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# Perceived versus real challenges in rural finance: the experience of AMT members

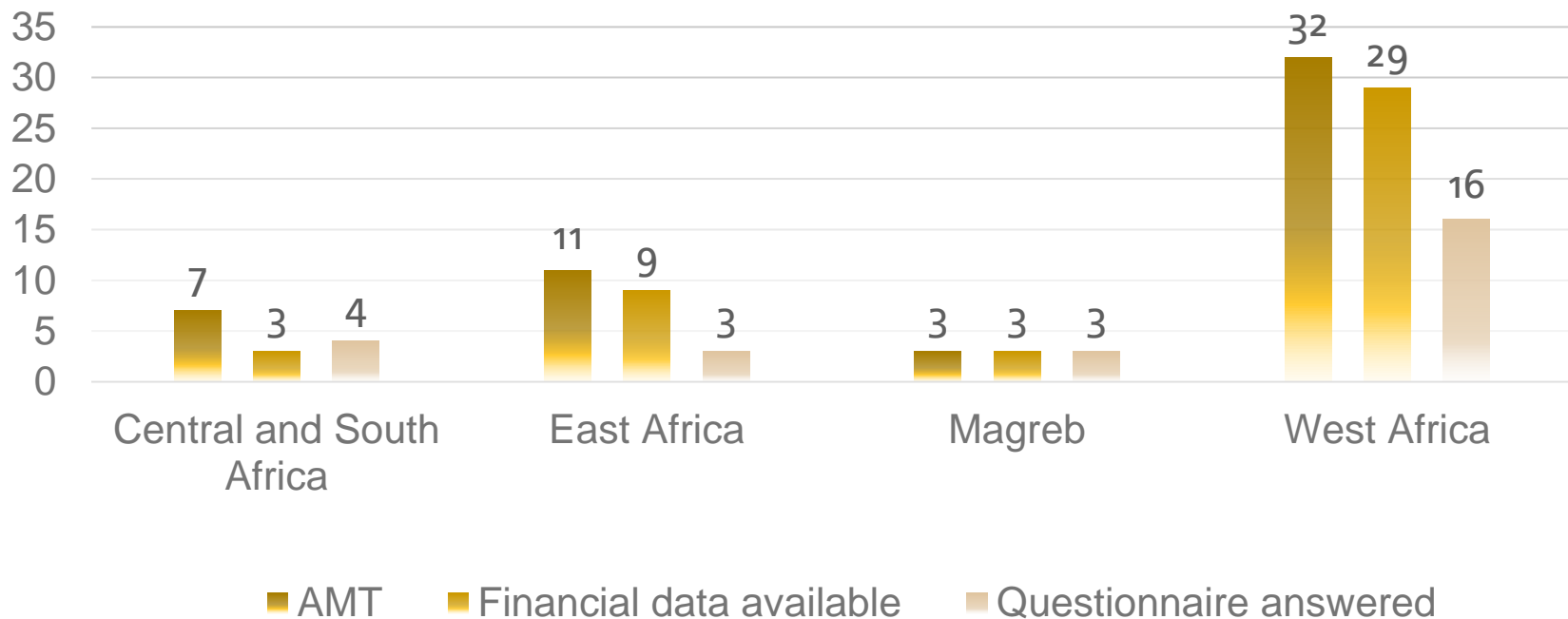
Bart De Bruyne

November 2014



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## Financial data availability and response to the questionnaire by AMT members



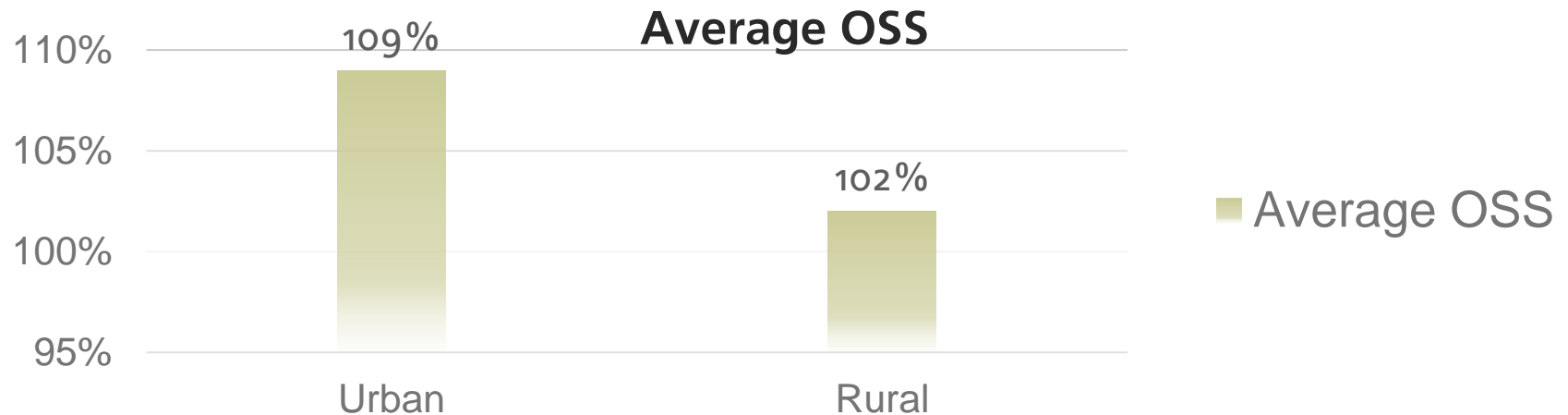


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## Are rural or urban MFIs operationally more self sustainable?

*RURAL MFIs with OSS above 100%: 38%*

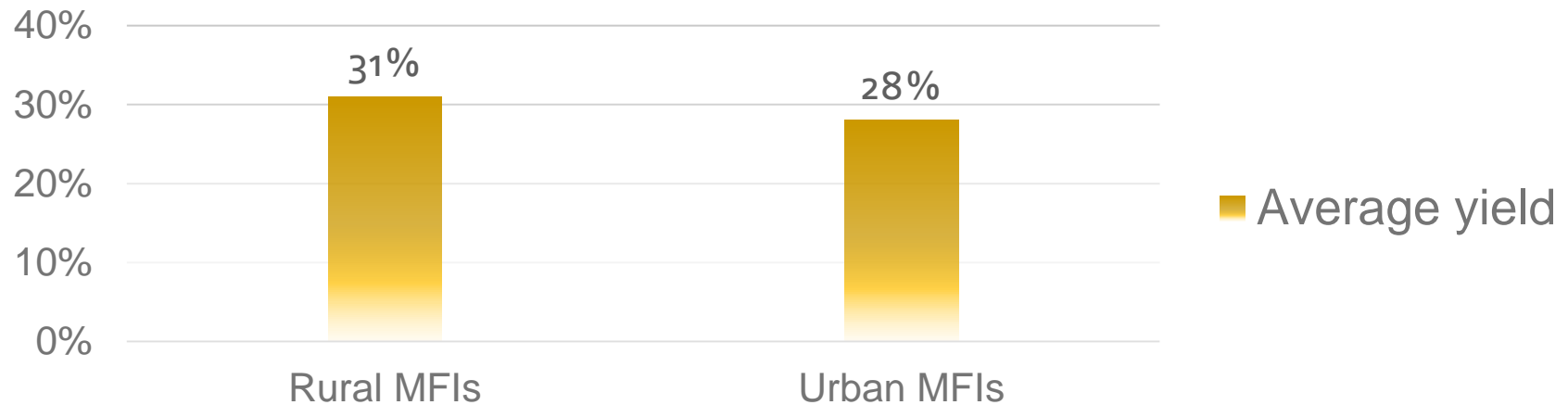
*URBAN MFIs with OSS above 100%: 70%*





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## Lower rural OSS? Is this because of a higher yield of urban AMT members?





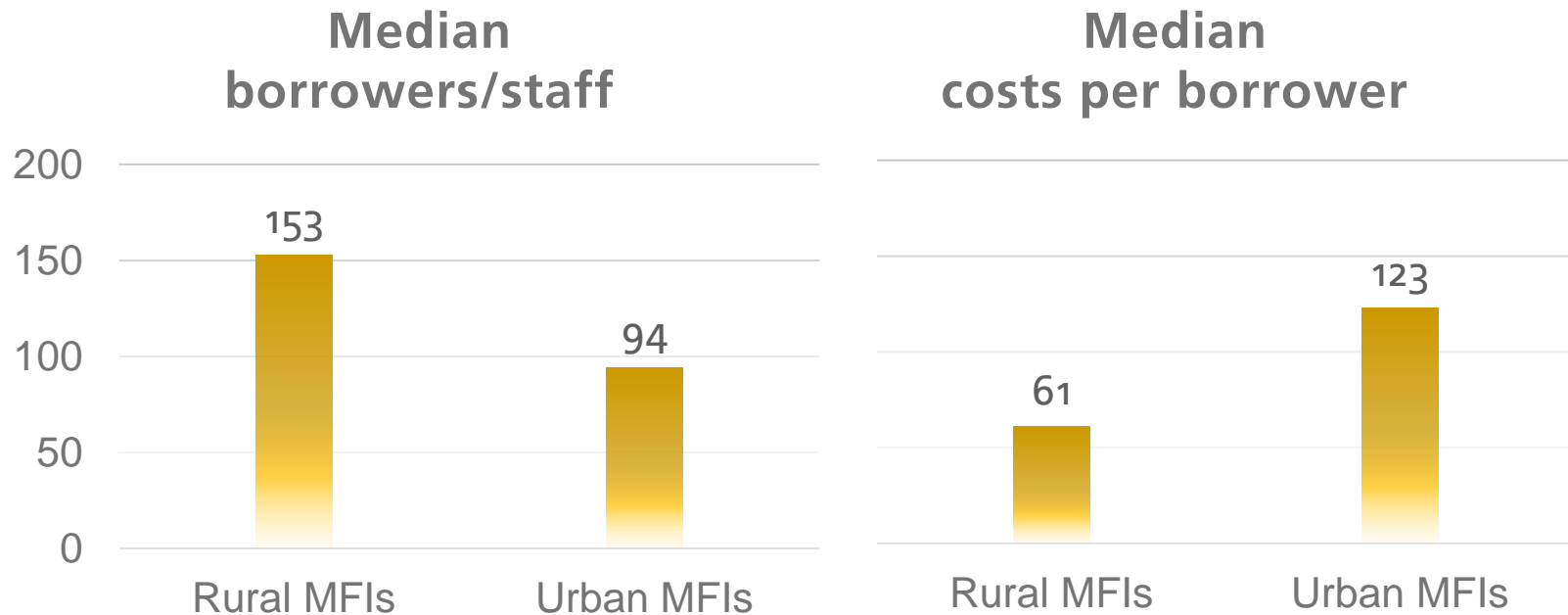
## A AMT-study about rural finance

1. Financial performance
2. Qualitative success factors



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## Do rural operations generate higher costs?

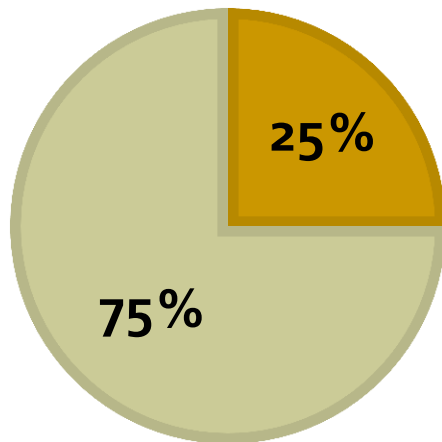




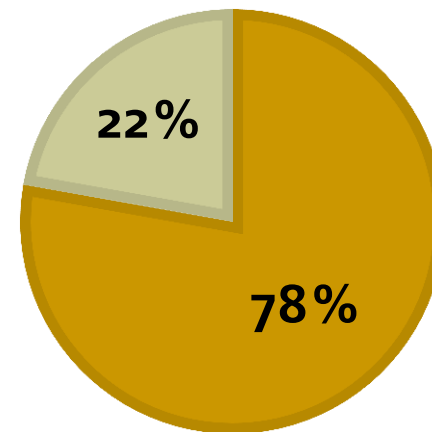
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## The dominant credit methodology

RURAL  
AMT-MEMBERS



URBAN  
AMT-MEMBERS



- More individual lending
- More solidarity group lending



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## Have rural credits higher repayment risks?

DATA: PAR 30

|       | Above<br>10% | Below<br>10% | No PAR<br>30 data | TOTAL<br>MFIs | Median<br>PAR 30 | Average<br>PAR 30 |
|-------|--------------|--------------|-------------------|---------------|------------------|-------------------|
| RURAL | 3 (21%)      | 11           | 2                 | 16            | 8%               | 7%                |
| URBAN | 5 (24%)      | 16           | 6                 | 27            | 4%               | 7%                |
| TOTAL | 8            | 27           | 8                 | 43            | 5%               | 7%                |

PAR 30 per rural vs urban credits in the same MFI, every column is one MFI

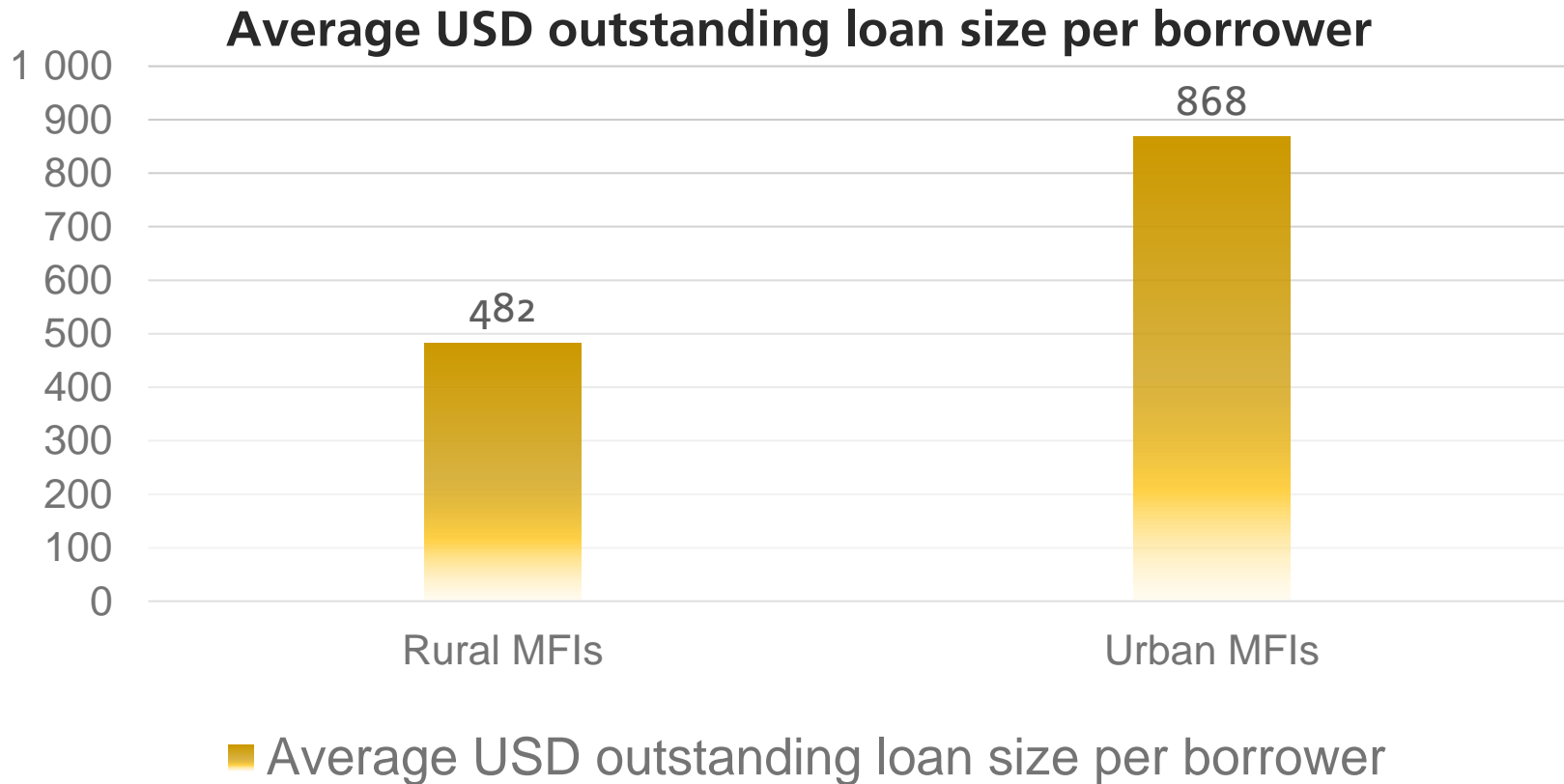
|                     |    |    |    |    |    |   |     |   |   |    |   |   |   |   |
|---------------------|----|----|----|----|----|---|-----|---|---|----|---|---|---|---|
| Rural<br>credits, % | 3  | 3  | 3  | 3  | 5  | 3 | 0.6 | 5 | 6 | 10 | 5 | 3 | 6 | 9 |
| Urban<br>credits, % | 31 | 11 | 10 | 10 | 11 | 5 | 1.2 | 5 | 6 | 10 | 5 | 2 | 4 | 5 |





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## Rural credits are smaller?



## TOP 5 Rural finance success factors

- **Client proximity (4X)**
- **Involvement of commercial actors**
  - payment through MFI-accounts (3X)
- **Solidarity groups – diversification (3X)**
- **Financial education and entrepreneurial training (3X)**
- **Demand driven product design (3X )**

**OTHERS (2X):** collaboration with farmer associations / finance of animals / correct seasonal time management / Collaboration with complementary development actors.



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## TOP 5 Rural finance RISK factors and challenges

- **Weather conditions and related diseases (9X)**
- **Marketing difficulties (outlet + price) (8X)**
- **No available collateral or unclear land rights (6X)**
- **Lacking farmer experience  
or inadequate farmer extension services (4X)**

**2 Times:** Dealing with **seasonal liquidity** management / credit used for other purposes / no available crop insurance

**1 Time:** insecurity / governance in farmer organisations/ isolated areas / no available farmer inputs / ...



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## GROOMING CENTER

*Agro Dealers Input Loans*





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## ONE KEY LESSON TO HIGHLIGHT

### RURAL FINANCE = STRATEGIC PARTNERSHIPS

#### With WHOM:

Farmer associations,  
input suppliers, buyers,  
development actors...

#### WHY / WHAT:

- Assure market access
- In kind delivery or payment through MFI account
- Good conservation management
- Farmer extension services, entrepreneurial skills, financial education, ...