

# Dossier Microfinance

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## Scope

This dossier was developed on the occasion of the 2005 International Year of Microcredit. The subtitle of the 2005 theme "Building inclusive financial sectors to achieve the Millennium Development Goals" has grown in importance since "the year of".

The focus in this dossier is on microfinance & agriculture and microfinance & sustainable economic development as these themes correspond to core elements of KIT's mission: poverty reduction and sustainable development. They are also prominent items of both the national and international agenda related to the Millennium Development Goals (MDGs).

## In-Depth

[Small Producers' Access to Finance](#) was one of the workshop themes held at the 77th ICAD hosted by KIT. Frank Bakx of the Rabobank Foundation and Hedwig Siewertsen of FACET BV together facilitated the workshop with an explanation of their organizations and a description of case studies captured under the theme Agricultural finance: how to better serve small farmers - FACET BV (2005). For this dossier the Rabobank Foundation has provided short articles that address [the history and work of the Foundation](#) and describe two [African examples](#) of the Foundation's support. Further, Mr. Van der Pouw, investor and member of Oikocredit Netherlands, describes in [Impressions from a small investor](#) how and why he got involved in Oikocredit with a personal history and a case study of an Oikocredit-supported project in Peru.

## KIT's involvement

Building inclusive financial sectors to achieve the [Millennium Development Goals](#) (MDGs) was the subtitle of the International Year of Microcredit 2005. Improving access to microcredit, therefore, is a key strategy in achieving the MDGs. These MDGs form the cornerstone of KIT's policy and activities. As an independent centre of knowledge and expertise in the areas of international and intercultural cooperation KIT aims to contribute to sustainable development, poverty alleviation, and cultural preservation and exchange. Besides, since December 2004 Her Royal Highness Princess Maxima has become patroness of the Royal Tropical Institute. And, she was also [advisor for the International Year of Microcredit 2005](#) and in that capacity HRH [Princess Maxima paid a visit to Uganda and Kenya early 2005](#).

KIT was last year's host of the 77th International Conference on Agriculture and Development (ICAD). With the title [United we stand!- What future for the small farmer?](#) the conference themes took place in the broad context of farmers' organizations. A synergy was made with the UN International Year of Microcredit 2005 and the efforts of the Agriprofocus group – of which KIT is a member as well - concentrating on producer organizations. One of the themes discussed in a workshop session at the 77th ICAD was: Small Producers' Access to finance.

## Resources

KIT's library has a huge amount of publications on micro finance related themes. Small scale enterprise (SSE) development and micro credit. Rural banking. Village banking. Rural finance schemes. Informal sector and micro finance. Agribusiness & credit. You name it and KIT library has it. Please take a look at our on-line catalogue to search your relevant titles.

Some predefined searches have already been made for you. These links consist of pre-selected search strategies leading you to an overview of relevant titles. If the selected titles/items were not what you were looking for, you can immediately carry out your own/a new search in the catalogue.

<http://search.kit.nl/vivisimo/cgi-bin/query-meta.exe?v%3Aproject=kit-portal-VCFD&query=microcredit+OR+microfinance>

## Websites

- [International Year of Microcredit 2005](#)
- [Rabobank Foundation](#)
- [Oikocredit Netherlands](#)
- [FACET BV](#)

- [Global Development Research Centre Glossary Virtual Library on Microcredit and Microfinance](#)
- [Microfinance CGAP Agricultural Microfinance overview case studies](#)
- [Development Gateway: Microfinance](#)
- [Microfinance Gateway](#)
- [PlanetFinance](#)
- [United Nations Capital Development Fund \(UNCDF\), Microfinance](#)
- [MicroCapital, news and research initiative on international micro finance investment](#)
- [Business in Development Network](#)
- [Rural Finance Learning Centre](#)
- [Microfinance Information eXchange \(MIX\)](#)
- [ACCION International Provision of Microfinance and business training](#)
- [Triodos, Microfinance and Fair Trade](#)
- [Alterfin, finance of micro-finance institutions \(MFI's\) in the South](#)
- [Netherlands Platform for Microfinance](#)
- [Terrafina, Rural Microfinance in Africa](#)
- [Micro-Ned, collaboration between the Dutch co-financing organizations in the field of microfinance](#)
- [European Microfinance Network, \(EMN\)](#)

### KIT Library Queries

- [farmer-related micro credit](#)
- [agricultural credit and rural development](#)
- [microcredit and agricultural banks](#)
- [agricultural credit & agricultural banks](#)
- [agricultural credit - publications after 2004](#)

### Glossary

**Microcredit** is the extension of very small loans to the unemployed, to poor entrepreneurs and to others living in poverty who are not bankable. These individuals lack collateral, steady employment and a verifiable credit history and therefore cannot meet even the most minimum qualifications to gain access to traditional credit.

**Microfinance** : Microcredit is a part of microfinance, which is the provision of financial services to the very poor; apart from loans, it includes savings, microinsurance and other financial innovations.

## **Annex I : Rabobank Foundation support in Africa**

Formal financial institutions often do not invest in small-scale and or starting agriculture-related rural enterprises because they are not able or dare not to do so, although 80% of the population in Africa is directly or indirectly dependent on agriculture for their income. That is why the Dutch Rabobank Foundation does support starting and small-scale rural entrepreneurs, be it through larger farmers' organizations or through, for example, Union Banks.

Below two African projects supported by the Rabobank Foundation are described.

One involves support to an NGO "Action Couverture Développement (ACD)" active in Kita region in Mali. There, two women groups are supported to increase their incomes through improved home gardening. The other project deals with support to an organization in Senegal that strives to improve co-operative financial services for the rural population in Casamance area which is located rather isolated.

### **Kita, Mali: home gardening improvement**

The Foundation Friends of the Sahel (Stichting Vrienden van de Sahel (S.V.S.)) has been involved with the NGO "Action Couverture Développement" (ACD), which is active in Kita region in Mali. This NGO supports several women groups in improving their home gardens. Further, they are dealing with issues like water, health, education, environment and at a small scale with revolving credit funds for each women group. Since 1998 seven home gardens had been established or improved three of which with support of SVS. The Rabobank Foundation has supported an amount of €7.000 for the improvement of two gardens in the villages of Diangola en Koléna .

A new application by the women association in Bangassi states that 60% can be consumed by the families themselves and from the returns of the other 40% for sale reinvestments can be made and even a small amount of savings could be deposited on the savings account of the association. The 80 members of the group have an amount of €300, earned by managing a joint groundnut field and paid harvesting of cotton. ACD has now decided to support the group with several activities: (a) fencing gardens with living hedgerows for protection of goats and wind; (b) establishment of a well for permanent irrigation; (c) training to increase (environmental-friendly) production; (d) literacy course for half of the members; ann (e) training financial administration and – management for the board members.

ACD will provide and support the training. Daily support will be given by an agricultural extensionist. The budget for these activities comprises €10.900 of which €2.300 will be contributed by the association itself. The Rabobank Foundation will take care of the rest.

### **Casamance, Senegal: improving co-operative financial services for the rural Population**

The Casamance and its population are located in a beautiful spot though rather isolated. The North of the region borders The Gambia, the country enclosing the river that cuts Senegal into two. The southern border is with Guinea Bissau. In 1997 a Dutch foundation from Giekerk: "Agro Casa" visited casamance region and observed a need of knowledge especially on agricultural production. After returning to the Netherlands, schools and churches organized a campaign to support the two villages of Abéné and Kafountine in establishing development activities with agricultural education as starting point. Next to primary education for the youth and a literacy programme for adults – mainly women attention was paid to agriculture: by setting up two agricultural training colleges garden en tree nurseries were established milk- and poultry departments were set up. Different organizations in the Netherlands like Vitense, IPC Barneveld and Rabobank Bergum- Oostermeer worked together. In 2003 these

organizations approached Rabobank Foundation to research possibilities for support, financially as well as advisory. At the beginning of 2004, the director of the Rabobank Bergum- Oostermeer visited the Casamance and the villages to inventorize the already locally available financial services in order to join those when possible. During his trip the director and the staff of the Union des Producteurs Agriculture de la Casamance (UPAC) met Inter- CREC, "Caisse Rurale d'Épargne et de Crédit" in Zinguinchor, which however was located more than 100 kms of the project area.

CREC started some years before with mobilizing savings and providing loans. At the moment this umbrella organization has six small cooperative banks as members and in the near future eight other banks will join. The credit portfolio of Inter- CREC was almost € 400.000 in 2003. Inter-CREC wanted to cooperate in the field of knowledge transfer and support when the population of Abéné was sufficiently interested. In April 2004 the board of the Rabobank Foundation approved a three-year support totalling €75.000. The first contribution has been almost spent already on an extension campaign on savings mobilization, organized by UPAC and CREC. This cooperation further led to training the first board members of the credit commission and the establishment of a – for the time being- rented office including a solar installation (with extra support of the Dutch embassy). In March 2005 all this has led to the official opening of the CREC – Abéné office. Organizational development in combination with investments in training are planned for.

## **Annex II: Self-help through Rabobank Foundation - A description of the history and activities of the foundation**

*(Rabobank 2005)*

The concept of a commercial bank giving away money and expecting nothing in return may seem a little incongruous. In fact, you may never even have heard of the Rabobank Foundation, a corporate foundation that funds projects worldwide. The Foundation is never used as a marketing tool, nor is it utilised for commercial gain. Instead, as a reminder of our own beginnings, Stichting Steun door Rabobanken (SSR) is dedicated to helping the world's less fortunate to help themselves.

### **The beginning**

The story begins mid-19th century in the rural areas of north-western Europe. Times had been good to the farming communities but events took a sharp turn for the worse when large imports of cheap grain, especially from America and Russia, flooded European markets. To avoid the inevitable crash in local prices, most countries developed a protectionist strategy, closing their borders to imports. The Netherlands, however, remained convinced of the importance of promoting export and trade relations and encouraged the sector to compete internationally. In an attempt to hold their own, farmers were forced to borrow heavily from the only available source of finance. Suppliers and traders provided loans, but only at exorbitant rates of interest. Not surprisingly, this lose-lose situation forced farmers into a state of financial crisis.

In 1886, government admitted urgent help was needed to alleviate the situation. The response was to promote education and research into new and innovative farming methods as a means of competing on the international market. In addition, one of the suggestions of an Advisory Commission for Agriculture was credit co-operatives along the lines of those established in neighbouring Germany. Friedrich Wilhelm Raiffeisen (1818-1888), the mayor of a small German village, had designed a credit banking system based on cooperative principals at a time when German farmers were also facing similar market conditions. Local savings were mobilised and became the key source of finance. Being community-based, the system granted loans in accordance with the individual's personal borrowing capacity. Supported by the newly established Farmers' Union, the first 'cooperative bank' in the Netherlands was founded in Geldrop in 1896. This initiative was quickly followed by hundreds of similar banks, many accommodated in private living rooms or in corners of bars. As the creation of these credit cooperatives was supported not only by government, but also by the Union, central organisations were established almost immediately.

#### **Principles of Raiffeisen still valid around the world**

- democratic ruling: one member, one vote
- compulsory membership for all transactions
- unlimited liability of the members of all deficits of the cooperative
- narrow capital base and profit retained in reserve funds
- area of operation: restricted to local community
- prudent and frugal management (non-paid board members)

### **Rabobank Foundation**

The Foundation's main objective is to improve the living standard of groups of persons who are disadvantaged and have no access to finance. In other words the basic aim is to support the socio-economic development of groups. This is put into practice both in the form of financial assistance and in

the form of technical assistance. The financial assistance consists of small aid grants as well as repayable soft loans (50/50). It is support for economic development which within a reasonably short period must lead to real economic independence.

Applications for grants mainly come in from Non-Governmental Organisations (NGOs) from all corners of the world – at the rate of about 750 a year. Priorities dictate the acceptance of just 150 applications per year. Successful applicants for financial aid are often those who have taken the initiative and have already formed some kind of self-help group (Rosca, ascra, association, cooperative). But due to poverty, illiteracy or other causes beyond their control, the group has no access to financial services.

Unfortunately – and this is the difficult part – we can only those showing at least some potential in becoming sustainable.

The main arena for the Foundation's activities are the countries in the South and the East. It supports projects engaged in rural financial sector. Usually the beneficiaries are closely linked to some kind of co-operative system or movement. So the aid offered promotes the development of rural areas through a co-operative approach. Primarily the support focuses on the establishment and growth of rural savings and lending organisations. The initiative for implementing and managing the co-operative must be taken by the people involved.

## Development begins at home

Although most of Rabobank Foundation's financial aid goes abroad, domestic and regional activities are also eligible for funding. Nowadays, around a quarter of the total Rabobank Foundation budget stays at home, providing financial support for any disadvantaged groups which may be excluded from facilities within the Dutch social welfare framework. Rabobank Foundation supports projects which improve the quality of life for the ones excluded and stimulate reintegration on the labour market such as work communities for handicapped adults.

## Funding Fundamentals

The local Rabobanks in the Netherlands support and encourage the work of Rabobank Foundation, in fact they provide the basic funding. They voluntarily contribute up to one percent of their net profit to the Foundation. This is in addition to what the local banks spend themselves in their own communities. Whatever the amount received, the contribution is then matched guilder for guilder by Rabobank Nederland. In addition, Rabobank Nederland also pays the operational costs of staff and provides office facilities.

The Board of Rabobank Foundation decides which projects are to be supported and how. Three of the nine members are appointed from the Supervisory Board, the Board of Directors and the Executive Board of Rabobank Nederland. The remaining four members are appointed through the Central Delegate Assembly.

In 1999 support was given to a total of 124 projects amounting to a total of slightly more than 4,6 million Euro (10.2 million Dutch Guilders). Quite often Rabobank Foundation will maintain contact with supported projects for several years, even after financial support has ended. This means that the secretariat can be dealing with up to 300 current programmes, in various stages of development, at any one time. More and more often Rabobank Foundation is providing expertise and consultancy services in order to initiate the establishment of a viable financial institution based on cooperative principles.

## Programme examples

### India

Working Women's Forum in India: in the early 70s a flood disaster hit the southern area around Madras causing severe poverty. As the situation worsened, a small group of women organised themselves into a

credit group and contacted for support. They felt that with a small amount of money, activities could be started which would alleviate their economic distress. These activities were at the most basic level, requiring small amounts of capital to buy materials to weave baskets, or ingredients to make tea and snacks to sell on the streets. Over the years, the network has grown and expanded. To date the Indian Co-operative Network for Women has a membership of over 570,000 women running small businesses in many parts of India, all working together regardless of caste, social background or religion.

### **The Philippines**

In the Philippines, the Vizayas cooperative network continues to be supported by the Rabobank Foundation. It involves training work in the field of organisation building and savings and credit systems and alternative agriculture. In rural areas of Peru, a non-bank financial institution Proempresa is supported by audit expertise and longterm loans. Another classical example is in Indonesia and Vietnam where the Rabobank Foundation has been successful in introducing a co-operative banking system. By providing some starting capital for a co-operative saving and lending system the community-based groups, under the guidance of the Rabobank Foundation, are becoming independent and self-supporting. In Indonesia more than 60,000 farmers are members/clients of their local co-op groups and in Vietnam the 612 rural lending groups have more than 37,600 members. Sri Lanka is a special case: the 90-year old Sanasa movement of 8,000 primary societies and more than 840,000 members has founded its own Bank in order to be able to serve also its highly entrepreneurial members. RF experts provide technical assistance in the field of systems development, credit risk management, micro-finance product development and new; insurance products.

### **Tanzania**

In Tanzania general management was offered until last year to the Kilimanjaro Cooperative Bank. The KCB is owned by two coffee producers co-operatives in the Arusha region representing more than 4,000 small farmers. Within four years of existence the KCB has managed to be profitable. In Cameroon, Camccul, the Cameroon co-operative credit union League has requested Rabobank Foundation to be partner in building their banking institution. The bank is owned by the primary credit unions. Rabobank's agricultural roots are firmly planted in what seems very fertile ground. A hundred years after the first co-operatives were set up to assist a struggling farming sector, the present -all finance- bank is the largest bank on its domestic market with 424 local independent banks serving more than 7 million clients and 135 branches worldwide. 'Being a co-operative movement means that we have social responsibilities, that is our mission statement.'



## **Annexe III: Impressions from a small investor - Ir. B.J.A. van der Pouw (2005)**

### **How I became a small investor in Oikocredit**

After graduating from Wageningen Agricultural University I worked for 13 years in South America (Brazil, Bolivia) and Africa (Kenya). As a natural resources specialist I travelled the countryside and gradually became aware of the structural problems that small farmers had to face. This awareness faded somewhat after my return to the Netherlands, where I became involved in agricultural research. After an early retirement I looked for opportunities to become involved again in development cooperation. The first opportunity was a mission to a young entrepreneur in Ouagadougou, Burkina Faso, on behalf of PUM, a Dutch organization sending retired senior experts on a voluntary basis (no wages) to businesses and organisations in developing countries. This mission really opened my eyes to the enormous obstacles young people in developing countries have to overcome when starting a business. Access to finance is always a major problem. Along came Oikocredit, to which I was introduced by a friend. Oikocredit's commitment to credit for disadvantaged people in order to help them develop their own micro businesses really appealed to me. I became a member and a volunteer for the Dutch Support Organization of Oikocredit. A few years later I could participate in a study tour to Peru, a tour organized by Oikocredit, but paid for by the participants themselves. The aim of the study tour was to offer board members and volunteers of national support organizations from various continents a chance to visit partners of Oikocredit and beneficiaries of Oikocredit loans, and in doing so, make them even better ambassadors for Oikocredit's mission. The tour absolutely convinced me about the importance and success of the Oikocredit approach.

The next logical step for me to take was to become an investor in the "Oikocredit Nederland Fonds", an investment fund through which the Dutch Support Organization contributes to Oikocredit's capital. This decision gave me a very good feeling, a feeling that was intensified when somewhat later I visited my mother. She is 93 years old and her memory is fading. But when I told her about my trip to Peru and that I had seen that small loans can bring about great changes, she suddenly was very alert. "Yes", she said, "I know". And then she told me how her father, my grandfather, one year, probably 1926, had decided to get his family with eight children out of the poverty trap. He quit his job as a poorly paid factory worker, secured a small loan of Hfl.100,- and set out to realize his dream: to become a market gardener. Exactly one year later he gave Hfl. 100,- to my mother, then a girl of about 15 years, and told her where to go and to repay the loan. My grandfather really managed to improve the life of his family and to give his children a better future. Up to this very day we still reap the fruits of his initiative.

### **Encounters with rural micro credit in Peru**

In the International Year of Micro Credit 2005 Oikocredit organized a study tour for board members and volunteers from its national support organizations. It was made clear from the start that participants would have to pay their own travel expenses. Being one of many volunteers for the Dutch Support Organization I was very happy to be selected and went off to Lima, Peru, where I met eleven other Oikocredit supporters originating from a number of countries. The regional Oikocredit representatives had prepared a programme that offered us presentations and discussions with both micro finance institutions and people with micro credit loans. The programme lasted from 15 - 25 January 2005 and took us from the slums of Lima to the Central Highlands of Peru. For the second half of the programme we travel from Lima to Huancayo, in the Central Highlands. The average altitude of the countryside is about 3500 meter above sea level, a literally breathtaking altitude for us. We travel through the region where our potato has its origin, and it shows. Small potato fields everywhere. Later we will be told that just around the village of Pasos no less than 230 potato varieties occur. Mixed small farming is

prevalent. Farmers cultivate potatoes, maize, a cereal and have some heads of cattle. The average size of a small farm is 4 to 5 ha, of which 1.5 ha is used for potatoes. One hectare is used for commercial potato growing, for which one potato variety is used. On the remaining 0.5 hectare, reserved for home consumption, 19 varieties are grown.

Near Pasos we visit a cooperative loan group, a kind of association. It has 14 members: 6 women and 8 men, all small farmers. Their farms range from 2 till 8 ha in size. They cultivate potatoes, barley and beans and have a small number of cattle. The mayor part of the potato yield is sold. They have organised themselves in small groups of 4 to 5 persons. The total volume of loans per small group is € 1500. The loan term is 8 to 9 months. The loan serves as working capital. The interest rate of their first loan was 4.75% per month. For the present loan they pay 4.5% interest per month. Everyone is individually responsible for a timely repayment. The association's task is to monitor loans and repayments. The entire group will only then receive a new loan when everyone has reimbursed his or her present loan. This is a model in which group control and social pressure are used as alternative to a collateral. During our meeting with this group one of the farmers asks whether the interest rate could be reduced. This is a question for Mrs. Elizabeth Ventura Egoávil, managing director of EDPYME Confianza, the MFI that procured the loans. EDPYME is a Spanish acronym meaning "Organisation for the Development of Small and Micro Businesses". There are 14 EDPYMEs in Peru, all regulated by law. They manage a total loan volume of 113 million US dollar. EDPYME Confianza's loan volume amounts to 13 million US dollar. Confianza also obtained a loan from Oikocredit. In her reply to the small farmer Mrs. Ventura stresses the inherent risks of rural micro credits (adverse weather, market conditions, etc.) and the need for timely repayment of loans. She explains that the inherent risks are the major cause of high interest rates. Timely reimbursements however may contribute to a lower interest rate, which is a way to reward good conduct, she concludes. The high interest rate of rural micro credit was an important topic during the study tour. This high interest rate is caused by two factors: poor accessibility of the countryside and the extra risks of agricultural activities, especially crop cultivation. Nevertheless, micro credit is gradually becoming a success in the Peruvian highlands. There is a special reason why this success is very much needed. It may help to stem the flood of poor peasants and their families from the countryside to the slums of Lima.

The highlands of Peru show the familiar characteristics of a developing country: long distances, poor roads, low yields, low product prices, analphabetism, malnutrition and high child mortality. Sometimes it seems to me that time has come to a complete standstill. Fortunately it has not. Awareness is rapidly growing that small farmers and other inhabitants of the countryside need more support. A number of MFIs and NGOs has chosen the rural population as its target group. How do they go about it? A crucial element in their approach is the assessment of risks and opportunities. This requires knowledge about their clients, i.e. the small farmers, and understanding of the rural economy. EDPYME Confianza for instance must take into account that its clients live dispersed in the countryside and that their activities and income are seasonal. Therefore it looks at the entire household. Does the family have income from other sources such as hired labour, some small trading, etc.?

Knowledge about the local rural economy and other local conditions improves the MFI's or NGO's understanding of economic and natural risks. An important factor in economic risks is the market for agricultural products and the price setting that results from it. Yield volume is of course important, but so are unexpected market interventions by the government, such as low fixed prices. Next, knowledge about crop cultivation and its risks is required. How long is the growing season, what yields may be expected, what investments are required, and above all, what natural risks may occur? Examples of natural risks are unreliable rainfall (too much, too little, too early, too late, etc.), exceptional frosts, hailstorms, etc. A hailstorm for instance can destroy a complete crop.

Regarding agriculture two farming types can be distinguished. One is traditional mixed farming in which a family grows some crops and has some cattle. The other is a more specialized farming type, in which a

family cultivates a certain common crop over a somewhat larger area, e.g. maize, or grows a special crop with a strong market demand, like for instance artichoke. This difference in farm type determines the strategy of Confianza.

When dealing with somewhat larger or specialised farms Confianza makes a straightforward cost/benefit analysis of the crop that is the main source of the family income. The outcome of this analysis determines the size of the loan it will provide.

For traditional mixed farming Confianza takes the family as a starting point. It analyses the family's income sources and expenses and looks at family property that possibly could serve as collateral (cattle, equipment). It is striking that many small farmers do not have title-deeds of the land they cultivate. When providing micro credit to these farmers Confianza stimulates the development of additional economic activities, in other words it promotes differentiation of family income. It is clear that Confianza must have sufficient know-how and show flexibility when dealing with rural micro credit. Each loan may be different when it comes to size, length of term, interest, instalments or repayment, collateral, etc. During our visits to farmer associations and individual small farmers trips we learn a lot about farming, rural credit and its effects. It strikes me that practically all farmers are happy with their micro credit and the support they receive from Confianza. Many families have managed to increase their farm or farming activities and raised their income. Almost all families give the same answer when we ask how they use their higher income. First priority is a better education for their children, next comes health, followed by improvements to their living conditions. Maybe even more important, these men and women have grown in self-confidence and self-esteem. It also shows in their presentations. Take for instance Mrs. Mercedes Aristisabel.

Mrs. Aristisabel does not mince matters. She knows exactly the value of the artichoke yield of the family farm. She is not fooled anymore by traders and transporters. She and her husband have learned a lot about artichokes and she radiates it. Their progress has also helped other artichoke growers in the surroundings. Now they closely cooperate and therefore have a stronger position in price negotiations. Mrs. Aristisabel welcomes us somewhat shyly at the border of her artichoke field. Her answers to our first questions sound somewhat insecure, but gradually she lays off her timidity. What I see next is a strong, self-confident farmer's wife. This transformation is symbolic for the development of the family farm since its first loan from Confianza. At first they grew onions and potatoes, which yielded a low income as many farmers were growing the same crops. Later they discovered that the micro climate around their farm was ideally suited to artichokes. Now the family has 6 hectares with artichokes, which is part of a crop rotation with potatoes and wheat. The net profit of artichokes lies between 1100 and 1700 US dollar per hectare.

The Aristisabel family had its first loan in 1992, a loan of 150 dollar. Since 2001 the family is a client of Confianza. The present loan amounts to 5000 dollar for a period of eight months. The loan is used to buy seeds and fertilizer. Farm labour is provided by family members, supplemented by four to five seasonal workers.

Confianza provides both rural and urban micro credits. By the end of 2003 Confianza's loan portfolio included 10,411 micro credits, average size being 765 dollar. 44% of all loans were for women. Rural credit amounted to 27% of the total loan volume.

During our closing meeting Mrs. Ventura explains that Confianza itself has two options to contribute to a reduction of the present high interest rate for micro credit: increased efficiency within the organisation and permission by the Central Bank of Peru to allow Confianza also to operate as a savings-bank. Increased efficiency reduces costs and as a savings-bank Confianza will be able to earn more income.