the environment and the legal framework

- **Cooperation with and building on existing initiatives**, interacting and **promoting linkages** to other services such as **non financial services** (social intermediation, agricultural extension, business services) community development, grants, etc.
- **Support institutions** to deliver financial services **on a permanent basis**, while at the same time following their mission of outreach and serving the poor

# What can Financial Services offer to the poor ?

- savings
- credit
- insurance
- money transfer

# Savings:

- Risk management – safety
- Cash flow (liquidity management)
- Reduction of vulnerability  
(cushion against shock)
- Plan for future needs
- Self-esteem - discipline

- The poor do save
- Safe savings are  
the most crucial service for the poor

# Credits

offer the possibility to:

- take an opportunity, invest
- increase business
- bridge a difficult period
- build up assets

➤ Taking credit is only meaningful if it is backed-up by an economic activity and managerial capacity

# Insurance:

- Cost- and risk sharing
- Safety net for basic needs/services (health, life insurance, etc.)

# Money transfer:

- Remittances
- Commerce, trade, old age, social security payments

**Precondition for all these services  
- to reach the poor - are:**

Proximity (accessibility and standard),  
adaptability of services, safety (confidence),  
efficiency (cost recovery and growth)  
and a clear mission to serve also the poor

**Where  
Financial Services  
don't work**

- **Savings:** (safeguard value) in time of hyperinflation
- **Credit** for people in absolute distress, people who need humanitarian aid, for people who have no or insufficient access to infrastructure, markets, to create jobs, to pay for public goods, etc.; for high risk investments, etc.
- **Insurance:** general risks (nation wide, etc.)

➤ Financial services can't create economic development or initiatives but they can support them

# Challenges

- How to **combine the commitment to poverty** orientation **with** financial and institutional **self-reliance**?
- How to integrate and keep alive the understanding of the **needs** of the poor and their **capacities** within a highly sophisticated (professional and efficient) management/**enterprise** structure and the **legal framework**?
- Where and when do the donors/ the governments have to look for **other financial instruments** (grants, matching funds, community funds) without distorting the financial services ´ markets?

**My vision ...**

- **A diversified market** where commercial banks, cooperative banks, micro finance institutions, money lenders, saving collectors etc. compete, **offering cost covering services**, also or exclusively to low income/poor people, men and women, school leavers etc. and where self-help initiatives, **savings and credit associations have still a role to play**; where discipline and **moral integrity are predominantly present** on both sides of the markets
- **Experience, know-how and strategies** exist and **are applied** to allow for offering the „right“ instruments for the purpose and that the poor are prepared to make the choice