



# Training in Rural Finance

A Guide for Developing Educational and Training Material

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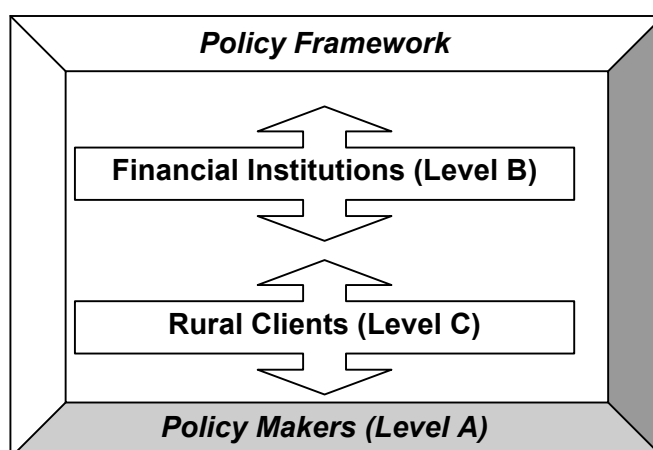
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## Preface

This document is the result of intensive workshop sessions and discussions held in FAO headquarters during November and December 1998. The workshop brought together a group of experts from various regions and different disciplines. It was convened to discuss all possible fields of training regarding rural finance.

The purpose of this guide is twofold. Firstly, it provides AGSM in FAO with a strategic approach how to reach the various actors in the area of rural finance and how to disseminate the major findings of the rural financial market paradigm. Secondly, it draws attention to the various levels which have to be taken into consideration when addressing "Rural Finance Issues". A sound financial infrastructure for rural areas will not arise without addressing decision and opinion makers at the national level and the supplying and demanding side of financial markets - financial institutions and their possible clients. Three levels or areas were identified which are presented in the following in different chapters: policy level (A), financial institution level (B) and client level (C). Despite, it has to be emphasised that these levels are highly interlinked. Since training can be held only with a certain degree of homogeneity in terms of trainees and their particular needs, the levels are presented separately. However, each level influences the conditions of rural financial markets. Hence, lack of knowledge, skills and practice at one level affects the performance of the whole system.

**Figure 1: The major constituents of Rural Finance and their links**



For the Rural Finance Group in FAO training in all relevant areas is an essential element within a comprehensive strategy of intervention. The strategy comprises three basic areas, viz.:

1. Research and advice (e.g. series "Agricultural Finance Revisited")
2. Training (e.g. set of training manual for Rural Banker)
3. Improving operational procedures (e.g. FAO MicroBanking System)

AGSM's research activities are the background for the training initiative. In this sense this guide illustrates the next step how to convert major findings of the AFR initiative into operational techniques. The three training levels presented in the following chapter (II-IV) cover all areas which were analysed in the various documents.

### **Level-A training (Rural Finance and Policy Makers):**

*AFR No. 2: Agricultural Finance: Getting The Policies Right*

*AFR No. 5: Prudential Regulation and Supervision for Agricultural Finance*

**Level-B training (Financial Institutions)**

AFR No. 3: *Better Practices for Agricultural Lending - Doing it Right*

AFR No. 4: *Sources of Funds for Agricultural Lending*

**Level-C training (Financial Services at Client level)**

AFR No. 6: *Improving Financial Management Skills*

The process of producing this training guide was similar for each level. Firstly, the trainees were identified and their various tasks described. In a next step sound practises and present abilities in terms of knowledge, skills and attitudes of the possible trainee were identified. This led to a training needs assessment and training gap analysis in a generic way bearing in mind that a key consultation of experts will not be able to replace a training needs assessment in a concrete situation. In the last step the various gaps we combined to possible training modules. The different training products joined together in several training modules are an attempt to anticipate major training needs at all relevant levels. However, only through field testing and regional adaptation of topics and modules, appropriate training material can be developed. Chapter I aims at sensitising on the necessary steps, aspects and methods while developing training and educational material. Chapter II-IV develops ideas for possible training content and modules for each level.

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## **Introduction**

### ***Why the Present Need for Training***

Rural finance is not a new subject. It has been in practice, nearly for about three decades. During this period, it created a rich repository of experiences, case studies, strategies and reviews. The personnel of Rural Financial Institutions are exposed to a diverse mix of training ranging from conceptual issues to practical problems to strategies and solutions. Rural Financial Institutions have been on a perpetual learning curve as the challenges ahead of them remained daunting despite sizeable advances in asset creation among the rural poor and enhancement in the general economic well being. Despite a sizeable population in the poor countries being endowed with improved economic conditions, those desiring further assistance continued to swell. According to the Human Development Report, income poverty has fallen faster in the past 50 years than in the previous 50 decades. Yet the challenges ahead of rural finance remain pretty tough: About three quarters of the world's poorest people live in rural areas, dependent on agricultural activities for their livelihoods; Between 1987-93, the number of people with incomes of less than \$1 a day increased by almost 100 million to 1.3 billion; And this number is still growing with its intensity increasing much further with the recent economic crises in the South East Asia; The share of the poorest 20 per cent of the world's people in global income now stands at 1.1 per cent, down from 1.4 per cent in 1991 and 2.3 per cent in 1960.

### ***Need for New Paradigms in Rural Finance Training***

The need for new paradigms in rural finance has emerged from several developments, viz.

1. The globalisation of world economy and the economic integration that is taking place which is creating a new operational environment for production, distribution, trade and commerce. The recently formulated trade and financial service treaties at the global level envisage drastic changes in the domestic economic environment.
2. The Basle Committee norms on prudential norms such as capital adequacy, income recognition, provisioning, asset valuation, which have been by and large adopted by mainstream commercial banks and financial institutions, which over a period will have impact on the functioning of the rural financial institutions as well.
3. The growing fiscal constraints in many countries is leading to sizeable cuts in the budgetary allocations of the rural financial institutions, thereby leading them to interact to a greater extent with market related institutional structures in respect of resource mobilisation etc.,
4. Developments in technology and communications are bringing out rapid changes in the perceptions of the people on important aspects of rights, responsibilities and obligations. These developments are also facilitating faster network among people, products and the institutions.

The above changes envisage a thorough overhaul of the approach and outlook of the rural financial institutions towards their role and responsibilities apart various aspects of design and development of products and services as well as delivery channels.

The new paradigms on rural finance training thus calls for adequate focus on (a) networking (b) building relationships (c) promoting of a greater degree of interaction and (d) effective communication.

## ***New Paradigms in Rural Finance Training***

Emerging from these the new paradigms of rural finance training are:

### **1. Rural Finance Training should encompass all the major constituents of rural finance, particularly:**

**A) Policy Makers/Central Banks/Representatives of People/Opinion Makers** - which set broad policy objectives based on the national economic agenda and create relevant policy instruments to pursue its implementation

**B) Financial Institutions** - which implement these policy objectives by designing and developing a wide mix of products and services aimed at their general clientele. The fusion of the policy concerning their constitution and the general level of operational environment prevailing in the financial sector, determine the quality and content of the products and services developed by these institutions.

**C) Clients/Customers/Rural Households/Firms/Farms/Businesses** - these are target groups of (a) who could realise the policy objectives of (a) by efficient use and application of the products and services made available by (b). Optimum economic decisions and the performance of (c) are essential for efficient and effect product design and delivery by (b). This makes policy initiatives of (a) successful and sustainable.

### **2. Rural Finance Training should be proactive.**

The design of the training material and the approach of the training should adequately focus on aspects of emerging operational environment, which calls for a quick and efficient response mechanism by all the players concerned with the rural finance viz., policy makers, institutions and the clients. Given the emerging need for proactive approach to the management of rural financial needs and requirement, the training material and approaches should be designed accordingly.

### **3. Rural Finance Training should be integrated.**

Rural finance training could go beyond the conventional training moulds of studying bankability aspects, assessing financial requirements, fixing repayment schedules etc., Training should focus to a greater extent in evolving products and services as well designing delivery channels in a such manner that it adopts an integrated approach taking into account various aspects of the rural economy as a whole rather than the just targets groups the finance programme is targeted to.

### **4. Rural Finance Training should establish linkages.**

Rural finance training should evolve on a continuous basis. The three constituents to which the training programmes are targeted, on a continuous basis, should learn from each other, borrow each other's best practices, establish effective linkages for sending feedback and undertake review and reform. There should be some mechanism which organises database, experiences and case studies of all these segments and arranges for cross flow of ideas, concepts, experiences and expectations.

## Chapter I: Pros and cons of training methods and approaches

### INTRODUCTION

The modules and training products that are suggested in this document have been developed from a general point of view. A direct training needs assessment (TNA) with possible trainees was not conducted but it has been acknowledged that the situations in the different countries will be very different and this makes a training needs assessment a must for all organisations and at all the three different levels necessary. It also means that the training material and methods will have to be as adaptable as possible, letting the trainers after characterising their trainees decide on what methods they think will best suit them. Trainers should be given the liberty to select those methods that they feel will most effectively help them deliver the training. The training methods that have been discussed here are applicable to all the three levels of potential trainees:

Level A	Decision making/preparing level, including universities
Level B	Financial institution level
Level C	Client level

Each level is still quite heterogeneous, as consequence:

- the trainer will have to use a combination of methods
- it will be necessary that a comprehensive training needs assessment is undertaken prior to the training

Moreover, it is necessary to make the material as internationally adaptable as possible. The material will have to be designed in such a way that the trainers can adapt the material to suit their local situations. Otherwise a concrete target audience has to be defined.

At each level (A -C), the following was done:

1. An identification of tasks needed to perform specific jobs; this was also consolidated by a description of the characteristics of the potential trainees
2. An identification of tasks as they are being performed
3. From this an analysis of possible training gaps, which were the difference between the present situation (2) and the desired state (1)
4. Proposal of training Modules and products to bridge these gaps

### ***The Country Specific Training Needs Assessment***

The importance of conducting a training needs assessment has to be emphasised to the trainers as much as possible. Although a number of them do conduct them prior to the training, it is also common practice to ignore this important step and conduct the training for the sake of it. Also trainers need to understand that they should not go by intuition when conducting the TNA but should use very specific methods to carry out the procedure.

The TNA is also an important process when the trainer will establish not only what content is to be included in the course but also how the training shall be used:

- for acquisition of knowledge
- for acquisition of skills or to
- change values and procedures

Ideally therefore there should be a trainer-booklet as part of the material that talks of a training needs assessment, its importance and relevance to the training being offered. Trainers will need to understand that training needs assessments have to be conducted to ensure that time and money is not spent on training programmes that do not advance the organisations goals and they have to ensure that the training methods and approaches are appropriate to the specific situation of the trainees.

The booklet should identify ways of conducting TNA at the three different levels noting that it does become a little more difficult to conduct a TNA the higher up you go in management. A general Four step Process can be outlined, though it is usually applied to people relatively unskilled in a specialist area.

At level C where the trainees may not be coming from the same organisation with specific objectives, the training assessment can take a different form where concentration is more on the individual than on relating it to the organisations goals.

### ***The training material Guide***

Along side the TNA-booklet or as part of the booklet should be a guide on how the training materials should be applied. Advice on issues such as sequencing of the topics should be part of this guide. This information will be used after the TNA during the process of selecting the course content. This leads to the general issue of training for trainers. Material for Master-training is different than the actual material for the target trainee. It places much more emphasis on the training process than on the training content.

#### **THE FOUR STEP PROCESS**

Step 1 Identify the Knowledge, skills and attitudes needed to perform the job either now or the immediate future

Step 2 Identify generally what does the potential learner already know

Step 3 Identify the training needs. This is the difference between the Knowledge, skills and attitudes already possessed by the trainees and those needed to do the job

Step 4 Select the training needs (modules) that should be included in the training programme.

### ***The Consultative method***

At level A and at the higher levels of B, another process can be proposed to be used. This is the consultative process, a procedure used when the people receiving the training have a great deal of experience and understand what areas they need to learn more about. This is a process of assisting the learners to define more clearly what they need to know. The questions asked broaden, explore and expand. The result is a broad spectrum of views

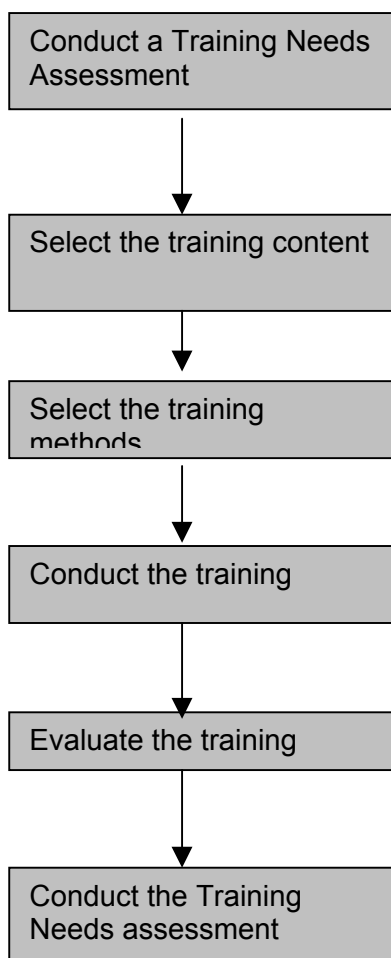
During the TNA, information on learners' characteristics such as knowledge about their socio-economic and cultural background may help the trainer select the best instructional material he feels will best help him achieve the training objectives.

## ***Methods to Conduct a TNA***

Training needs assessment are carried out differently by different organisations. The actual choice of the methods used to collect the necessary information has been dependent on the size of the organisation and how much time the trainer has. Actual methods range from: Interviews (both structured and unstructured), questionnaires, surveys, observation, group discussions etc.

## ***The Training Cycle***

Trainers should be made to understand that the process is cyclical and therefore ongoing. They also need to understand that there are some performance problems that will not be solved by any amount of training



Included at this stage is a collection of information on the social and cultural characteristics of the trainees  
You select Who needs the training and Why  
You set the training priority areas and specify the training objectives.

Having set the priorities the trainer selects what he would like to see as the contents of his training.

Given the background information on the trainees, the trainer can then select which methods he feels will appropriately help him achieve his training objectives.  
The trainer will be designing the training.

Prior to this the trainer will have to have planned on where the training will be, what equipment he shall need, when the training can be conveniently held, etc.

This may include both the evaluation during the time that the course is being run as well as the follow-up evaluation.

The inability to set training objectives has been identified as a weakness in a lot of trainers. A note to make here is that if the trainers will be expected to set the training objectives other than those that will have been set in the training materials, they may have to go through a process of being told how this is done. This can be done through training or through another booklet that will be part of the training material.

## THE TRAINING APPROACH

In the selection of the overall approach to be used, the trainer has to decide on what sort of training is it going to be. For example, it is:

a) In-house, where the delegates that come for the course are all from the same organisation.

### *Advantages*

If you are going to build the course based on a case study, it is easy to do and can be done using the organisation as an example knowing that everyone will identify with the situation presented, i.e. you can afford to be very specific. Also you are going to be meeting very specific needs of the organisation and can relate it to their overall company objectives

b) Open, where the delegates for the course are from various institutions (and countries) and are called to a central place where the training then takes place.

### *Advantages*

If one of the objectives is to change attitude and it will help that the participants exchange knowledge and experience, this sort of setting does help. If the subject matter is multidisciplinary and there is need to have all key actors together to enhance the discussions, ensure that an action plan is very consultative and therefore realistic if one is being made, then this is a good system to use.

### *Disadvantages*

The language barrier, if you are going to get a mixed group from several countries, the trainer has to be weary of the fact that he might have a problem with getting everyone to understand the course as a result of the participants using different languages.

The different social and cultural backgrounds also determine how people define and understand certain issues. If the course is to be run for five days, there is a possibility that you will have to spend the first day simply getting everyone onto the same level. Their different backgrounds and education levels and experiences may be a barrier to the whole process.

This last method may be most applicable at level A and B where there will be more sharing and exchange of information and experience.

## ***Course Duration***

The duration of each course will very much depend on who the training is targeted for and what the training need are:

At level A      The course may have to be short, as this is a group of people who have little time to sit through long courses. This means running courses for less than three days, specially if they are advocacy. If the training is purely technical and requires longer training then this should be arranged. These will take the form of, workshops, Seminars or Conferences. It may be possible to have at this level more self-studies where the players are sent information, reading material before the course and required to read through it. This method does have its own disadvantages.

- At level B Depending on which level within this group, it is possible that they can go away from work for longer periods of time than at level A, this means that the duration of the courses can be longer, For example
- the course can be split according to modules and run over a period of time, six months, etc. allowing the delegates to go back to work in-between.
  - once training needs have been determined the courses can be run, according to the time frames prescribed by the modules
  - potential trainees can be sent in to the University where a formal course shall be run in Rural Finance.
- At level C This level comprises people who undertake more than one economic activity at a time and have on top of this other social responsibilities; training courses for them will have to be country specific and therefore flexible. For example, a six week course run over a period of 20 weeks with some weeks in-between for the entrepreneurs to get back to their businesses and put into practice what they will have learnt. This means giving them time to also continue with their ordinary lives.

## TRAINING METHODS

There are many different training methods which one could use in a course. Some may not offer scope for use in the technical/financial courses but a good mix of the methods is a sure way of ensuring that any course objectives are met.

There are basically two categories of training methods

- A. One way methods and
- B. Participatory methods

Given that most people learn principally from experience, they have to participate strongly in the learning process either by exchanging information, ideas and skills or by doing something. There is no doubt though that one way methods are suitable for certain training needs, but it is always possible to combine methods to achieve the learning objective that you will have set.

Table 1: Some examples of one way and participatory learning methods that could be used

One way methods	Participatory methods
<ul style="list-style-type: none"> <li>➤ Lectures</li> <li>➤ Reading assignments</li> <li>➤ Demonstrations by the instructor</li> <li>➤ Audio-visual techniques (video and films)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Sharing experiences and knowledge</li> <li>➤ Structured tasks based on cases</li> <li>➤ Group Discussions, Brain storming</li> <li>➤ Question and answer</li> <li>➤ Role playing</li> <li>➤ Structured games and exercises</li> <li>➤ Field visits</li> </ul>

## ***Selection of training method***

This will have to be done based on the following:

A) The *training objectives* that will have been set, that is the learning outcome that you expect. It is to:

1. ensure delegates acquire knowledge? (trainers can use single way methods like lectures, audio-, videotapes etc)
2. ensure they acquire some skills they did not know before? (trainers should use participatory methods like exercises or role playing)
3. change their values and attitudes? (participatory methods are required: games; role playing; field visits etc)

B) The *training content* determines the methods: E.g. training on loan tracking software needs practically oriented methods.

C) The types of trainees, here, consideration has to be given to:

1. The group size: there is a minimum and maximum number set for effective group dynamics; various training methods can only be used with specific group sizes (role plays or demonstrations are only applicable with small groups - lectures also with bigger groups)
2. The different levels of experience:  
At level A and B this is important particularly for purposes of sharing of skills and knowledge and the fact that for some organisations, effective leaning can never be fulfilled if you mix superiors and their subordinates. Participation is discouraged.  
At level C the important things to consider would be the differences in educational level and peoples' social and cultural backgrounds, as these tend to influence peoples' attitudes

D) The *training environment*, if the training package is going to be applicable in more than one country, finding out what the training environments are, will help the course designer ensure that any methods that they propose can in fact be used. Level A and B may not be too much of a problem as it is always possible to book in advance the use of facilities where all necessary equipment is available or to hire equipment in addition to the one that is already existing in the University, or other training institutions. Level C is where the problem lies, in that selection of certain methods, such as use of a video may not be appropriate in rural areas where they do not have electricity.

E) The *trainer*, as it is not possible at this point to know who the trainer will be, i.e. how competent he is with using any training methods, it may be necessary to give a wide option of methods for them to select from. <sup>1</sup>

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<sup>1</sup> *Hints on the procedure for doing this can be obtained from FAO, "Planning for Effective Training: a guide to curriculum development".*

## ***Categories of training methods: Pros and cons***

### ***A) One way methods***

These convey information to the learner either verbally or visually. They involve the instructor in telling or showing something to the learner.

#### ***Situations when they are useful***

When large amounts of information must be conveyed in a relatively short period of time

When information being given is primarily factual

When learners need only to be aware of, or to learn about the content not to understand it.

#### ***General disadvantages***

Neither the instructor nor the learners can really know how much information has been absorbed, or how well it has been understood, this is because there is no interchange during the learning process. There are also very serious limitations to the type of learning which can be achieved using these methods.

### Lecture

The most common training/teaching method used.

- 👍 trainer can cover a large amount of material in a short time; it is a familiar method to trainees and they will be comfortable with it; it can be used for large groups
- 👎 trainees are passive; training can become dull; inappropriate for learning practical subjects; trainees do not remember as much as when they are actively involved in the training process

### Reading

You give trainees written material to be read that presents new information.

- 👍 it may save time; trainees can save material for later use; information can be presented consistently
- 👎 reading can be boring; trainees read at different paces; it is difficult to determine if trainees are learning and if reading assignments are actually completed

### Audio-visual materials (Videos, photos, audio tapes, posters)

Audio-visual materials are training support materials that are used to augment various training methods. These materials usually rely on seeing or hearing, but may also rely on other senses for input. Audio-visual materials are used to clarify, emphasise and provide added information to lectures, demonstrations, group discussions and other methods.

- 👍 help maintain the attention and interest of participants; learning through more than one sense results in greater retention; they can bring in reality to the training
- 👎 costly; some of them require special equipment; are often not regionally adapted (video with Asians in an African context etc.); participants cannot immediately ask questions as a tape is running

### Demonstration

An illustrated lecture or a presentation that requires the instructor to carry out a process or series of actions so that trainees can observe and understand the procedure, principle or task.

👍 stimulates trainees' interest; trainer can control the pace and easily alter the needs of trainees

👎 must be accurate and therefore organised very carefully, otherwise trainer will lose the effect; only for small groups

#### *Techniques to increase the learning derived from one way methods*

- introduce tasks into audio-visual and reading assignments
- follow the activity with a participatory learning exercise
- keep it brief
- encourage note taking
- encourage questions during and after the lectures

During the design of the training material, the timing for these activities has to be considered very carefully.

### ***B) Participatory Learning Methods***

These involve participants in doing something or exchanging information, ideas or skills.

#### Case studies

A classroom training method that entails providing the trainees with information from real-life situations and directing them to solve problems associated with the situation. Case studies provide a way for instructors to see trainees apply theories, methods and procedures advanced in the course.

👍 require active trainee involvement; trainer can observe learning that is taking place; trainees often enjoy it; can be used by several small groups to generate a variety of solutions

👎 difficult to prepare; can be very time consuming

When training material will be used internationally they have to be prepared in a generic way or the trainer needs material for various regions in order to make them as acceptable to everyone as possible

#### Self Study/Exercises

Exercises provide trainees with an opportunity to practice new skills that have been taught. Distance learning is basically based on exercises.

👍 help trainees to remember what they have learned; trainees may also learn other skills in the process of doing the exercises

👎 trainees complete the exercises at different paces; time-consuming; trainees do not like this method

## Field visits

A field visit or study tour is a carefully arranged visit by a group to an object or place of interest for first hand observation and study. Trainees are given an opportunity to actually experience the concepts that they are learning and see just how real it is. It could be useful for use at level C, e.g. a visit to a bank or to a farmer whose savings have helped him undertake an investment.

👍 trainees get to use all their senses as they learn; trainer and trainees get out of the routine; provide the trainees with a common frame of reference

👎 require careful and time-consuming planning; can be viewed as a waste of time; trainer can lose direct control over the learning experience

## Role Plays

Trainees are given information about a situation and are asked to perform as if they were involved in a real life event. They are best used in management or interpersonal skills training to help people increase skills or gain insight into their own personal style. The instructor/trainer can take a particular role and responds spontaneously to participants' comments. For example: If at level C the topic was on improving ones access to financial services:

Participants in groups are asked to identify the arguments they might make to a bank manager to support their business plan. During the sharing, the trainer asks a participant to state the groups arguments. The trainer then takes the role of a banker and responds accordingly.

This allows participants to examine and develop their arguments as well as witness their effects.

👍 provide trainees with real life experiences; effective ways of stimulating discussions; trainees find role plays to be motivating and fun

👎 can be viewed as a game; time consuming; often involve only few trainees rather than everyone

## Plenary discussions

A group discussion is a verbal exchange of ideas, points of view, subject matter, and perceptions among the trainer and the trainees for the purpose of clarifying or enriching understanding of the content you are covering in a training activity. Several techniques such as brainstorming and buzz sessions can be used to encourage participatory discussion. Also experts can be invited to the training sessions in order to hold an open discussion with the trainees (e.g., at level C a banker can be invited to talk to the trainees)

👍 everybody can participate; you take advantage of the varied abilities, knowledge and experiences of the entire class

👎 can turn into an aimless debate; few trainees may dominate the discussion; important points can be confusing or lost

## Games

These can be used to get the participants to appreciate certain concepts covered during the training. It can take the form of a computer or a board game. Financial games can be developed, e.g., where concepts such as planning, savings, competition, banking etc are all part of a farm managers responsibility and depending on how well he does it, he either increased his productivity and income or loses it all, etc. (see *SIMFARM* computer game).

- 👉 can provide trainees with experiences of complexity; can illustrate abstract matters
- 👉 the element of competition might take over from the learning rather than enhance it; Games also take up a lot of time

Note must be made that the list of methods described is not at all exhaustive. Various other methods exist. In applying the methods what is important to note is that the need to make the training more simple and more participatory increases the lower down you go in the levels. For example, at level C there is need to have training material (handouts) that have a lot of pictures and use methods that as much as possible encourage delegates to experience the learning.

### ***Advocacy Material***

A distinction has to be made between advocacy material and training material. The method of delivery as well as the design of the training material is very different. Advocacy material basically aims at changing attitudes. Therefore it is less balanced than training material. It overemphasises positive aspects of a change, reform or a new setting, attitude. Pure advocacy material is usually a summarised version of the training and can be presented in various forms such as in a booklet, a leaflet, a brochure, a video or in a conference including decision-makers after training sessions with intermediary staff. It has to be used for persons who usually do not have enough time to attend training courses or do not see any necessity of attending training. This applies mainly to the management level of institutions. In general there is more need for advocacy at level A than at level B or C.

## DISTANCE LEARNING

The simplest definition of Distance Learning is "learning that takes place when the learner and the teacher are not in the same place".

### Benefits and Limitations of Distance Learning

- 👉 Learning can take place everywhere (at home, in the workplace or training centre); ability to give large numbers of people access to reliable information; provision of effective learning systems to the illiterate poor through satellite broadcasting; learning content can be updated or modified regularly via Internet.
- 👉 Distance learning requires increased maturity on the part of the learner in terms of study discipline and commitment to achieving study objectives; costs of developing and disseminating effective instruction modules can be high; access to material can be limited (basically when send by mail or through computer net); the absence of appropriate technology (computers, telephone lines, satellites, etc.) specially at level C means that these methods could be used but more for levels A and B than for C; trainee support and control is limited.

## ***Presentation methods:***

### **Printed materials:**

usually printed materials are the basis of distance learning programmes. Printed material is easy to reproduce but costly to disseminate through FAX or mail.

### **Computer-based training material:**

A general term used to describe any learning event that uses computers as the primary distribution method. It involves the creation, delivery and management of training via diskette, CD-ROM (both offline), Internet (e.g. WWW) or Intranet (both online). It is basically text-based. Exceptions are multimedia applications, online help and sophisticated models or games using so-called virtual reality:

- ❑ **Multimedia:** A computer application that uses any combination of text, graphics, audio, animation and/or full-motion video. Interactive multimedia enables the user to control various aspects of the training, such as content sequence.
- ❑ **On-line help:** A computer application that provides on-line assistance to employees.
- ❑ **Virtual reality:** A computer application that provides an interactive, immersive, and three-dimensional learning experience through fully functional, realistic models or games.

👍 Trainees can do the training at their own pace; trainees can go over specific topic and miss out others as they please again depending on the way the training is structured.

👎 Research shows that reading on screens lowers the absorption rates by 30%. It is a one way method, with all the disadvantages of being so; can be used more for level A and B and not level C, unless very simple procedures/technology such as the touch screen type of training is given.

**Audio:** One-way delivery of live or recorded sound through radio, audiotapes (CDs) or multimedia CD-ROMs.

**Video:** One way delivery of live or recorded full-motion pictures through TV, videotapes or VCDs.

## ***Distribution methods***

**Cable TV:** The transmission of television signals via cable technology.

**CD-ROM:** A format and system for recording, storing and retrieving electronic information on a compact disc that is read using an optical drive.

**Electronic mail (email):** The exchange of messages through computers.

**Internet:** A loose confederation of computer networks around the world that are connected through several primary networks.

**Intranet:** A general term describing any network contained within an organisation; used to refer primarily to networks that use Internet technology.

**By post:** traditional distribution method of printed material; usually not applicable for trainees in remote areas. It's time consuming and costly.

**Radio:** traditional distribution method for agricultural extension, but

1. It is not always possible to determine how many of your targets are actually being reached.
2. If radio programmes are being run in a series, they might have to be run twice in a week to ensure that if one misses it once, they can catch it later.
3. Unless the radio programme is just reinforcing other training programmes already being run, to run it on its own would not have enough impact
4. Evaluation of impact is also very difficult.
5. They are rather cumbersome to produce
6. For the more financial and technical components where one needs to demonstrate, e.g. the preparation of a balance sheet, the radio is not very appropriate

**Satellite TV:** The transmission of television signals via satellites.

**Voicemail:** An automated, electronic telephone answering system.

**Wide area network (WAN):** A network of computers sharing the resources of one or more processors or servers over a relatively large geographic area.

*Selected readings:*

1. FAO, *Performance Evaluation Guide: Assessing Competency-Based Training in Agriculture*, Rome 1996, prepared by M.U. Sedere and S. Martaamidjaja (ISBN 92-5-103781-7).
2. FAO, *Strategic Extension Campaign: A Participatory-oriented Method of Agricultural Extension*, Rome 1994, prepared by Ronny Adhikarya (ISBN 92-5-103570-9)
3. FAO, *The Potentials of Microcomputers in Support of Agricultural Extension, Education and Training*, Rome 1994, prepared by Reuben Ausher et.al.
4. FAO, *Planning for Effective Training: A Guide to Curriculum Development*, Rome 1994, prepared by Tim L. Wentling (ISBN 92-5-103413-3)
5. FAO, *Improving Training Quality: A Trainer's Guide to Evaluation*, Rome 1991, prepared by R. Raab et. al.
6. FAO, *Make Learning Easier: A Guide for Improving Educational/Training Materials*, Rome 1990
7. FAO, *A thousand and one world. A rural radio handbook*, Rome 1992

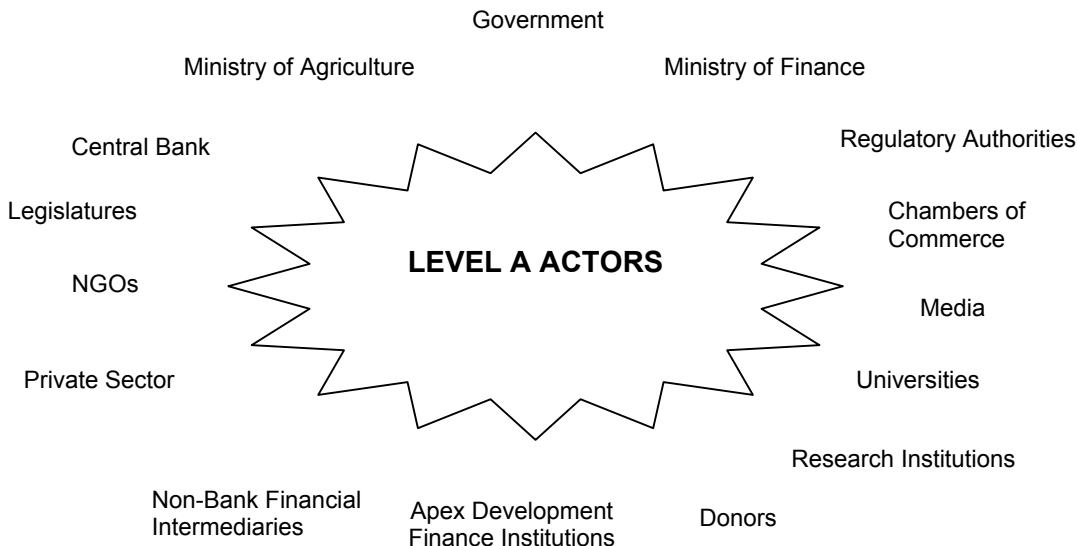
# Chapter II: Level A Training: Issues and Approaches

## Introduction

In the first section below we will describe the various groups and entities which play an important role in establishing the policy and institutional framework within which rural financial markets operate – in our work we have identified this heterogeneous assemblage as Level A. Thereafter, the various “training” approaches appropriate for this Level A audience are identified. We then outline some of the interfaces between the market-driven macroeconomic development model and the rural financial market paradigm. Areas of AGSM comparative advantage with respect to training on these questions are suggested, and several opportunities for interaction with training institutions are described. Finally, some of the possible contents of training modules are sketched in Attachment 1.

### IDENTIFYING LEVEL A AUDIENCE

The constituents of Level A were identified as follows:



Although the list is not exhaustive, the variety outlined above clearly suggests the diversity of interests and perspectives of the various decision-makers, stakeholders and pressure groups which comprise Level A.

Any one of the actors may act as a champion of a particular perspective or paradigm. One of the objectives of the advocacy activities to be carried out at this level would be to encourage as many champions as possible to come to the surface within the variety of institutions listed and then encourage them to network and mutually reinforce each other as much as possible.

## ***Types of Training:***

### *(a) Transfer of Skills and Knowledge*

Within the various constituents of Level A, highly specialised and carefully honed skills and knowledge may be mobilised to carry out the missions of each. The acquisition and refining of these skills and knowledge are the legitimate target of the internal and external training programs of these respective constituents. In very specific cases, some of these constituent elements may occasionally be useful targets for training designed to enhance specific knowledge and skills and may be sponsored or supported by AGSM. (This may especially be the case when one moves from the advocacy of the RFM paradigm to the actual implementation of the RFM paradigm and is further discussed at a later point in this paper.)

### *(b) Advocacy (attitudinal changes)*

On the other hand, activities which are aimed at addressing such issues as “paradigm shifts” associated with, e.g., moving from a supply driven “directed credit” policy environment towards the “rural financial markets” policy environment, may more properly be classified as advocacy or consensus-building, rather than training for knowledge or skills acquisition *per se*. Advocacy interventions would usually be targeted at higher level authorities occupying policy-making positions. These interventions would typically be of short duration and in surroundings befitting the senior political positions which these participants most likely occupy. Follow-up opportunities which provide an opportunity or encourage the further networking of participants may be useful. Senior policy-makers are unlikely to be targets for (the usually more lengthy) training for acquisition of knowledge/skills.<sup>2</sup>

### *(c) Choosing the appropriate training “mix”*

Quite likely, as one traverses from the Level A to the Level B and Level C milieus, one may likely find that the importance of advocacy/attitudinal change training interventions progressively diminishes and the relative role of training endeavours (acquisition of knowledge and skills) progressively increases. Advocacy interventions with respect to broad “paradigm shift” issues would most likely be limited to senior policy makers in Level B institutions. However, as we pointed out above, even in the Level A institutions there would most likely be considerable needs for training in the acquisition of knowledge and skills – especially in the case of a “paradigm shift” with respect to financial sector policies. Thus we would expect to see a shift from the urgency for “indoctrination (advocacy) training” and rather a greater stress on the need for “implementation (skills and knowledge) training”. It is important that the TNA play a useful role in anticipating this shift in the nature of training needs.<sup>3</sup>

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<sup>2</sup> It should be noted that advocacy interventions could be useful to co-opt senior policy advisers, incorporate them as stakeholders in the paradigm change process and encourage them to dispatch their technical staff to related skill- and knowledge-focused training interventions.

<sup>3</sup> The formal education system (universities, professional schools, etc.) may be able to address the question of training students in these new matters. However, the current staff of financial institutions, supervisory agencies, etc., may require considerable retooling, retraining, and other in-service interventions in order to come up to satisfactory performance standards.

## EMERGING TRAINING NEEDS: RURAL FINANCE WITHIN THE MACRO-ECONOMIC CONTEXT

The Rural Financial Market (RFM) paradigm should properly be considered as a constituent element of the overarching economic and sector policy themes of:

- A stable macroeconomic environment, characterised by low inflation rates, non-confiscatory tax regimes and sustainable budgetary fundamentals
- Liberalised foreign trade regimes (convertible exchange rates, no quantitative restrictions, low tariffs, unrestricted access to foreign exchange and to exporting and importing, freedom in capital transactions)
- Prices determined by competitive domestic markets, and prices of tradable goods not diverging from world market prices for those products
- Autonomous and competitive markets in factors (land, credit, labour) and goods and services (agricultural inputs and outputs)
- Production, processing and commerce by competitive private operators
- Functional laws and regulations in the areas that are vital for the agricultural enabling environment (land tenure, property rights, export regulation, phytosanitary procedures, laws and licensing of commerce, etc.)

These would be recognised as some of the basic themes of the open economy macroeconomics paradigm. They are closely associated with the “Washington Consensus” propounded by the Bretton Woods Institutions.<sup>4</sup> Some of them are succinctly reviewed in the AFR publication No. 2, *Agricultural Finance: Getting the Policies Right* (Coffey, 1998).<sup>5</sup>

The various Level A public and private sector institutions will to a greater or lesser extent be exercising a policy formulation/execution role or interacting with policy makers with respect to these various points. Through both formal and informal contacts, they may be instrumental in guiding policy formulation and execution. Important considerations with respect to rural financial policies would include:

- The role of financial markets
  - Financial markets and the economic development process
  - Market failures and policy failures: financial and otherwise
- The main objectives of agricultural and rural financial policy
  - Agricultural sector growth and transformation in the context of an open global economy
  - Poverty alleviation strategies in the rural sector
- The locus of decision-making with respect to agricultural sector and rural financial market policies
  - Public sector authorities and financial market policies
  - Pressure groups and special interests impinging on the formal decision-making process
  - Special RFM considerations
- The role of and conditions for participation of both the public and private sectors (including NGOs) in the provision of rural financial services
  - The legal/institutional/regulatory infrastructure to underpin the development of efficient rural financial markets and viable and sustainable rural financial institutions
  - Procedures for establishing and operating sound member-based financial institutions serving rural areas

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<sup>4</sup> John Williamson, “What Washington Means by Policy Reform,” in J. Williamson, ed., *Latin American Adjustment: How Much Has Happened?*, Institute for International Economics, Washington, D.C., 1990.

<sup>5</sup> “The Policy Framework,” pp. 21 – 46.

Some of these topics may be of especial importance in the transition and emerging market economies. There a long history of financial repression may still seriously hamper the emergence of an “unofficial” financial sector, especially such “informal” sector institutions as credit unions, savings and loan co-operatives, etc.

The definition and delimitation of the relative roles and tasks assigned to the public and private sectors in the national economy in the context of the paradigm shift are very important. Is it generally accepted that the public sector should limit itself to providing "public goods", while private goods should be delivered by the private sector? Where markets can be used efficiently to deliver goods and services, they should be, since -- compared to the alternatives - they save on the use of scarce administrative capacities and tend to be responsive to consumer needs. However, this framework requires that the government must be positively disposed (and not grudgingly so) to proactively put in place the institutional infrastructure necessary for markets to efficiently function. Furthermore, there should be a general acceptance that all development problems may not be primarily addressable through financial market interventions, and to try to do otherwise may merely bring more problems than it tries to solve.

## TRAINING NEEDS OF LEVEL A CLIENTELE

In many instances, one will find that Level A institutions may already have well-established in-service training programs. However, the nature of the training provided may be constrained by the extent to which such institutions (financial or otherwise) are market oriented and driven. For example, in the former USSR, the Gosbank (Central Bank) did not perform the traditional supervisory and prudential regulation roles typical of Central Banks in the western market economies. In these circumstances, the staff of the Gosbank was initially largely unqualified and unprepared to exercise these normal supervisory and prudential regulatory functions when private banking activities emerged in the transition economies which comprise the FSU.

These knowledge and skill lacunae are just not a problem in the sphere of the Central Bank of the transforming economies. The whole array of Level A institutions identified on page 20 – to the extent they even formally existed -- were to an equal or similar disadvantage with respect to these questions. In response to these lacunae, major training efforts were made by the external donor community (through TACIS (EU) and other bilateral donors, IMF, IBRD, EBRD, etc.), to attempt to remedy this gap. Further on in this paper we will return to the question of knowledge and skills training in Level A institutions.

## FILLING THE TRAINING GAP: POINTS OF ENTRY FOR FAO

In some respect, FAO has already collaborated in addressing a number of the RFM transition issues in a broader macroeconomic context. Nevertheless, venues for the interaction of FAO with some of the Level A institutions may have been limited. For example, Central Banks and Ministries of Finance may more often operationally interface with the Bretton Woods institutions (IMF and World Bank). The Fund may not normally place directed lending issues or sectorally specialised lending institutions high on its policy discussion agenda with the monetary and economic authorities. Fund program conditionalities may not go into detail on these points. The World Bank's discussions with the national level authorities on the Bank's economic reports may go into more detail on these matters, especially when the Bank staff undertake financial sector studies.

Nevertheless, FAO could explore with both the Fund and the Bank with respect to specific opportunities for outreach on some of these issues. For example, the prestigious IMF Institute provides highly regarded intensive training courses for both Central Bank and Financial Ministry staff in a variety of monetary and fiscal policy/management fields. FAO could explore with the IMF Institute staff the preparation of a training module (or modules) specifically addressing some of the issues of transforming sectorally specialised financial institutions and the transition to an RFM-oriented policy paradigm.

The training courses and the accompanying training material provided by the Bank's Economic Development Institute (EDI) has shifted away from addressing those issues in recent years, instead focussing on commercial bank training.<sup>6</sup> However, some opportunities may exist for FAO's collaboration in specific venues. For example, the EDI has become increasingly active in the "public relations" arena, convening short conferences of senior policy makers and "formers of opinions" (e.g., media) on various economic policy issues. However, the materials it has available on the specific theme of rural financial markets and the related policy framework is limited. In this respect, the AFR series being produced by FAO may help fill the void and would be useful in orienting the discussion of this topic in such fora. FAO might also advocate the incorporation into such fora of local business and professional groups, e.g., agricultural and agribusiness chambers of commerce, professional associations of agricultural specialists, etc.<sup>7</sup>

### ***A) " Advocacy" Training Modules***

The occasion of the preparation of the AFR series - which follows analytical and policy approaches which are consistent with the broader financial market paradigms advocated by those institutions - may provide an opportunity to approach such training institutions with a proposal to develop specific modules on rural financial market issues. Attached are the outlines of several "advocacy" training modules addressing some of the paradigm shift issues. These modules, which we will return to below, could be adapted to specific circumstances in order to form part of a broader program presented under the aegis of one of the training institutions cited above.

### ***B) Professional Knowledge and Skills Training***

There are several avenues through which the multilateral and bilateral donor communities have sought to upgrade skills and knowledge with respect to banking and finance in the developing and transition market economies:

- One long-standing training institution which has a long track record delivering courses banking and public sector finance is the prestigious IMF Institute (IMFI). The IMFI has a program of both longer courses and shorter seminars on a variety of banking and public finance topics.<sup>8</sup>

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<sup>6</sup> One might even suggest that the problems which the Bank has had in developing a larger operational program in supporting the transition to a viable and sustainable rural financial infrastructure in these countries may in part owe to its caution in formulating a more energetic advocacy/training strategy on these issues in the transition and newly emerging market economies.

<sup>7</sup> Agribusiness associations (both output processing and input provision) will become increasingly important in sectoral policy formulation, as a growing share of sectoral value-added will be occurring outside the "farm" gate.

<sup>8</sup> Information of the IMF Institute's training programs can be accessed at <http://imfint1x.imf.org/external/np/ins/english/training/index.htm>

- The World Bank's Economic Development Institute (EDI) has also implemented an intensive training program in banking and finance in recent years.<sup>9</sup> To some extent, this effort was related to the 1989 World Development Report (WDR), which focused on financial sector development issues. Much of the training was initially focussed on Africa. With the accession of the countries of the FSU to the Bank in 1992, most of the effort was redirected to banking training in these new member countries.<sup>10</sup>
- Because of the heavy demand on the part of these new member countries for training in banking and financial sector development, as well as macroeconomic and microeconomic fundamentals, in the early 1990s the IMF, the World Bank, the EBRD, the OECD and the BIS established the Joint Vienna Institute (JVI) to focus on such training for the emerging market economies. The program of seminars and courses of the JVI can be found on its web sites.<sup>11</sup>
- Training for developing country monetary and financial policy senior staff may also occasionally be provided at several regional venues, e.g., the regional Central Banks for the CFAF areas of Africa, and at several developed country Central Banks.
- A long-standing example of a primarily bilaterally-funded rural finance training centre is FINAFRICA (Giordano dell' Amore), located in Milan, Italy. The centre provides training in rural finance, and publishes the well-known *Savings and Development* periodical.
- Other training venues have included universities in both the U.S. and Europe, special-focus or in-service training provided by NGOs such as WOCCU and its affiliates, ACDI, Des Jardines, etc.

With the exception of FINAFRICA and several of the university-based courses, the training activities enumerated above have not included rural financial market issues in their training courses, although generic issues of directed lending or developmental/policy lending institutions may be addressed. Moreover, the candidates for training in the courses provided by these institutions have tended to wholly or predominantly come from the official or the public sector, as far as most of the training provided by the Bretton Woods Institutions is concerned. Staff of other financial intermediary institutions as credit unions, savings and credit co-operatives, etc., have been expected to be served by other agencies.

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<sup>9</sup> The current EDI courses in this area may be accessed at <http://www.worldbank.org/html/edi/edirp.html>. Materials used for that training are listed at [http://194.84.38.67/edirp/english/trainmater/fin\\_sources.htm](http://194.84.38.67/edirp/english/trainmater/fin_sources.htm).

<sup>10</sup> The EDI discontinued its training activities in rural finance - and its modest support to a couple of the RACAs - in 1992.

<sup>11</sup> JVI course and seminars are described at <http://imfnt1x.imf.org/external/np/ins/english/training/vcourses.htm> and <http://www.jvi.org/intro01.htm>

## TRAINING MODULES

### ***Assessing Training Needs***

To no lesser degree than in other types of training, the design of “advocacy” training activities for senior policy decision-makers or shapers of opinions in Level A institutions should build on a careful training needs assessment (TNA). An important contribution to making such an assessment could be derived from the type of diagnostic exercise described in Annex 2 of the AFR volume, *Agricultural Finance: Getting the Policies Right*. While the structure presented therein is of a generic type, it provides a framework for identifying the principal issues which relate to the nature of the paradigm shift which may be required among some of the Level A institutions. It should be complemented by judicious on the ground analysis. From that review, one should then move to identifying the major targets for training interventions and the balance to be sought between (a) advocacy and (b) skills and knowledge focussed training interventions.

### ***Targeting Senior Policy Makers***

There are two approaches to designing the training interventions for the leaders and staffs of Level A institutions. On the one hand, on the occasion of short seminars or brief conferences (e.g., single day or even one afternoon) directed at Senior Policy-makers in Level A entities, the messages in the AFR reports should be distilled down to three or four page executive summaries to permit their rapid perusal. Rather than a lecture, the presentations in these fora might be in the form of a panel discussion including one or two Level A-type professionally highly esteemed decision-makers who have experienced the specific reform process or paradigm shift under discussion; they thus can address with confidence and credibility some of the practical questions of implementation and outcomes which might arise from the senior-level participants in attendance.<sup>12</sup> The topics to be covered would be judiciously culled and summarised from the broad areas covered in Annex 1.

### ***Expanding Skill and Knowledge in Level A Institutions***

This represents what we should expect to be a growing need for training in Level A institutions related to the actual implementation of the RFM paradigm – both transition issues and the ongoing “maintenance”. Such training for senior level policy advisory staff in Level A entities could be of longer duration. Some of it may be highly specialised. The structure of several possible training modules is outlined in Annex 1. For each module (which may consist of one or several sessions, depending on the topic and the depth to which it would be treated) we would suggest that there be prepared:

- a Trainer’s Guide (which would include a lecture outline(s)),
- a selection of reading materials,
- where appropriate, several case studies,<sup>13</sup> and
- a set of questions designed to permit assessing the participant’s grasp of the material presented and discussed.

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<sup>12</sup> Video tapes of such panel discussions might also be useful for the purpose of familiarizing operational staff in, e.g., financial institutions, regulatory bodies, etc., and a broader range of “opinion-formers” on the nature of the policy or paradigm shifts which are being implemented. They could be broadcast on television, made available to business groups and chambers of commerce, etc.

<sup>13</sup> Breaking up into small groups in order that the participants can discuss among themselves, with perhaps the guidance of a knowledgeable facilitator, and then reporting back to the plenary on their deliberations, can be a very useful learning tool. It may be a time-consuming process, however.

In some cases, it would be envisaged that the series of Agricultural Finance Revisited (AFR) reports would serve as the core documents or reading material, complemented as appropriate by other materials.

The modules, which are described in Attachment 1, are of a generic type. We have indicated only some of the material which might be included in the respective modules. Final choice of material should depend on the nature and background of the target audience, the training objectives and the time (and other resources) available. Drawing on this and other material which may be available (e.g., citations and references in the various AFR reports, case studies which may become available, materials from other sources, etc.), these modules could be fleshed out in accordance with the specific target audience for the type of training intervention to be carried out and the amount of time available.

## ANNEX 1: TRAINING MODULES IN RURAL FINANCIAL POLICY ISSUES

### **Module 1: Economic Liberalisation and the Open Macroeconomy**

#### *Principal Themes:*

- Markets and Prices and the Process of Economic Development
  - Background
  - Open economy model
    - Internal balance and external balance
    - Growth and debt
    - Monetary policy
    - Trade policy
    - Inflation
    - Employment and poverty alleviation

#### *Core Readings:*

1. Nouriel Roubini, *An Introduction to Open Economy Macroeconomics, Currency Crises and the Asian Crisis*, New York University, Stern School of Business, 1998.<sup>14</sup>
2. Rudiger Dornbusch and F. Leslie Helmers, *Open Economy: Tools for Policymakers in Developing Countries*, University Press Books for the EDI, 1988.

#### *Case Studies:*

1. Rudiger Dornbusch and F. Leslie Helmers, *Policymaking in the Open Economy: Concepts and Case Studies in Economic Performance*, University Press Books for the EDI, 1993.

### **Module 2: Some Institutional issues underpinning market processes**

#### *Principal themes:*

- Property rights and their transferability (sale, lease, inheritance)
- Enforceability of contracts
- Bankruptcy law
- Distinguishing between equity and debt
- Role and rewards of risk-taking
- Transparency and governance issues

#### *Core Readings:*

1. World Bank, *World Development Report 1996: From Plan to Market*, Washington, 1996.
2. Heywood Fleisig, "Secured Transactions: The Power of Collateral," *Finance and Development*, June, 1996.

#### *Case Studies:*

1. Lieberman, R. Desai and S. Nestor, eds., *Between State and Market: Mass Privatisation in Transition Economies*, World Bank, 1997.

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<sup>14</sup> This document is available on the web at [www.stern.nyu.edu/~nroubini/NOTES/macro1.htm](http://www.stern.nyu.edu/~nroubini/NOTES/macro1.htm).

2. International Finance Corporation, *Farm Privatization in Nizhny Novgorod, RF*.

### **Module 3: The Role and Composition of Financial Markets in the process of economic development**

#### *Principal Themes:*

- Financial markets and intermediation between deficit and surplus saving units, over space and time
- The Institutional Composition of Financial Markets
  - Central bank functions
    - Supervision
    - Prudential regulation
    - Deposit insurance
  - Universal banks
  - specialised banks
  - co-operative banks
  - credit unions
  - informal finance
- Public and private ownership of banks and other financial institutions
- Interest rate policies
- Financial Market Instruments
  - Primary markets
  - Secondary markets
  - Commodity and financial future markets

#### *Core Readings:*

1. Inter-American Development Bank, *Financial Market Development: Issues, Strategies and Inter-American Development Bank Group Activities*, Washington, D.C., March, 1998.
2. World Bank, *Financial Sector Development*, (Extract from the *World Development Report 1989*), Washington, 1989.
3. James Frye, *Money, Interest and Banking in Economic Development*, Johns Hopkins University Press, 2<sup>nd</sup> ed.

### **Module 4: The Agricultural Sector in an Open Economy**

#### *Principal Themes*

- The anti-agricultural bias in the earlier development paradigm
- The role of the agricultural sector in the new development paradigm
  - Growth and structural transformation of the economy
  - Poverty alleviation
  - Public Sector policies
- The shift to greater post-farm-gate value-added
- Generation and adaptation of new technologies
- Globalisation of the rural economy

#### *Core Readings:*

1. O. Kruger, "Some Policy Perspectives," in R. Bautista and A. Valdes, ed., *The Bias Against Agriculture: Trade and Macroeconomic Policies in Developing Countries*, IFPRI and International Center for Economic Growth, 1993, pp. 287 – 298.

2. Maurice Schiff and Alberto Valdes, *The Plundering of Agriculture in Developing Countries*, The World Bank, 1992.
3. O. Knudsen, et. al., *Redefining the Role of Government in Agriculture for the 1990s*, World Bank Discussion Paper No. 105, 1990.
4. Van Blarcom, et. al., *The Role of Public Expenditures for Agriculture*, World Bank Discussion Paper No. 216, Washington, D.C. 1993

*Case Studies:*

J. Meerman, *The World Bank Goes to Market*, Operations Evaluation Department, World Bank, 1997.

**Module 5: Rural Financial Markets and Rural Financial intermediation**

*Principal Themes:*

- Comparing the Directed Credit and Rural Financial Market Paradigms
  - Deficiencies of past approaches require a reorientation of efforts
- Special considerations of the agricultural and agroindustrial sectors for banking/financial market services in rural areas
  - The various demands for financial services in the rural sector
  - Financial services transaction costs (explicit and implicit)
  - Risk in rural financial operations
  - Special needs of the rural poor
  - Informal financial markets
- Linkages between global and rural financial markets

*Core Readings:*

1. FAO and GTZ, *Agricultural Finance Revisited Series*.
2. Inter-American Development Bank, *Rural Finance Strategy: Profile*, June, 1998.
3. J. Yaron, M. Benjamin and G. Piprek, *Rural Finance: Issues, Design and Best Practices*, Chapter 3, "New Perspectives on Rural Finance," World Bank, 1997.
4. Dale W. Adams, "From Agricultural Credit to Rural Finance," *Quarterly Journal of International Agriculture*, Vol. 34, No. 2 (April – June, 1995), pp. 109 – 120.
5. Robert C. Vogel and Dale W. Adams, *Old and New Paradigms in Development Finance: Should Directed Credit be Resurrected?*, CAER Discussion Paper No. 2, HIID, Cambridge, Mass., 1997.
6. J. D. von Pischke, *Finance at the Frontier: Debt Capacity and the Role of Credit in the Private Economy*, Economic Development Institute of the World Bank, 1991.
7. Manfred Zeller, Gertrud Schrieder, Joachim Von Braun and Franz Heidhues, *Rural Finance for Food Security for the Poor: Implications for Research and Policy*, IFPRI, Washington, D.C., 1997.

## ***Module 6: Special Considerations with respect to Economic Liberalisation, the Transition to a Market Economy and Rural Financial Markets***

### *Principal Themes:*

- Formulation of Rural Financial Policies in Macroeconomic Adjustment Programs
- Assessing the experience of rural financial market reform in the transformation of socialist economies
- Privatisation or liquidation of State-owned Rural Financial Institutions

### *Core Readings:*

1. FAO and GTZ, *Agricultural Finance: Getting the Policies Right*, 1998.
2. L.D. Smith and N.J. Spooner, *The Sequencing of Structural Adjustment Policy Instruments in the Agricultural Sector*, Centre for Development Studies Occasional Paper No. 6, University of Glasgow, U.K., 1990.

### *Case Studies:*

1. Dale W. Adams and Juan Jose Marthans, *Benefits and Costs of Liquidating an Agricultural Bank in Peru*, unpublished paper prepared by IMCC for the Agency for International Development, Washington, D.C., 1997.
2. Robert Vogel, et. al., *Approaches to Rehabilitating Insolvent Banks: Benefits and Costs of Liquidating an Agricultural Bank in Peru*, unpublished paper prepared by IMCC, Washington, D.C., October, 1997.
3. Delbert Fitchett and Dale Adams, *Rural Financial Markets in Russia: Policy Issues*, EDI Working Paper, Washington, D.C., 1991.

## ***Module 7: Assessing and Maintaining the Financial Viability and Sustainability of Rural Financial Institutions***

### *Principal Themes:*

- The Regulatory and Supervisory Standards for Banking Institutions and Their Application
- Incorporating Rural Financial Institutions into the Regulatory and Supervisory Regime
  - Special Considerations relevant to RFIs
    - Ownership
    - Capital base
    - Guarantees
    - Portfolio composition and risk
  - Transition Issues to the new regime
  - Issues with respect to other rural financial intermediaries and non-bank rural lenders

### *Core Readings:*

1. FAO and GTZ, AFR No.4: *Sources of Funds for Agricultural Lending* (Giehler, forthcoming)
2. FAO and GTZ, AFR No.5: *Prudential Regulation and Supervision for Agricultural Finance*, Fiebig, forthcoming).
3. David Folkerts-Landau, et. al., *Toward A Framework for Financial Stability*, IMF World Economic and Financial Surveys, Washington, D.C., January, 1998.
4. Group of 22, *Report of the Working Group on Strengthening Financial Systems*, Oct., 1998.<sup>15</sup>

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<sup>15</sup> This report is available on the IMF website, [www.imf.org](http://www.imf.org).

5. World Bank, *Operational Memorandum 8.30: World Bank Policies Guiding Financial Sector Operations*, 1998.

## ANNEX 2: FORMAL TRAINING AT THE UNIVERSITY AND COLLEGE LEVEL

### ***Introduction***

Another training need with respect to financial issues, but specifically rural finance issues, exists at all three levels (and in a way not specific to any of the three levels.) This is financial training as part of training and education to obtain certain qualifications. These qualifications again are required in many instances as a prerequisite for certain levels of employment, are after employment to ensure a certain knowledge base in an employee. At the time of training the trainer is not entirely sure where the trainee will eventually apply her acquired knowledge and skills. Most of this training takes place in Departments of Agricultural Economics and sometimes in Departments dealing with development economics, or rural development. It normally does not take place where most other financial courses are provided at universities, accountancy and auditing departments and business schools.

However, placing this kind of financial training in the context of rural finance is a scarce application and very little training in this regard takes place in general. Therefore one quite often hears complaints of commercial banks that cannot find trained agricultural financiers, and less available, people trained in the details of rural finance. At the same time, agricultural development banks complain of staff being too agriculturally orientated, and that they need more bankers and less agriculturists.

Closer observation identifies training that combines financial, rural and agricultural concepts. In a way it is financial issues applied in rural areas. The recent history of rural finance has not evolved far enough to ensure a high demand for this type of student. Further, marginal confusion exists between microfinance and rural finance. Most institutions targeting the more affluent portions of society ignores these issues completely.

A specific need has been identified in developing countries in terms of this area of training. No known comprehensive course books exist for rural finance courses. Very little formal organised training in this regard takes place. Most information at this stage is provided through conferences and workshops.

### ***Institutions that offer rural finance training***

Training courses on rural finance, or aspects of it, for non-degree purposes do take place in several locations in the world. A recent informal survey of the Development Finance Network Messages of the past two years indicated courses being offered at institutions in:

- ❑ Boulder, Colorado
- ❑ Columbus, Ohio
- ❑ Cranfield, UK
- ❑ Bradford, UK
- ❑ Nairobi, Kenya
- ❑ Pretoria, South Africa
- ❑ Wageningen, Netherlands
- ❑ Hohenheim, Germany
- ❑ Centre National d'Etudes Agronomiques des Regions Chaudes (CNEARC), Montpellier

Very few university courses specifically in Rural Finance exist. All the universities canvassed compiled course material from a diverse number of sources, however none had a comprehensive course book with which to guide studies in this regard. Several universities, the majority that offers agricultural economics as a course option, offer courses in agricultural finance and advanced agricultural finance. Excellent textbooks exist for agricultural finance

training (albeit country specific in most instances). However, when rural finance is considered no specific textbook can be identified.

## ***Course content for a rural finance course at university level***

### ***A Undergraduate***

At the undergraduate course level the emphasis should be on understanding the concepts inherent to rural financial markets, the theory, the history and the current trends. This is a broad introductory level course.

- **Financial theory and financial markets**
  - introduction
  - finance and financial markets: theoretical basis
  - transaction costs
  - asymmetric information, adverse selection and moral hazard, principal-agent relationships, pecking order theory
  - discussion of the theoretical concepts
  
- **The conventional approach**
  - conventional credit programmes, conventional assumptions, policy directions based on these assumptions
  - interest rates (the usury argument, high income countries charge low rates, financial intermediaries receive cheap funds, lender viability, farmer behaviour, income transfer mechanism, interest rates and inflation, the second-best argument, the social and equitable argument)
  - transaction costs
  - loan targeting
  - fungibility and the measurement of success
  - loan recovery
  - savings mobilisation
  - intermediaries
  - programmes for small enterprises
  - rural financial markets
  
- **Informal finance and savings mobilisation**
  - informal finance (who are the suppliers of financial services in informal finance, information and transaction costs, savings mobilisation)
  - savings side of markets (saving in context, saving and interest rates, saving and financial institutions, the potential for mobilising rural deposits)
  
- **Sustainable intermediation - fact or fallacy?**
  - information
  - interest rates
  - savings in rural financial markets
  - transaction costs
  - collateral issues
  - incentive systems
  - institutions and the new approach (the pendulum swung, restructuring of specialised credit institutions)
  - legislation, regulation and supervision
  - risk
  - financial technologies (savings first approach, credit first approach, group approach, decentralised financial systems)
  - measurement of success (sustainability and the subsidy dependence index, outreach, discussion of measurement)

## ***Rural finance post-graduate course outline***<sup>16</sup>

The area of rural finance and more specifically microfinance in rural areas are not comprehensively addressed in postgraduate course work in South Africa. The objective of this course is to fill this gap in ensuring an understanding of the evolving theoretical framework underlying rural finance and the institutional issues in looking at the demand and supply of rural financial services. This course evolved over the last four years from a very broad based course ensuring familiarity with concepts in rural finance to a level where more detailed analysis of these concepts are handled in the current course format.

The course methodology: We will use articles, extracts from books and seminar papers as course material. There will be no specific prescribed book.

Evaluation: Seminar papers, class discussions and presentations, a test and an examination.

### ***Module 1:***

#### ***Unit 1:***

General introduction to the course by explaining the function of financial markets, by detailing the actors in financial markets and by providing an overview of the whole course. The course structure will be outlined by emphasising the two main pillars of discussion:

- The evolving theoretical framework for the financial services industry during the 1970s until the 1990s, and
- The demand and supply of rural financial services with an emphasis on measurement of performance of institutions

#### ***Unit 2:***

The second part of this module initiates the series of discussions on the evolving theoretical framework for the financial service industry from the 1970s to the 1990s. The first topic is:

- **Finance and Economic growth in new endogenous economic growth theories**

#### ***Readers:***

1. Levine, Ross. (1997). *Financial development and economic growth: Views and agenda*. Journal of Economic Literature. Vol. XXXV: 688-726.
2. Chandavarkar, Anand. (1992). *Of finance and development: Neglected and unsettled questions*. World Development, Vol. 20. No. 1:133-142.
3. Winkler, Adalbert. (1997). *Financial development, economic growth and corporate governance*. Background paper for the first annual seminar on new development finance, Goethe University, Frankfurt, September.

Following on the first lecture we address the question of what role banks (financial institutions) play in the financial systems of countries. We therefore address the topic layer by layer, starting with:

- **Capital structure theory and Corporate finance theory**

#### ***Reader:***

4. Mayer, Colin. (1990?). *Financial systems, corporate finance and economic Development*. In International study of the financing industry, Centre for Economic Policy Research.

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<sup>16</sup> This section is presented in the form of a course outline of a specific course offered at the University of Pretoria, South Africa. Students also take other financial courses to ensure a broad understanding of financial management at the firm level and the functioning and financial management of the banking firm.

❑ **Ownership and governance: Principle agent theory**

*Reader:*

5. Jensen, Michael C. & Meckling, William H. (1976). *Theory of the firm: Managerial behaviour, agency costs and ownership structure*. Journal of Financial Economics, Vol. 3:305-360.
6. King Report. (1994). *The code of corporate practices and conduct: An extract from the King Report on Corporate Governance*. Johannesburg: Institute of Directors in Southern Africa.

❑ **New Institutional Economics and Finance**

*Reader:*

7. Besley, Timothy. (1992). *How do market failures justify interventions in rural credit markets*. Discussion Paper 162, Research Program in Development Studies, Center of International Studies, Woodrow Wilson School, Princeton University, NJ.

❑ **Information theoretic School**

*Reader:*

8. Stiglitz, Joseph E and Weiss, Andrew. (1981). *Credit rationing in markets with imperfect information*. American economic review, Vol. 71:393-410.

**Module 2:**

*Unit 1:*

❑ **Overview of rural financial issues**

*Readers:*

1. Yaron, J., Benjamin, M. & Piprek, G. (1996). *Rural finance: Issues, design and best practises*. Environmentally Sustainable Development Studies Series, The World Bank.
2. Gonzalez-Vega. C. (1993). *From policies, to technologies, to organisations: The evolution of the Ohio State University Vision of Rural Financial Markets*. Economics and Sociology Paper No. 2062. Rural Finance Programme, Ohio State University, Columbus, Ohio.
3. Coetzee, GK. (1997). *Institutional change in Rural Financial Markets in South Africa*. Unpublished PhD Thesis, University of Pretoria (Undergraduate course reader)

**Module 3:**

*Unit 1:*

❑ **Introductory lecture on the demand and supply of rural financial services.**

*Readers:*

1. Iqbal article on demand for financial services
2. Demand studies and the dangers inherent – Nagarajan
3. Von Pischke, J.D. & Adams, D. (1983). Fungibility and the Design and Evaluation of Agricultural Credit Projects. In Von Pischke, J.D., Adams, D.W. & Donald, G. (eds.). *Rural financial markets in Developing Countries*. EDI Series in Economic Development. Baltimore: Johns Hopkins.

*Unit 2:*

□ **Supply of financial services (empirical and policy issues) and relevant South African issues**

*Readers:*

1. Private and state owned banks Graham, D.H. (1995). *Sustainable financial services for the rural poor: The challenge to the agricultural economics profession*. Agrekon, Vol. 34, No. 4:138-145.
2. Credit co-ops and client owned MFIs: Chaves and Gonzalez-Vega
3. Micro-finance and small enterprise finance - Upscaling NGOs (New Best Practises and fin. Technologies (IPC literature and OSU studies), *Downscaling banks - Institutional culture issues, regulation issues* (Baydas, Graham, Valenzuela)
4. Individual vs. group loan technologies: see no 15.

□ **Measurement of performance**

*Readers:*

1. See no 9
2. Yaron, J. (1992). *Assessing Development Finance Institutions: A Public Interest Analysis*. World Bank Discussion Papers No. 174, World Bank, Washington DC.

□ **Reg. and supervision of “peculiar” microfinance institutions**

*Reader:*

1. Rock, R. & Otero, M. (1997). *From margin to mainstream: The regulation and supervision of micro-finance*. Monograph Series No. 11, Accion International.
2. Berenbach, S. & Churchill, C. (1997). *Regulation and Supervision of Microfinance Institutions - experience from Latin America, Asia and Africa*. Microfinance Network, Occasional Paper No. 1
3. Coetzee, GK & Goldblatt, G. (1998). *Regulation and supervision of microfinance institutions: the experience in South Africa*. Paper read at a conference on savings, Kampala, Uganda, February.

## CHAPTER III: TRAINING IN RURAL FINANCE - INSTITUTIONAL PERSPECTIVES

### *Introduction*

This chapter deals with the institutional perspectives of rural finance training. In particular, the focus is laid on the training needs of the rural financial institutions, the possible training modules and the relevant training products. An attempt is simultaneously made in identifying training approaches as well, wherever possible, but these are largely illustrative, as actual requirements may vary from experiences /expertise which could differ from one country to another.

### *The Role of Financial Institutions*

Rural Financial Institutions are important transmission mechanisms in implementing the policy objectives of the Government that are derived from the national economic agenda. Efficient institutional mechanism aided by effective policy instruments are important for successful and sustainable development programmes. Rural finance being policy induced, is thus, largely interventionistic in character. Rural financial institutions and instruments in many cases emerged as a result of the policy initiatives. The general characteristics these institutions contain accordingly reflect the scope, content and the character of the given policies. These variations make the scope and functioning of the rural financial institutions differ from country to country but a common line cutting across all these institutions remains more or less same; to enable the rural population to access a greater degree of resources, finance being the most critical resource, to generate assets that could lead to sustainable income generation. Though the focus of the rural financial institutions has always been on allocation aspects of finance, the role these institutions indirectly play in furthering the operational environment of rural economies in terms of gender empowerment, promoting rural health and education, skill development among the rural youth etc., remains sizeable and substantial.

### IDENTIFYING LEVEL B AUDIENCE

#### ACTORS INVOLVED INTO GOVERNANCE ISSUES (INTERNAL MANAGEMENT)

The key players connected with the governance in the financial institutions are:

- ***Government/Ministries/Civil Society***
- ***Central Banks***
- ***Top Management of the Financial Institutions***
- ***Supervisory Staff of the Financial Institutions***

#### ACTORS INVOLVED INTO BUSINESS ISSUES (BANKING CONTENT)

The key players in the Business of the Financial Institutions are:

- ***Top Management at the Corporate Level***
- ***Senior Management at the Zonal/Controlling Office Level***
- ***Managerial Staff at the Branch Level***
- ***Field Staff /Operational Staff at the Branch Level***

### ***Specific Tasks***

A brief overview of the nature of governance in rural financial institutions may be required before listing the specific tasks. Bank boards mostly are constituted by the Government with political appointees and nominees from the Government Agencies and the Central Bank. Responsibility and accountability of the members of the board are not properly defined. Financial Institutions have little say in inducting experts in the board as per their needs or requirements. The compensation packages of the board members are meagre but the influence that is associated with these posts attracts a lot of demand for these positions. While political/government nominees in these boards are unavoidable in a democratic system of the Government, norms of accountability and responsibility should be evolved and adhered to ensure that board members are also responsible for the outcome of their decisions. The top management is either drawn from bureaucracy or the banking industries. Its approach and outlook is largely rule based rather the need based.

Rural Financial Institutions should basically be proactive institutions setting benchmarks and examples of development finance, but in most cases they end up as sad victims of the myriad rules and regulations, which over a period, makes it extremely difficult to disentangle. In the process, the institutions turn out to be functioning for the rules that they have framed rather than for the objectives for which they exist. The Management, generally has little autonomy on deciding anything, as for almost everything, they need to look up either to the Government or Central Bank. Which is the main reason for lack of initiatives and positive attitude which are prime requirements in rural finance. The Management in turn, put in place the same type of systems which they resist, when it comes to lower rungs. There is little scope for initiative at the branch level as everything is expected to be planned at the corporate level. This in turn, makes rural bank branches as merely, collection agents of deposits, outlets for loan, but hardly as catalysts for creation of rural wealth, wherein lies the spirit and success of the rural finance. The indifferent and impersonal attitudes overwhelm the entire organisational structures and so as the human resources, which is one reason why the rural financial institutions suffer from absence dynamic players and aggressive change agents. What is described may be the darker side of the picture and it is possible that there could be much brighter side. The above narration depicts a very general scenario. A part of the strategy of the training programme could be to take useful inputs from the brighter side to dispel the picture at the dark side.

The **Specific Tasks** of actors that are involved in governance are:

- Constitution of the board
- Appointment and authority of board of directors
- Appointment of top management
- Authority and functional autonomy of top management
- Decision making by the management
- Delegation of powers
- Design of operational norms in line with basic policy objectives
- Evolving an organisational structure conducive to pursue the policy objectives
- Evolving effective human resource development policies (training has to have impact in terms of career
- Regulatory compliance and financial reporting
- Management audit
- Establishing relationships with international organisations/donor agencies
- Public relations
- Corporate communications
- Creating an image and Brand Equity

***The requirements to perform these tasks are:***

- Awareness about the changes in the operational environment brought about by the developments at the domestic and international levels.
- Study of standards, practices and procedures adopted by international bodies in respect of administration of rural finance policies and products.
- Analysing macro economic and business data, establishing relationships and assessing the impact. Preparing impact studies.
- Analysing policy options and examining cost benefit analysis.
- Promoting debate and discussion on new concepts and ideas.
- Studying systems and procedures available internationally and evolving country specific strategies, benchmarks. Setting standards and parameters for evaluation.
- Preparing general operating guidelines/manuals.
- Evolving effective methods of decision making and implementation.
- Evolving suitable systems for selection, training and skill enhancement of human resources.
- Identifying institutional objectives and ensuring its effective transmission down the various layers of the organisation as well as the different groups of clients and customers.
- Evolving a well-structured compliance mechanism for implementing and reporting directions/guidelines emanating from regulatory bodies, external auditing/inspection teams. Arranging for suitable and time bound reviews by parliamentary bodies, ministries, and independent agencies.
- Detailed guidelines on delegation of financial powers
- Setting up of operational framework for building up relationships with international organisations, donor agencies etc.,

***Present abilities in respect of knowledge and skills***

These are country specific in nature and differ from one situation to another. Adaptation of the general training material to a large extent depends on the abilities of knowledge and skills. However, an attempt is made in this note to visualise a general level of abilities that is currently prevalent in many rural financial institutions in the developing and transition economies.

The abilities are divided into the following categories:

<b>Adequate</b>	<b>Inadequate</b>
<ul style="list-style-type: none"> <li>• <i>Preparing projects/Investment Proposals</i></li> <li>• <i>Preparing Proposals for international assistance/help</i></li> <li>• <i>Setting up of institutions</i></li> <li>• <i>Preparing Operational Manuals</i></li> <li>• <i>Recruitment of Staff</i></li> <li>• <i>Preparation of Business Plans</i></li> <li>• <i>Review of Plans and Programmes by periodic meetings</i></li> <li>• <i>Drawing up elaborate rules and regulations</i></li> <li>• <i>Adhering to the rules and regulations</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Board level appointments of experts</i></li> <li>• <i>Selection of top management appointments</i></li> <li>• <i>Drawing up clear-cut management functions and responsibilities</i></li> <li>• <i>Functional Autonomy for Top Management</i></li> <li>• <i>Decision making powers at the branch level</i></li> <li>• <i>Regulatory compliance and reporting</i></li> <li>• <i>Management audit</i></li> <li>• <i>Use of technology in various functions</i></li> <li>• <i>Scope for individual initiative and innovation</i></li> <li>• <i>Scope for discretion which is essential for change agents</i></li> <li>• <i>Awareness about the functioning and impact of the international financial markets</i></li> <li>• <i>Response to the forces of competition and deregulation</i></li> <li>• <i>Training and skill enhancement for various levels of staff</i></li> <li>• <i>The structure and presentation of Action Taken Reports (ATRs)</i></li> <li>• <i>Awareness on environmental, gender, rural health and education issues</i></li> </ul>

### ***Training Gaps***

- Building up inventory of skills and expertise for filling up of board level and top management positions and consulting professionals/advisors. Process for identification on professional basis.
- Classification of staff according to skills/expertise for placement in various jobs.
- Designing clear, easy to follow, staff friendly guidelines and their strict enforcement.
- Creating an environment for positive decision making.
- Creating an appropriate outlet for creativity and innovative ideas of staff and employees.
- Clear classification of management: role, responsibilities, functions, authority and accountability.
- Building up of components of environmental protection, empowerment of weaker sections, reducing gender inequality in the overall functioning of the organisations.
- Setting up effective communication network between the management and the staff on one side and the bank and the clients on another side.
- Creating awareness on policy changes taking place in the realm of rural finance.
- Designing appropriate framework for evaluation with less emphasis on numbers but more focus on the quality of assistance rendered and the impact of such assistance.
- Create a customer friendly environment: scope for quicker and low cost grievance redress.

## TRAINING MODULES AND THEIR PRODUCTS (GOVERNANCE)

### ***Module 1: Emerging Perspectives in Rural Finance***

This module aims to prepare the rural finance professionals to better understand the new concepts (rural financial market approach) and perspectives emerging in rural finance. In this sense it is aimed to change general attitudes. The material will be basically *advocacy* material.

As these developments are expected to have sizeable impact on the role and functioning of the rural financial institutions, it is important that the rural finance professionals grasp the intricacies of these and evolve effective strategies for smooth absorption at the level of their institutions as well as down the field level. The training products that could be relevant from the point of view professionals of rural finance institutions are outlined below. There is a scope for developing similar modules for policy makers as well as clients using a different context and content so as to usher in the need for understanding the emerging perspectives in rural finance by the all the three major constituents engaged in rural finance.

#### **Possible training products:**

**Training Product 1: Emerging Concepts and Policy Initiatives in Rural Finance:** It will present a general scenario on important concepts and policy initiatives that are emerging in rural finance such as microfinance, reform of the agricultural credit, problems of food security. It will be basically a compilation of important policies and products in rural finance. The best source of preparing for this training product will be the analysis of the data from the Questionnaire, which is being proposed to be circulated among the rural financial institutions of the member countries of FAO.

**Training Product 2: Governance in Rural Financial Institutions: *Basic Approach and Best Practices*:** This product will discuss about the scope for good governance in rural financial institutions. It will discuss about what constitutes good governance, how suitable systems and procedures could be evolved, the support that is required from the Government and outlines important characteristics of good governance and how it could play a useful and beneficial effect on the overall functioning and performance of the rural financial institutions (possible technique: Management-training video).

**Training Product 3: Checklist for Efficient Corporate Governance in the Rural Financial Institutions:** It could be a follow up on the training product 2 described above and could form a class room exercise/assignment for various groups of trainees. The ability of the extent of understanding of the trainees on this subject and their skills in preparing the checklist could form the basis for their understanding and comprehension on this training product.

### ***Module 2: Regulation in Rural Finance***

#### **Training Products:**

**Training Product 1: Reforming the Rural Finance Regulation:** This product basically aims at defining the right type of regulation that is required for rural financial institutions; the present type and scope of rural finance regulation that is prevalent in the countries; country experiences, important findings of the major projects and studies undertaken on this subject. This subject matter is relevant more for policy makers (refer Level A) For institutions it is important from the point of view of implementation. In this product, detailed explanation on various aspects of regulation, the rural finance institutions need to be follow may be made in

detail along with some class room exercises. Sufficient focus on the reasons behind formulating the relevant regulatory norms should be explained in greater detail so the resentment the bankers have towards regulation will get smoothed. Also sufficient explanation on how complying with regulation will facilitate banks to perform better is warranted. Compliance of important regulatory measures which will have a beneficial effect on the functioning of the institutions should be explained in greater detail.

### **Training Product 2. Checklist for Regulatory Compliance for Rural Financial Institutions**

It will follow the above training product as an exercise for trainees. The trainees could be asked to prepare a checklist of what constitutes the best regulatory compliance. While the concept could be generic, the preparation of checklist could vary from country to country. The participation of the trainees in this exercise would enable to bring in a whole lot of operational aspects into light in a much more precise manner.

### ***Module 3: Annual Review of Rural Finance***

It could be proposed that every country should set up this forum in an appropriate and effective manner, which could bring in the Policy makers, chief executives of institutions and representatives of client groups to exchange of ideas, to discuss important findings of various studies/reports, also consider the viewpoints of various constituents as emerging from their training sessions, practical experience and implementation of special projects etc., A report arising out of this Annual Review could form the basis for setting and direction of the policy on rural finance in addressing to the emerging challenges. For emerging concepts in rural finance and best practices in governance an instructional video could be very effective considering the message that it needs to be conveyed. Check list on corporate governance could be designed as an class room exercise or even some sort of games, either done manually or computer simulated.

### ***Delivery Mechanisms***

The training products in Modules 1 to 3 require varying delivery channels. Annual Review of Rural Finance, basically will be annual conference comprising of senior officials of the important ministries, the central bank, chief executives of rural financial institutions, other development financial institutions and commercial banks; a fair sample of chiefs of important divisions of rural financial institutions; representatives of the public, NGOs and other extension agencies. This could be conducted at the province level, federal level, and national level depending upon the size of the rural financial market. The basic objective is to bring together for exchange of ideas. In forums such as these representatives of RACAs/FAO could be invited to make key presentations on rural finance. The product on regulation should be implemented in a more structured manner with lot of interaction and participation from the regulatory authorities for discussion on the logic behind such measures and the effective ways of complying with such measures and the benefits that the institutions could derive from strict compliance with the policy. The structure of these courses could be evolved keeping in view the country specifications and the needs of the institutions

### ***Plan of Action***

There is a general feeling in the many developing nations that economic reforms create imbalances, particularly unfavourable to the poor. While fiscal constraints do cause restrictions on the budgetary flows to the rural finance sector, reforms also provide a number of opportunities to the production and distribution sectors involved in the rural economies. There should be concerted action addressed at the policy level and the client level on the

need for reforms and their beneficial aspects on the overall wellbeing of the society. The plan of action is to disseminate the emerging trends, what the studies indicate, country experiences and best practices in a forceful manner to a wide audience of the policy makers, and the client groups. Institutions could pick up these elements in the process of their relationships with the policymakers and clients and mould their operational framework accordingly. The governance issues are primarily addressed to the policy and clients. Unless the issues of governance are supported and endorsed by the policy makers and appreciated by the clients, it will be difficult for the institutions to set up sustainable systems.

## EMERGING TRAINING NEEDS: ISSUES OF BUSINESS

### *Specific Tasks*

A brief overview of current situation in respect of issues of business is presented before the specific tasks are listed. The business plans of the branches are head-office induced with focus being more on physical targets (number of clients covered) rather than the quality and adequacy of assistance. Saving and loan products are more of conventional nature. Absence of location specific banking products to suit diverse characteristics of rural economies and so as the different requirements of the rural population. Rural Branches should evolve as bridges between the rural economies and the emerging overall financial structure including the capital market institutions, stock market institutions, commodity and futures markets, and facilitate resource flows and distribution of wealth. Technology in many branches is at primitive stage, though banks are not wholly responsible for this. Infrastructure bottlenecks are the major impediments to connect rural economies with the mainstream economies and there is greater scope for participation of banks in narrowing these gaps.

The Specific **Tasks** that are involved in the Business are:

- ❑ Analysis of business data and environment
- ❑ Resource mobilisation
- ❑ Marketing of banking products
- ❑ Asset creation
- ❑ Product development and delivery
- ❑ Income and expenditure
- ❑ Costing and pricing
- ❑ Information processing
- ❑ Risk management
- ❑ Asset-Liability management
- ❑ Investment management
- ❑ Managing uncertainties and contingencies
- ❑ Maintaining good relations with constituents of rural economy
- ❑ Profitability
- ❑ Productivity
- ❑ Research and development
- ❑ Client service and customer relationships

### *The requirements to perform these tasks are*

- Good knowledge about the business environment
- Assessment of region/location specific financial requirements
- Design of need based financial products in addition to the conventional banking products
- Periodic updating of all the account books and financial statements
- Compiling information that could be useful for strategic and marketing decisions
- Preparing a contingency plan with the assistance of local government bodies
- Periodic assessment of profitability
- Application of proper costs and prices to the products and services offered

- Establish effective customer interaction. Not just bureaucratic meetings once in a fortnight or a month
- Hold Meetings with customer groups to know of their needs and requirements and prepare necessary plans for approvals at the corporate level
- Keep a watch on staff productivity
- Greater use of technology in back office and front office functions; evaluate the use of technology so as to ensure better returns on the investments
- Provide regular feedback on the branch performance to the corporate/controlling office
- Hold village level seminars by involving local politicians/government agencies/clients to create awareness on new concepts on banking in terms of business, governance, social responsibility as also other safe and sound investments available in the mainstream economies
- Expand the range of products and services to enhance the viability and profitability of the branches

### ***Present abilities in respect of knowledge and skills***

Once again, many of these are country specific and hence difficult to generalise. But an attempt is made to list the abilities based on their adequacy which is given below.

<b>A. Adequate</b>	<b>B. Inadequate</b>
<ul style="list-style-type: none"> <li>• <i>Offering conventional deposit products</i></li> <li>• <i>Lending methods and procedures</i></li> <li>• <i>Loan agreements/preparation of loan papers</i></li> <li>• <i>Interest application and balancing of books</i></li> <li>• <i>Reporting of financial data to controlling offices</i></li> <li>• <i>Field visits to farms/activities of the clients</i></li> <li>• <i>Preparing routine business plans based on the broad framework provided by HO</i></li> <li>• <i>Organising periodic meetings with customers</i></li> <li>• <i>Liaison with Government and other developmental agencies.</i></li> <li>• <i>Individual approach to banking needs</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Developing a diverse portfolio of assets and investments</i></li> <li>• <i>Developing location specific banking products</i></li> <li>• <i>Professional approach for marketing of banking products</i></li> <li>• <i>Deriving strategic information from the data base</i></li> <li>• <i>Preparing contingency plans</i></li> <li>• <i>Applying techniques for identification, measurement and assessment of risk</i></li> <li>• <i>Dissemination of information on the rural economy to clients</i></li> <li>• <i>Use of technology in operations</i></li> <li>• <i>Costing and pricing of products and services offered</i></li> <li>• <i>Value addition to the services offered.</i></li> <li>• <i>Client counselling on emerging opportunities in the mainstream economies</i></li> <li>• <i>Effective liaisons with Government agencies, local political leaders and important people</i></li> <li>• <i>Group approach to banking needs</i></li> <li>• <i>Matching of assets and liabilities. Developing an internal information system to track loan and deposit maturities and patterns of investment and loans</i></li> <li>• <i>The importance of networking in the rural economies.</i></li> <li>• <i>Seriousness about the issues of social responsibility</i></li> </ul>

## ***Training Gaps***

- Structuring innovative region specific and need base deposit and loan products
- Use of rural database to design and products and services
- Tracking of the end use of the loans and monitoring of loan performance
- Communication with clients, and development agencies in the region
- Profit planning of rural financial operations
- Cost studies of rural financial services and designing appropriate pricing policies
- Asset-Liability management
- Risk management
- Productivity in rural finance operations
- Networking of various key players in the implementation of rural finance programmes
- Management information systems
- Analysis of business data
- Marketing of rural financial products
- Counselling services for clients
- Quick evaluation of performance of programmes.
- Appreciation on Awareness on Environment, Gender Empowerment, Rural Health and Education

## TRAINING MODULES AND THEIR PRODUCTS (BUSINESS)

### ***Module 1: Redefining the Rural Finance Function***

The focus in rural finance has largely been on how best to provide finance to the eligible beneficiaries. There is a need to shift the focus of rural bank branches from centres of loan disbursement to profit centres and facilitating centres. The profit centre approach would look into aspects of viability, profitability and productivity where as the facilitating centre approach would focus on connecting the rural population and entrepreneurs with the broader mainstream economy. Through facilitation, the rural financial institutions could emerge as important bridges to develop the business of the rural population along with enriching their own business prospects by providing a wide range of products and services. Certain training products which could be developed in this module include:

#### **Training Product 1. Using Rural Database for Designing Financial Products**

The products that are usually offered by rural bank branches are the conventional ones developed at the Head Office. Bank branches could develop a variety of banking products to meet the specific requirements of the command area which could be found useful to the clients. The exercise of using rural database for this purpose could also throw open useful and interesting information which could form the basis for developing relevant programmes and projects by the bank.

#### **Training Product 2. Pricing Rural Financial Products**

Proper costing and pricing of rural financial product development and delivery is essential for the viability of the branch. The bank staff should need to be inculcated on costing techniques for the products and services offered by them. There is also a requirement to explain these aspects to the clientele also, as it is important for them to understand the cost of services being offered to them by the bank. This is essential to slowly educate the people on using right type of products and also pay for them. Proper pricing of banking products is essential for measuring profitability and productivity also.

### **Training Product 3. Measuring Profitability and Productivity in Rural Financial Operations**

The operational areas of the rural bank branches and the volume of the business being smaller, the intensity of work that is involved is not reflected adequately while evaluating the performance of the branch or profitability of the branch in the conventional mould or compared to some bank branches of mainstream banking. It is important to develop certain criteria and parameters to measure the profitability and productivity in rural financial operations. It may also be considered for setting up major benchmarks in these aspects which could be adopted by banks in different countries according to their needs and requirements.

### **Training Product 4. Effective Communications in Rural Finance**

Communications is very important for the bank staff to know about their clients or the policy makers to interact with the institutions. The scope and extent of communications is undergoing rapid changes with the advent of technology and rapid advances in telecommunications. A training product on communications incorporating the important uses it could be put to use and also the benefits such communications could give to the bank staff in performing their duties could be very relevant and topical.

### **Training Product 5. Marketing Rural Financial Products**

It has been recently observed in several countries that while the consumer product companies attach great importance to rural areas as potential markets, banking products tend to shy away. Such a scenario exists because the consumer product companies employ aggressive marketing strategies to create demand, whereas bank branches consider themselves as mere disbursing agents and collect savings from the captive clientele. There is a need to explore the possibilities of creating a fusion of marketing between consumer products and the banking products, particularly those relating to saving products which could be mutually beneficial. Marketing needs to be developed as an integral part of the overall business strategy in a competitive environment, which is going to be the order of the day even for the RFIs in the future.

### **Training Product 6: Risk Management in Rural Finance**

There is a near absence of practice of emerging practices such as risk management and asset-liability management, which are forming important functions of the bank administration in rural financial institutions. It is largely due to most of the capital resources of the RFIs being contributed by the Government. It is very possible that in the near future, RFIs also need to scout the market for resource mobilisation and in this background, it is important to inculcate the RFI on various aspects of Risk Management and Asset-Liability Management, Investment Management, Valuation of Assets etc.,

### **Training Product 7: Bank Branch as a Bridge to Business in Rural Areas**

This training product would essentially be selling the concept of how to turn the bank branch apart from being a profit centre to that of a facilitating centre which could provide useful information, contacts, assistance, liaison etc to promote rural enterprises and also in distribution and marketing of the products of rural finance. It could basically be an exploratory and educative course which could outline the tremendous potential the bank branch holds in the rural command area apart from the aspects of finance.

### **Training Product 8: Gender Empowerment and Efficient Resource Allocation**

This training product could address the needs of gender empowerment which could lead to efficient resource allocation. Several case studies in microfinance reveal that the participation of women beneficiaries led to better utilisation of loans as well as income generation of assets. Such aspects which indicate gender empowerment leading to better and efficient resource allocation would motivate the bankers to extend more loans to women and also induce the women clients to come forward to avail of the opportunities for income generation.

### **Training Product 9: Environmental Aspects in Lending Decisions**

This training product in general explains the environmental aspects that need to be considered while taking loan decisions. Some past experiences in which no environmental due diligence was done and its impact on the loan performance and portfolio could also be simultaneously discussed in this product.

### ***Module 2: Practical Exercises in Rural Finance Function***

Apart from imparting training on various aspects of redefining the rural finance function, some exercises/games could be exclusively developed for the trainees to do/participate. A few such exercises are outlined below.

1. Checklist for Effective Loan Administration
2. How to Spot a Bad Loan
3. Analysis of a Sick Loan Account
4. How Satisfied is Your Customer with Your Service
5. How Right is Your Regulatory Compliance
6. How Up-to-date Your Account Books Are (House Keeping).

### ***Delivery Mechanisms***

The training modules are products in respect of business are mostly centred around operational and field staff. The delivery mechanisms should be oriented towards, class room lectures, demonstrations, presentations, exercises, simulation games etc., There is also a possibility of incorporating some training materials in the form of pocket diaries for ready reference. There is also the possibility of designing calendars for use in bank branches in a such a manner that it will contain important reminders as well some points of information and educative value. Wherever branches are computerised then some CD-ROMs could be prepared containing interactive games as well as operational guidelines which could be referred with ease and comfort. Certain formats in which information is normally collected could be made electronic so that online filling of the information and immediate transfer could be possible.

### ***Plan of Action***

To begin with a broad planning exercise is needed to be carried out on what is extent of critical mass that is required to be covered in respect of imparting training. Most of the training institutions are already conversant with the conventional modes and products in training. It is important that these training institutes are made aware of the new concepts and ideas emerging and the need to evolve them in useful training inputs. Guidelines on evolving training products taking into account regional peculiarities are also important. Along with the training modules and products, a training evaluation mechanism is also simultaneously required to be developed. Simultaneous evaluation is important from the point of view of narrowing the possibilities for inconsistencies and any major contradictions in the training course material or the manner in which it is imparted.

## Chapter IV: FINANCIAL TRAINING IN RURAL AREAS AT THE FIRM LEVEL

### *Introduction*

In an effort to assist FAO in the area of developing approaches to financial training three possible focus areas have been identified, viz. the policy level, the institutional level and the client/demand level. Three essential prerequisites exist before any decisions can be made in terms of selection of focus areas. First, these three areas must be described in far more detail (level of detail should be such that a decision can be made on focus). Secondly, the areas of highest potential impact should be identified in order to assist the decision. Three, the practicality (capacity and ability) of training should be considered up front, with respect to those identified in step two, since it should be possible to train at an acceptable cost at this level to achieve the desired impact. Else, emphasis should first be on the building of capacity and ability in this regard, that is, creating training capacity.

Any informal consideration of the question of focus may lead to the conclusion that focusing on the higher levels would result in more impact further down in the chain. Unfortunately the most advocacy and discussions in the past have been focused on the policy level, which brought about fine policy, but very little substance on how to implement the policy. Initial realisation of this refocused attention somehow to the institutional level. The institutional level focus was also emphasised in the new approach to rural finance. Once again focus and policy does not automatically translate into strategy, planning and implementation. The client level has in many instances been disregarded as the emphasis on healthy institutions assumed that clients would get the necessary attention. Further, institutions want to reap direct benefit from training investments. Client training may imply training the client of a competitor. In a way there may be free riding and rent seeking behaviour by institutions and to counter these, the government may have to play a role in training. All in all, clients are not receiving the skills and information that will make them "good" clients.

One early conclusion could be that attention at one level would not necessarily lead to the desired outcome. In a specific country different emphasis combinations at the different levels should therefore form part of the training strategy.

Client level emphases also differ from country to country, institution to institution and programme to programme. For example, in the Grameen Bank client "training" covers a wide range of social subjects (and some financial training) and happens at the level of interaction between loan officer and client groups. This approach is very similar in the most Grameen replications and especially group approaches are more accommodating than individual approaches in this regard. Very often where training is linked to individual approaches it is done as a condition to obtain a loan. Very little research exists on the feasibility of this approach. It does seem as if this approach may lead the financial institution to accept a training certificate in place of proper client appraisal before lending commences.

Many of these questions and inconsistencies exist, but very little effort has been applied in guiding countries and institutions at this level. The purpose of this document is to address these issues. In the *second* section of this chapter the possible trainees that may benefit from client level training will be identified and discussed. This will be a more general approach, since the circumstances will differ from country to country. In the *third* section, a wide range of generic training requirements regarding financial issues at the client level will be identified, and it will be presented in more detail. In the *fourth* section the generic training gaps at the client level in most countries will be highlighted, once again within the context that we can expect differences from country to country. The *fifth* section will pull the clients, topics, gaps together and also propose, only as examples, type of approaches and possible training vehicles to address the gaps. The *last* section will summarise and also indicate

where FAO can make an impact, and how client level training should be integrated with training at the policy and institutional levels.

## IDENTIFYING LEVEL C AUDIENCE

### ***Introduction***

It is quite difficult to identify specific training target groups when not dealing with a specific country and a specific setting. Although it is easier to generalise, and most will argue that the poor are similar right across the world, this type of approach is probably one of the reasons that most policy interventions never reach the intended beneficiaries. Policy interventions planned at the global level and applied at the country level rarely work, and if it does, it is always because the implementers adjusted it to suit local circumstances. Most policies refer to rural clients as an amorphous mass. It follows that policies that address the well being of clients defined in this manner do not differentiate between target groups. Ghate *et al* (1996) argue that it is important to structure approaches in such a way that you do not fall between two stools - failing to reach the poorest of the poor, while failing at the same time to provide the comprehensive package of services necessary for enterprise development (or entrepreneurial development). This section therefore does not purport to identify specific training groups, but more the type of groups one could expect in the rural areas of most developing countries.

### ***Possible client groupings: looking at South Africa***

In this section client groups are discussed, using South Africa as a case study. This will serve as an illustration of client groups to be expected in a specific setting. In addition to mentioning the group, some characteristics of each group is provided in the South African setting.

In the rural areas of South Africa the following groups can be identified. Identification of groups is a function of the purpose of grouping. For example, if people were grouped to be able to decrease service costs, then physical proximity would be a grouping variable. The following groups were identified as possible rural financial intermediary client strata, mostly by way of origin of income. Once again, this will differ and will be varied. Thus even in one country, it is difficult to generate generalised groups. However, some examples:

- ***Women farm workers:*** Many women working on farms are single mothers. It must be recognised that women's wages and working conditions on all types of farms affect the standard of living of a vast proportion of the poorest households in South Africa (Sender, 1995). These women need access to emergency credit, to savings facilities, transmission facilities and public information on the new opportunities they could use to improve their lives.
- ***Male farm workers:*** For the period since 1969, the Central Statistical Services in South Africa did not publish any data that disaggregated the gender of the farm workers recorded as working on commercial (nearly all white owned) farms (i.e. an estimated total of 1.2 million in 1988). A minority of male farm workers gains training opportunities that are generally not available to women. This small minority is able to save and often hold their savings in the form of cattle. It is often individuals from this group who lead the bid for access to land; and some of them will bring their own savings into the scheme (Strauss Commission, 1996). Another small proportion engage in negotiations with employers and

access resources and opportunities to create wealth by forming partnerships with employers in share equity schemes (McKenzie, 1994).

- ***Non-farm employed.*** A great number of rural people are working in wage and salaried work in towns and cities. Some of them commute on a daily basis, some weekly and some monthly. Thus a vast flow of people go to the urban areas every day, and on Fridays and Saturdays this place quite a strain on the transport systems.
- ***Landless, unemployed rural poor:*** Many of these people live on the periphery of rural towns. They are men and women who previously worked and resided on commercial farms, or are part of the flow back from cities where violence and unemployment have forced them out, or are people that moved because of violence in rural areas. A sub-category in this group is families that reside on farms although they do not work on the farms. These families are often multigenerational with their meagre income supplemented by the incomes of other family members, whether pensioners or wage-workers. Hence transmission facilities for wage transfers and the payments of pensions are extremely important features of these peoples' lives. The landless and unemployed in these situations are the most vulnerable of the poor, depending on transfers and the family pooling of any pension in order to survive.
- ***Pensioners:*** There are 1.2 million South Africans registered to receive pension benefits. More than half of the pensioners lives in the rural areas, where a feature of poorer households is an element of income sharing. It is estimated that 40% of rural families have a pensioner living with them. The pension is important to families in different ways. For the very poorest it may ensure survival. It can also permit consumption smoothing at the local trader where the pensioner may be given credit to be repaid on pension day. It also leverages other access to credit, for example, hire purchase agents take their payments on pension days, which means the companies consider households as extended family networks with pooled income. The financial services presently available for pension delivery are problematic. Pensions are paid on a specific day, at a certain time, in person, with identification, and as a lump sum payment. The delivery of such large sums of money is an incentive to crime that affects the delivery agent. Pensioners also complain of the risk they are exposed to when collecting money (Strauss Commission, 1996).
- ***Small holders:*** Although small farmers are recognised as an important group in rural areas, it is quite difficult to define this group within exact parameters. Rural research in South Africa indicates a high level of proletarianisation, with a strong reliance on wage work among poorer households. Families tend to be in the labour market or they are employers of labour, thus the category of families who predominantly live off farm income which is the result of family labour is not of major significance. The majority of small farmers is therefore part-time farmers and earns only a small portion of household income from farming operations. They are mostly deficit producers and mostly female. In a survey described by Outtara and Graham (1996) 99 per cent of farming households had *de facto* female heads although *de jure* 68 per cent were male, but they did not live with their families. In this specific survey in parts of the Northern Province, farming activities contributed three per cent of gross household income.

- ***Contract farmers:*** This is a significant category and there are many thousands of rural families engaged in sugar, timber, and cotton growing outgrower schemes. Their financial need is considered as operational credit and this is generally catered for by a vertically integrated business sector, of which they are the bottom end of the chain. There are however demands for medium and long term credit that are not met.
- ***Rural business women:*** It is unusual to find women involved in medium scale business enterprises in the same numbers as men. NGOs in South Africa engaged in micro lending find that the majority of their clientele are women and also that they generally have a better repayment record than men do. Women generally attempt to establish businesses with low capital entry requirements, such as hawking or spaza (trading) shops. The choice of business undertaken by women is linked to the fact that many of them operate from home, combining business with household responsibilities. The cut off seems to be a combination of the limitations of working from home together with the gender bias of (the next level of) formal lending institutions that prefer dealing with persons who can enter into legal contracts without the consent of a second party.
- ***Businessmen/ small-scale employers:*** Rural businessmen are generally in a different league than rural businesswomen. They are often former skilled wage-workers who have been able to save enough to establish a small business. Spaza shops, brick making, construction, a second-hand bakkie (light delivery vehicle) for transport and trading activities are popular entry points. Many of these businessmen are now interested in acquiring land - an avenue previously closed to them. While they have savings, they have a need for loans for capital improvement and production inputs. The businessman-farmer often struggles to establish his portfolio of enterprises. Lack of capital leads to lower levels of investment per hectare than desired. The working conditions of farm workers on small-scale farms are often below average. Money is limited and there is pressure to pay low wages to maximise accumulation (Strauss Commission, 1996). These businessmen have limited access to funding from provincial agricultural banks.
- ***Large scale rural employers (including commercial farmers):*** Large-scale employers, the heart of the commercial farming sector, are often engaged in highly productive agribusiness activities. Historically their financial needs have been catered for extremely well. Most mortgage finance comes from the Land Bank, which provides longer term loans than the commercial banks, and farmers are able to obtain medium term credit directly from the Land Bank and commercial banks, and short term credit through co-operatives, of which they are the owner-members, and from the commercial banks.

The above categorisation of sub-groups in rural areas emphasises the source of income or/and gender as the most important differentiating variables (in all the categories except the landless, unemployed rural poor). Each group would have a specific demand for types of financial services and this should be the departure point of estimating demand for financial training and what type of training to provide.

It is clear that farming plays a small role in terms of income, although a major proportion of small farming households (and small business households) cultivate the land and produce crops. Thus very small proportions are sold and the majority of the households are deficit producers. The majority of households in all the surveys do not access credit (or are unable

to access credit services) while most households are engaged in savings activities. The majority of the people surveyed made use of savings facilities rather than credit.

A rich fabric of informal financial arrangements was identified, although not at a comparable frequency with urban areas. Under the conventional approach clients would have been bombarded with credit, while in the circumstances outlined in the surveys they do not demand a high level of credit. This statement on the demand for credit should be questioned as no survey or study in South Africa has attempted to assess demand for financial services, nor the demand for training on financial topics (or trying to identify training gaps at the aggregate level). The clients in these surveys accessed loans from the development corporations (or provincial parastatal financial institutions) and the informal markets. This may indicate an inadequate supply of credit from formal private sector sources. Most people who save money have commercial bank accounts. This indicates an effort to deposit savings since the majority of rural branches of commercial banks are in medium to larger towns, which are normally a distance from these clients.

### ***The financial illiterate***

No level or investment in financial management training would be enough to assist in better financial management if you target illiterate and enumerate people. This is probably the biggest need with respect to financial training in developing countries, to impact on the financial literacy and numeracy of people. This is not a specific client group, and will be found across all examples of groups provided above. It is mentioned as a specific group, since most rural clients will need this as a base for further financial training.

## TRAINING NEEDS AT THE CLIENT LEVEL

### ***Introduction***

First things first. If we refer to financial training of the client, what would be the topics to cover? At this level of consideration the first important consideration is that clients operate in a certain setting and therefore one should consider the context of this setting in client training. It would not help much to train clients in Botswana as to what financial institutions exist in India. Thus context is extremely important at this level. This brings us to the first conclusion, training courses cannot be put together for the client level out of the context within which the client runs the business or manages the firm.

If we then identify financial management content it is stated that it will be in an extremely generic context. Secondly, financial management broken down in terms of certain topics may help in broadening the subject, however in the context of training, more is needed. Topics in financial management at the firm level are meaningless if the skills and the knowledge to address the topics do not exist. Lastly, attitudes are also important in making people receptive for training and new ideas. Receptiveness also highlights another issue, being the motivation to be trained (from the client's side, or motivation to finance training from the institutional side).

### ***Financial training at firm level - the topics***

Clients needs differ from setting to setting. As argued earlier this will influence what topics are important and at what level and through what approach should these topics be addressed. Since we are at a generic level, these topics are set out as normative steps that a financial manager will follow at firm level to execute financial management.

Further, it also assumes that financial management is a subsection of the overall management of the firm. Therefore certain issues are assumed to be already addressed, for

example, the firm's vision and mission. Also it should be noted that firms<sup>17</sup> at this level in every country, and specifically in developing countries, do vary tremendously in size and structure.

One way to differentiate between firms, other than turnover or labour force, would be to look at the decision making process in the firm. In the household firm with a range of income generation strategies and investment, savings, consumption and production decisions inextricably intertwined the different management functions and decisions will normally be handled simultaneously. As the distance increase between household decisions and business decisions, management functions will be more differentiated, however not necessarily embodied in different persons, but at least embodied in separate thought processes. As the firm size grows and the firm activities are even more differentiated from the household activities more management sophistication, described in separate management functions embodied in separate people will occur.

Each of the topical aspects can be viewed in three ways with regard to training and the structuring of a training course. People need to have *knowledge* about the topic. Thus, knowledge about how such a financial record system should look, and what are the integral components of it. Since we work on the assumption that the firm owner already worked out his or her objectives with firm, these objectives will influence the way the system is structured. For example, if your objective is to maximise the production of cash crops to make a high annual profit through the sales of these crops, you will structure the system in such a way that the income and expenditure generated and expended in producing cash crops are easy to follow.

The second aspect to be considered in training is the *skill* to apply knowledge, thus when I want to structure this record system (and due to knowledge training I know what I want to structure), where do I start. In other words, how do I structure it? In applying these skills one need a certain attitudinal framework as well. *Attitude* is in many ways also a product of the motivation why we do things. If I do not know why I have to structure a record system, I will not have a major motivation to do it adequately.

In the following subsections the normative elements of financial management training will be outlined. Each will be described in general terms and more specific topics in each section will be listed.

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<sup>17</sup> The term *firm* is used in a general context throughout this study. The majority of firms will lie somewhere between the two extreme cases, i.e., the conventional firm and the household firm. The conventional firm indicates the enterprise in a pure form, while the household firm combines business and household decisions. Work by Aryeetey (1991) showed that financial transactions and decisions are similar in these two versions of the firm. The term firm used in this study will indicate an entity lying somewhere on the continuum between a conventional and a household firm.

## SPECIFIC TASKS ON LEVEL C

In this training topic the importance of financial management at firm level must be emphasised. Several issues need to be introduced before the normative steps can be outlined, being:

- ❑ The first element will place financial management in the context of broader management of the firm. The links between firm objectives and financial management objectives should be made. The changing environment and the influence of that on all firms should be highlighted. It should also be emphasised that financial management (and overall management) of firms of all sizes and focus areas are important in reaching long term and short-term firm goals.
- ❑ The dimensions and objectives of financial management per se must be outlined and illustrated for different size firms. Training at the micro and small firm level in developing countries must take consideration of the different educational levels of trainees, and adjust course content to accommodate this. The importance of financial management must be illustrated with examples, for example, results of firms exercising financial management and results of firms who do not.
- ❑ The life cycle of firms must be explained and the concomitant demand for financial services in each phase of the life cycle (initiation, establishment and growth, maturity and expansion etc)
- ❑ Risk, as an essential element impacting on financial management and performance deserve careful treatment. The risk return ratios should be used in this explanation, carefully adjusted to apply to the level of the specific trainee level.
- ❑ The time value of money is another essential element of financial management.
- ❑ The impact of different financial decisions can be explained to further illustrate the importance of financial management by means of a range of appropriate case studies.
- ❑ Obtaining training on financial management
- ❑ Paying someone else to do financial management, or to monitor financial aspects of the firm.
- ❑ The impact of government action on your financial position (monetary and fiscal policy – or firm financial management at the macro level, inflation and tax), the international financial market and your financial position (exchange rates)
- ❑ The firm within the rural financial market, general introduction to rural finance concepts, urban bias, formal and informal, etc.

### ***A Gathering information***

The gathering of information should happen right through all the steps outlined here. The sources of information are external and internal to the firm and it is this continuous stream of information that will influence the decisions made at all levels in the firm.

However, the emphasis on information as a first step in several steps to do with financial management is to structure an appropriate information system. This needs to reflect the activities in the firm financially and will be the basis of financial analysis and planning in doing financial management of the firm.

- ❑ Structuring of a financial information system, different approaches and levels of sophistication. Here we emphasise that we gather information for a purpose and not for the sake of gathering. Therefore what information we gather is derived from the objectives of the firm.
- ❑ Different ways to structure and information system depending on firm objectives.
- ❑ Different ways to physically keep information, differentiating between manual and automated systems. Emphasise the manual system and all the interesting innovations in this regard found internationally, since most of our trainees at this level would most probably not have resources and scope of activity for automated systems.

- Illustrate the phases of building a financial information system from a rudimentary system to a more sophisticated system. Illustrate the importance of the basic elements of financial information systems, time, linked to physical variables, must be able to analyse and compare, requirements from financiers also impact on the scope and sophistication of the financial information system (bankability requirement).

## ***B Presentation and analysis of information***

Once we have collected this information and did it within a certain structure we need to present it in such a way that we can infer from it and use it as a basis for financial management. Presentation knowledge relates to presentation in the standard financial statements format. Skills relate how to do it once we know what it should look like and why it should be done in a certain way.

Presentation should be followed by further analysis, once again to infer from and to ensure we have a basis for financial planning, which we address in the next step. Further analysis here refers to calculating performance ratios and judging performance in financial terms vs. physical terms.

- Balance statements
- Income and expenditure statements
- Cash flow statements, source and application of funds, uses of cash flow accounting
- Inventory and work in progress
- Choosing a financial year, who else is important
- What is involved in financial analysis, the importance of always working towards an objective
- Use of the accounting equation to find profit (Total revenue, total cost, marginal revenue, marginal cost, etc)
- Cost and profit centres
- Financial ratios (Liquidity ratios, solvability ratios, adequacy ratios, efficiency ratios, debt ratios, diagnostic ratios)
- Sustainability principles
- Interpretation of financial statements
- What financial statements do not tell you
- What financing institutions require with respect to financial statements

## ***C Financial planning***

In this step we need training on the knowledge and skills to model various scenarios. Of extreme importance here is to convey the difference in scenario building between the household firm and the larger focused firms. This is the essence of the difference in financial training at the client level (or in firm level) between what people will do at business schools and we aim to achieve at the firm level in rural areas. Rural household firms, who are mostly poor, make several decisions simultaneously when managing their household firms. Thus their scenarios do not look, for example, separately to production, and then to consumption. No, at the household firm level these decisions and scenarios are integrated. Consumption, production and savings decisions happen together and are part of one process of management. This widens the areas on which information and analysis should be at hand to build investment scenarios on.

Here we could have different attitudes influencing the objectives of the household and the concomitant decisions. For example, an extremely poor household who produces to survive rather than to accumulate would build consumption based scenarios. One scenario could be based on the information that the family need to feed eight members, send four members to school and has a potential income that will only be realised after a certain period (e.g.

agricultural production scenario). This more survivalist attitude would probably highlight consumption objectives.

- Budgets and why we budget
- Advantages and disadvantages of budgeting
- Methods for preparing budgets, budgeting as a subject, partial budgets, enterprise budgets, break even budgeting, total or aggregate budgeting, cash flow budgets, zero based budgeting,
- The use of budgets, the link between the budget and the actual, budget and variance reports, budgetary control methods, management action and cost control
- Marketing planning and the impact on financial management, specific instruments required in marketing
- Risk management and planning, concepts of financial and business risk, risk management strategies
- The role of inflation in financial planning
- The role of tax and financial planning (Income tax, value added tax, sales tax, estate tax, capital gains tax – the golden rule of taxation)

### ***D Allocation decision (or investment decision)***

We have constructed our scenarios, now based on our objectives we need to choose a scenario. This scenario will then represent our investment decision for the next period. It will be a function of our attitudes translated into choice of scenario. We may for example emphasise postponement of some consumption in the next time period in favour of savings due to a perception that we may be entering a high-risk period (El Nino warnings?). This is emphasised as an allocation decision since this is how we will allocate our resources to implement our scenarios.

- Elements of a decision (quantifiable objective, constraints that hinder us in reaching that objective, range of alternative courses of action, forecasting, application)
- Relevant costs for decision making (future, incremental, cash flow, common costs, opportunity costs, sunk costs, committed costs)
- The link between different decisions in the firm, consumption, investment (including savings), production) and the mutual impact of these decisions on different firm objectives.
- Capital budgeting (short term projects, medium term projects and long term projects, choice)
- Classification of investment projects
- The project planning approach, the project cycle, private vs., public projects, etc.
- The concept of expansion, when and why
- The financial and economic evaluation of investment projects
- Techniques to assist in decision making ( net present value, internal rate of return, etc)

## ***E Financing decision***

The next step is to decide how we will finance this scenario and allocation decision. Note that we do differentiate between these steps mainly since we are trying to mould these steps as a possible training course. In the small household firm or small business the owner or decision-maker would most probably make these institutions simultaneously. Stated differently, the decision on scenario and choice of scenario would probably already include possible financing sources. Thus this step can even be moved to before scenario and allocation steps. It depends entirely on the context of the training and the logical normative chain of steps that the course leader may decide on will be most appropriate in a specific setting.

This step entails the identification of possible internal and external sources and combinations of sources and gathering of information on these sources.

- ❑ Financing policy – the approach you will follow on deciding on which financial sources to access – portfolio distribution approach vs. the pecking order approach.
- ❑ Different ways of financing investments, or sources of funds, retained earnings or savings, borrowing (bank lending, hire purchase, leasing, mortgage bonds), selling part of ownership (shares), equity sharing, venture capital, franchising, government assistance,
- ❑ How to decide between different sources of finance, matching terms, risks of different sources, short term credit, inventory financing, obtaining finance from non-bank institutions.
- ❑ Collective action and obtaining finance, the role of co-operatives and credit unions and obtaining financial services.

## ***F Financing***

Once all the decisions have been made it is time to go into the implementation phase. Quite often this is left out of training courses since the trainer has the perception that “everyone should know that”. The client on the other hand may feel threatened by the strange world of the conventional commercial bank. Surveys in South Africa indicated that the glass and steel branches of commercial banks intimidate rural clients. Not only need we to change the attitude of the client to financial institutions in this regard, but we also need to assist the client with the knowledge and skills required applying for a financial service. This could be to open a savings account, apply for a loan, and apply for the transmission of money to family in the urban area who could purchase some input or get information on crop insurance.

Information here could also provide ideas what to do on a collective basis if no formal services are present, or present and not accessible. This opens the whole topic of co-operative (collective action) activities.

- ❑ Obtaining credit, how to approach a financier?
- ❑ What information would a financier require
- ❑ Opening a savings account
- ❑ Transferring or sending money
- ❑ Cost inherent in obtaining financial services. interest and fee structure of accounts, interest rate sensitive clients
- ❑ Interpreting bank statements, checking bank statements for accuracy, storing of bank statements and other financial documentation.
- ❑ More services provided by financial institutions (insurance, storage of valuables etc)

## ***G Monitoring/ Evaluation***

Once the decisions have been made and implemented we have to evaluate the outcome of the former allocation decision and monitor our investment. Two areas need to be emphasised. Firstly evaluating our decision's physical consequences and two that the implementation is part of the normal business of the firm and will be reflected in our already structured information system. In the next cycle of financial management we leave out our step one, or restate step one in terms of an evaluation of the efficiency of our system.

- Techniques of monitoring
- Evaluating the reaching of stated objectives
- Linking in with the standard system

## TRAINING GAPS AT THE CLIENT LEVEL

### ***Introduction***

Experience in developing countries indicate that the financial management of firms are lacking in substance and skills and that a need exist for training in this regard. We also alluded to the fact that this training need is mostly for the small and medium sized entrepreneur and not for the broad rural population.

Further, realism also guide us to acknowledge this is not a level of training where the FAO should be directly involved. Thus a training approach and content, skill and attitude change guidelines in the form of good generic course material is needed. The investigation by the Revisiting Agricultural Finance Project on the bankability of farmers echoes this point. Better financial management of small firms improves the profitability of these firms. Profitable firms result in profitable financial institutions.

### ***Why training at the firm level?***

Who will initiate this type of training? This is a crucial issue: why training? Looking at the client's motivation, it may be that the client realised a shortcoming in her management ability or suffered a loss due to a bad financial decision. This may bring the motivation to seek information and skills. In this instance, if training is available, the client will then compare the cost of the training with the potential benefit of being trained. One would not expect these type of clients, those that decides by themselves to seek training, to be the real poor or the household with a multitude of income sources operating at a very low level. No, clients that seek training services are normally those that separate financial decisions and identify a specific investment and financing approach. Or stated differently, those that can identify that it is or will be a financial decision that may impact on the survival of the firm. This type of client training would thus be self-financed.

Looking at the institutions' motivation the argument will most probably follow a different path. If it is a private sector institution it may identify a client training need if it also identified an un-exploited opportunity for clients to be highly profitable. For example, due to the building of a new road to a highly fertile but remote area the local bank realised that fruit farmers may be able to enter the export market. Farmers already have the know-how to produce fruit but financing export marketing is a new topic. The financial institution may then finance (or co-finance) this type of training which may lead to an increase in lending turnover and due to the sure market opportunities may be low risk agricultural finance.

The only other motivation why an institution may finance financial management training for clients if it is a development institution and a social objective apply. Here it is extremely important that training offered by financial institutions does not cover technical production,

marketing etc topics. It should stay with financial issues. Banks advising clients on production etc may find the argument from a failed client that he based his investment decisions, thus what to invest in, on the Banks advice and therefore the Bank is partly responsible for the failed project and the failure to repay the loan.

### ***Specific training gaps to be addressed***

As training gaps at the client level will be specific to a country or area only examples of possible training gaps will be discussed.

### ***Module 1: Financial numeracy and literacy***

The biggest impact in areas with low levels of numeracy and literacy would be to address financial numeracy and literacy. Why this differentiation? Although general literacy and numeracy contributes greatly to economic development and the well being of people's lives, it is those facets of literacy, being financial literacy, that are the most constraining, being closely related to livelihood creation. This is probably the most prominent gap in financial training.

### ***Module 2: General awareness of firm level financial management***<sup>18</sup>

This is however not only referring to business activities of the household firm, but also household finances. Here we should therefore differentiate.

#### ***Household finances***

Households quite often do not follow a structured approach in managing financial aspects of the household. Although it is different from society to society, financial matters are mostly not part of the curriculum of schools and adult education programmes. It is only recently that schools start to include entrepreneurial training and basic finances in curricula. This then is an important gap in the area of financial training.

#### ***Business finance***

This is the emphasis of most of the firm level financial training observed. Some commercial banks addressed this with information packages. Examples of farmers who could not obtain advice on financial management from government extension services who then paid for this advice in a group approach have been mentioned in the context of New Zealand and Australia.

Small business training for women clients of the Co-operative Bank in Kampala, Uganda is another example of firm level training. This is executed as a prerequisite for obtaining finance on a group basis. Training includes a section on borrowing and the meaning of interest, repayments etc.

### ***Module 3: Formal financial management training***

The next step after awareness of the importance of financial management would be where firm operators, owners or managers decide on taking a formal course to pick up the knowledge and skills regarding financial management. These courses are quite popular as short courses offered by business schools and small business training centres as well as distant education subjects offered by colleges.

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<sup>18</sup> J. Heney covers this section in the training guide for the FAO project in Zambia, "Money in the household".

#### ***Module 4: Financial training to increase information on specific financial products/services***

In many instances financial institutions create awareness of new or existing financial products through product launches which may take the form of a workshop or seminar. Also, in areas where the existence of, for example, savings facilities are new, one could do a general awareness campaign of savings facilities.

#### ***Module 5: Financial management training linked to a specific management function***

Marketing – Due to the emphasis on marketing in farming enterprises a need has been identified in many settings for increasing the ability of farmers to take responsibility for marketing management. This implies a move away from a more production-orientated approach to a more consumer or marketing orientated approach. Emphasis on marketing result in more and varied financing demands in the farming enterprise.

Hedging – One specific financial training opportunity arose out of the increased use of hedging in managing price risk. The financial operation of futures markets and accounts to deal on futures markets are good examples of specific training requirements at the firm level.

Application for finance – in some instances banks would have specific financial officers that would assist new and would be clients to understand the banking system and application procedures.

#### ***Training as a condition to obtain a loan***

In several institutions loan products are offered that is incumbent of the client first completing a financial management course. Several advantages and disadvantages can be considered, mainly that it may detract attention from proper loan screening, and secondly, that the client may have the perception that she has a right to obtain a loan, due to attendance of the course. This belittles the efforts of proper screening of loan applications.

#### ***Identifying the gaps***

None of the above mentioned training needs or gaps would be specific to one country. Even within countries, the same gaps would not be found in all areas. It is therefore important to assess a specific setting in terms of the training gaps that exist. Normally, this assessment would be related to a specific development programme or project in the area. One does not find national projects aiming at improving financial management of households very often. Training for financial management skills and knowledge, would thus be linked to another financial projects.

ATTACHMENT: POSSIBLE TRAINING OBJECTIVES AND MODULES FOR LEVEL A, B AND C AT A GLANCE

<b>POLICY MAKING BODIES</b>	<b>FINANCIAL INSTITUTIONS</b>	<b>CLIENTS</b>
<b><u>Characteristics</u></b>	<b><u>Characteristics</u></b>	<b><u>Characteristics</u></b>
<ol style="list-style-type: none"> <li>1. Governed by political ideology.</li> <li>2. Mass appeal in policy and programme content</li> <li>3. Mostly administered through Government Departments and Agencies</li> <li>4. Rule bound organisational structures</li> <li>5. Heavily reliance on precedents and past practices</li> <li>6. Multiple tiers of scrutiny and clearances</li> <li>7. Structured reviews and evaluation</li> <li>8. Rigid operational framework</li> </ol>	<ol style="list-style-type: none"> <li>1. Ownership driven; largely state-owned</li> <li>2. Reactive in nature</li> <li>3. Largely manual operations and methods</li> <li>4. Enjoy sizeable state protection</li> <li>5. Operations scattered in a large geo area</li> <li>6. Centralised decision making</li> <li>7. Quantity more important than content</li> <li>8. Individual approach</li> </ol>	<ol style="list-style-type: none"> <li>1. Self interest driven</li> <li>2. Unorganised</li> <li>3. Lack of adequate financial knowledge</li> <li>4. Limited avenues of investment</li> <li>5. Dependent on State support to a significant extent</li> <li>6. Inadequate record keeping</li> <li>7. Greater dependence on informal markets</li> </ol>
<b><u>Training Objectives</u></b>	<b><u>Training Objectives</u></b>	<b><u>Training Objectives</u></b>
<ol style="list-style-type: none"> <li>1. Progressive outlook and approach</li> <li>2. Sustainable and viable programming</li> <li>3. Encourage innovation</li> <li>4. Involve NGOs/Other Interest Groups</li> <li>5. Streamline procedures and practices</li> <li>6. Review the real impact</li> <li>7. Adopt modern management</li> <li>8. Flexible operational framework</li> <li>9. Redefine responsibility</li> <li>10. Openness and transparency in operations</li> <li>11. Accountability for actions</li> <li>12. Promote public debate on important issues</li> </ol>	<ol style="list-style-type: none"> <li>1. Proactive planning</li> <li>2. Promote individual initiative</li> <li>3. Involve User Groups</li> <li>4. Modernised operations</li> <li>5. Adoption of prudential norms</li> <li>6. Adoption of better Practices</li> <li>7. Emphasise on quality and content</li> <li>8. Group Approach</li> <li>9. Transparency in operations</li> <li>10. Adequate disclosure of financial information</li> <li>11. Regulatory compliance and reporting</li> </ol>	<ol style="list-style-type: none"> <li>1. Efficient end use of resources</li> <li>2. Adopt modern methods of business</li> <li>3. Adjusting to the emerging environment</li> <li>4. Financial planning and record keeping</li> <li>5. Develop banking relationships</li> <li>6. Ensure timely repayment</li> <li>7. Avail public/state support facilities</li> <li>8. Promote and practice co-operation</li> <li>9. Skills in information gathering and processing</li> </ol>

## Scope for Training: Relevant Topics and Training Methods

POLICY MAKERS	INSTITUTIONS	CLIENTS
<p><b>Section I: Concepts and Approach</b></p> <ol style="list-style-type: none"> <li>1. Problems of Urban biased economies</li> <li>2. Economic Liberalisation and the open Macroeconomy (Workshop/Seminar)</li> <li>3. The need for right type of Policy Agenda and Instruments of Support (Guide Book/Video)</li> <li>4. Old and New Paradigms in Rural Finance (Brochure/Posters)</li> <li>5. The Role of Policies in Implementing Sustainable Rural Finance Programmes (Video)</li> <li>6. Annual Review of Rural Finance (Annual forum of policy makers/regulators/heads of financial institutions in rural finance)</li> </ol>	<p><b>Section I: Concepts and Approach</b></p> <ol style="list-style-type: none"> <li>1. Rural Finance Institutions: Policy Objectives and Programme Implementation (Brochure)</li> <li>2. Rural Finance Institutions: Creating Suitable Organisational Structures for Sustainable Rural Finance Programmes (Guidebook/Video/Posters)</li> </ol>	<p><b>Section I: Concepts and Approach</b></p> <ol style="list-style-type: none"> <li>1. Financial Numeracy and Literacy</li> <li>2. The Basic Approach to Business (Posters / Pamphlets)</li> <li>3. The Best Way to Do Business (Posters / Pamphlets / Video)</li> <li>4. The Business Environment Around You (Poster)</li> <li>5. How to Manage a Farm (Poster)</li> </ol>
<p><b>Section II: Effective Processes and Effective Strategies</b></p> <ol style="list-style-type: none"> <li>1. Designing effective Institutional Development and Policy Instruments (Guidebook/Seminar)</li> <li>2. Reforming the Regulation (Guidebook/Brochure)</li> <li>3. Bridging the Governance Gap (Video/Seminar)</li> <li>4. Empowering the Rural Population: Scope for Strategies and Solutions (Guidebook/Video)</li> <li>5. The Right Mix of the Policy (Brochure)</li> <li>6. Towards an Effective Legal Framework (Guidebook)</li> </ol>	<p><b>Section II: Efficient Processes and Effective Strategies</b></p> <ol style="list-style-type: none"> <li>1. Best Practices in Rural Financial Markets (Video/Guidebook/Brochure)</li> <li>2. Rural Financial Products: Recent Innovations (Brochure)</li> <li>3. Using Rural Database for Designing Financial Products in Rural Areas (Guidebook)</li> <li>4. Bank Branch as a Bridge to Better Business (Video)</li> <li>5. Pricing of Rural Financial Products (Guidebook)</li> <li>6. Resource Mobilisation in Rural Areas: Innovations and Case Studies (Guidebook)</li> <li>7. Effective Communications in Rural Finance (Video/Guidebook)</li> <li>8. Risk Management in Rural Finance (Video)</li> </ol>	<p><b>Section II: Efficient Processes and Effective Strategies</b></p> <ol style="list-style-type: none"> <li>1. Balance Sheet of a Small Firm/Farm (Brochure/Poster)</li> <li>2. What is Your Financial Rating (Poster/Brochure)</li> <li>3. How to Apply Principles of Finance to Your Farm Management (Poster/Brochure)</li> <li>4. Doing Business With Banks (Video/Brochure)</li> <li>5. Getting Help From the Government (Brochure/Poster)</li> <li>6. Managing Risk: A Rural Household Approach (Poster/Brochure)</li> <li>7. How do you prepare yourself for a Uncertainty (Poster)</li> <li>8. Group Approach to Individual Welfare (Video/Poster/Brochure)</li> <li>9. Useful Contacts For Your Business (Diary)</li> </ol>

POLICY MAKERS	INSTITUTIONS	CLIENTS
	<p>9. Checklist for Loan Administration</p> <p>10. Governance in rural Finance Institutions: Basic Approach and Best Practices (Video)</p> <p>11. Guidebook for Regulatory Compliance in Rural Financial Institutions (Guidebook)</p>	
<p><b>Section III: Success and Sustainability</b></p> <p>1. Policy Implementation and Review</p> <p>2. Identifying Major Gaps in Policy Implementation</p> <p>3. Critical Success Factors for Successful Policy Implementation</p> <p>4. Protecting the Poor: How Policy Could Protect the Poor from Market Turmoil</p> <p>5. Protecting the Environment</p> <p>6. Promoting Rural Health and Education</p> <p>7. Establishing Linkages between Extension and Rural Finance</p>	<p><b>Section III: Success and Sustainability</b></p> <p>1. Banking and Environment (Brochure/Poster)</p> <p>2. Preparing the Right People for the Right Task</p> <p>3. Encouraging Individual Initiative</p> <p>4. Assessing Staff Performance in Rural Finance</p> <p>5. Productivity in Rural Financial Operations</p> <p>6. Measuring Profitability in Rural Banking</p> <p>7. Responsibility and Reward: A Framework for a Right Mix for Rural Financial Institutions</p> <p>8. Bad Debts of Banks: What do we learn from them (Brochure/Posters)</p> <p>9. Symptoms of a Sick Loan Account (Brochure/Poster)</p>	<p><b>Section III: Success and Sustainability</b></p> <p>1. Prompt Repayment of Loans: How it Helps You in Expanding Your Business:(Posters)</p> <p>2. Watching Viability of Your Business: A Ready Reckoner</p> <p>3. Safeguarding Your Savings (Video)</p> <p>4. Taking Loans from Banks: A Checklist</p> <p>5. Ensuring End-use of Loans: A Checklist</p> <p>6. Keep in Touch : How to Keep abreast of the various development programmes/schemes/facilities made available by the Government/banks (Video/Brochure/Poster)</p> <p>7. How to Keep Your Loan Account In Order (Checklist)</p>