



## Message from the Food and Agriculture Organization (FAO) of the United Nations

### 11<sup>th</sup> UN International Day of Cooperatives

#### **"Microfinance is OUR business! Cooperating out of poverty"**

Many credit unions or savings and credit cooperatives in developing or transition countries are, in effect, user-owned microfinance institutions offering savings and credit services to their members. They have a number of advantages as micro finance suppliers, e.g. their ability to mobilise savings and to blend their service to the poor with service to a broader spectrum of the local population. By developing diverse loan products, many credit unions are able to balance agricultural borrowing needs with much shorter term working capital loans for micro entrepreneurs.

The whole principle of cooperation remains fundamentally important in rural areas. Group initiatives can help farmers to lower production costs, reach more distant markets, provide joint guarantees to financial institutions and facilitate negotiation with produce buyers and processing companies. Mutual insurance companies may have an increasing role to play. Entrepreneurs in a certain branch of trade or industry can get together and deposit premiums into a fund for a specific risk. This fund then pays out in case of individual losses. In other words it is effectively normal insurance, but for a restricted closed group of members and usually for only one particular kind of risk. Managing risk is vital for people working their way out of poverty.

Cooperatives can take a lead in member education as they always have. In Malawi savings and credit cooperatives are using study circle methods to improve their members' agricultural knowledge and business skills, as well as their understanding of cooperative accounts. This latter activity has encouraged people to save more and has led to membership growth. The "Credit with Education" model which combines microfinance services and health, nutrition, and business education into a single service for women in poor, rural areas of the developing world has been introduced by credit unions in a number of countries and is significantly contributing to poverty reduction.

In India the spectacular success story in microfinance is the growth of self-help groups which are member-owned and controlled financial service enterprises. They are co-operatives in all but name and legal status. They elect their officers from among themselves, democratically. They provide savings and credit services to their members and they usually distribute their profits among themselves. They can facilitate members' access to education and training and they are agents for community development and improvement.

FAO recognise the great potential for cooperatives in the provision of micro financial services to people living in rural areas. Support is provided in the form of policy advice, guidelines and training materials for rural cooperative and self help group development. Useful publications can be found at [www.fao.org/sd/in3\\_en.htm](http://www.fao.org/sd/in3_en.htm) and the Rural Finance Learning Centre [www.ruralfinance.org](http://www.ruralfinance.org) is collating resources and training materials from around the world to facilitate capacity building in organisations involved in the provision of rural financial services.