

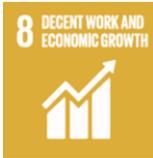
A UNIQUE COMMUNITY MICROFINANCE MODEL BY INADES FORMATION KENYA;

SOLIDARITY FUND FOR DEVELOPMENT (SOFDEV)



**BY SALOME MUTUA. EDITED BY
HANNINGTON OWEGI**

(SOFDEV)



Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

FACT SHEET

Financial access is a pre-requisite in community development which contributes to economic growth and ultimately improved livelihoods. The arid and semi-arid regions of the rural world have been greatly disadvantaged in terms of access to finance owing to the risks related to the prevalent dependence on rain fed agricultural practices. The agricultural sector is however the mainstay of Kenya's economy; directly contributing 24% of Gross Domestic Product (GDP) and indirectly contributing 27% of GDP through linkages with manufacturing, distribution and other service related sectors. The small and middle enterprises in the rural settings meant to boost household incomes and subsequently impact on the communities' social-economic lives, lack good capital.

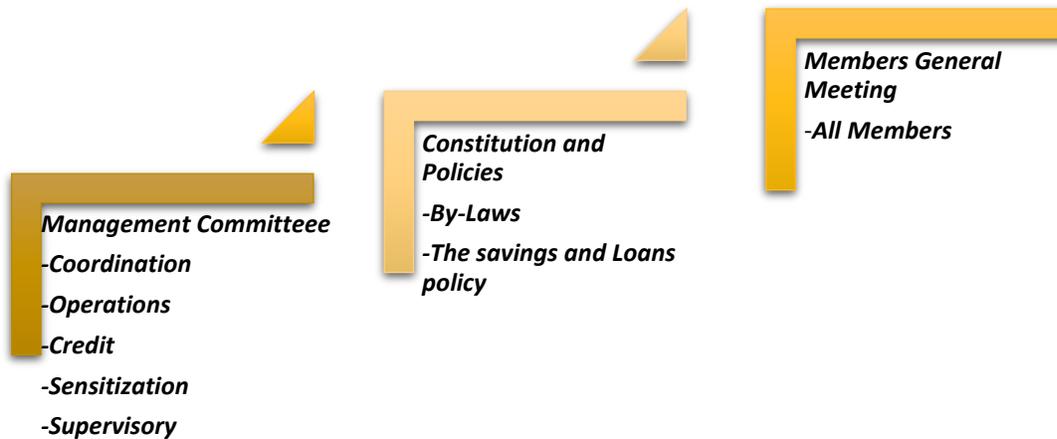
According to the Kenya Bureau of Statistics (KNBS) 2016 FinAccess Household survey, over the past 10 years, use of formal financial services in urban areas doubled that of rural areas while financial exclusion in the rural areas doubled that of urban areas.

The African Development Bank (2013) report, argues that access, usage and quality are equally important strands of inclusive financing. Several approaches and models have been used to address the financial inclusion gaps in rural settings. These include the traditional table banking groups, the welfare groups and the Village Savings and Loans (VSLs)

Solidarity Fund for Development (SOFDEV) is a community owned and managed micro-finance model designed to mobilize community financial resources and redistribute the same as micro-credits. The model was developed by Inades Formation at the general secretariat to address the issue of financial access among rural communities. The piloting of the model was successfully done in Cameroon and replicated to other member countries of Inades Formation including, Kenya, Cote d'ivoire, Chad, Togo and Burkina Faso. The SOFDEV model is uniquely designed to incorporate the community at different levels of governance and management. The members' general meeting is the highest decision making body guiding the financial vehicle through detailed by-laws and

(SOFDEV)

policies. The executive committee selected from the community by the community runs its operations through five (5) main sub-committees.



SOFDEV-Bridging the Gap

(a) Lack of effective and efficient access to financial services

Financial access precedes the quest for financial inclusion in an economy. The rural communities are unfortunately disadvantaged in this regard owing to their marginalized locations. This sequentially affects their socio-economic being. SOFDEV units are established in proximity to the communities they serve.

(b) Challenges in building the capital base

Solidarity and social cohesion is a virtue in many rural community settings; the model capitalizes on the same to build membership subsequently building a good financial base. It promotes solidarity savings in form of equity shares which represent members' ownership and form a basis in accessing credit.

(c) Unfavorable financial products, terms and services

The SOFDEV model provides favorable financial services, terms and conditions that uniquely suit the community needs. These include products related to the

SOFDEV UNITS
3,189 No. of community members served by 2018
Ksh. 14,642,216 Cumulative solidarity and fixed savings mobilized by 2018
Ksh. 60,623,266 Cumulative loans disbursed by 2018
<i>NB: The revolving fund serves the model's high loan disbursement</i>

(SOFDEV)

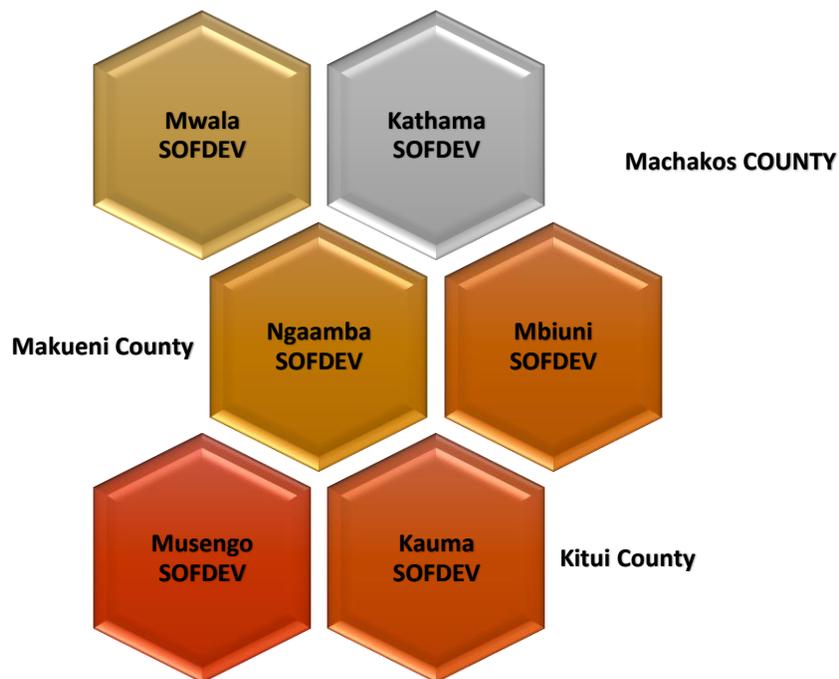
communities' socio-economic activities including, agriculture, small and middle business enterprises (SMEs), education and health.

(d) Sustainability of the community financial institutions

Since the SOFDEV model acknowledges the communities' resources, abilities and skills and seeks to incorporate them in the operation of the financial vehicle, the communities own the initiative. Building the capacity of the community members in matters of governance and management promotes ownership and ultimately contributes to sustainability. The institutions also engage in investment activities to not only build their financial base but also ensure sustainability

SOFDEV Model in Kenya

There are six (6) SOFDEV units established in Kenya's Lower Eastern region i.e. Machakos County; Mwala, Mbiuni and Kathama, Kitui County; Kauma and Musengo, Makueni County; Ngaamba. The units' general objective is to improve access to community owned and managed financial services



(SOFDEV)

SOFDEV's Success

Through the befitting savings and credit services, SOFDEV members have improved their livelihoods in diverse ways. Before the financial vehicle was established, members had a difficult time attending to some of their needs as they required more capital. This has however eased since the financial products add up to their household income.



Since I joined Kauma SOFDEV in 2010 my life has changed. I then owned a small business that was draining. But now through the SOFDEV loans I have opened my own retail shop and boosted my income enabling me to construct a house for my family and purchase a water harvesting tank.

(SOFDEV)



I am Timothy Masai, I joined Musengo SOFDEV in 2013. I was initially taking small credit amounts of Ksh. 5,000 and after building my share capital I was able to take a loan of 100,000 and buy this piece of land on which I plan to scale-up my agriculture.

(SOFDEV)

SOFDEV Sustainability

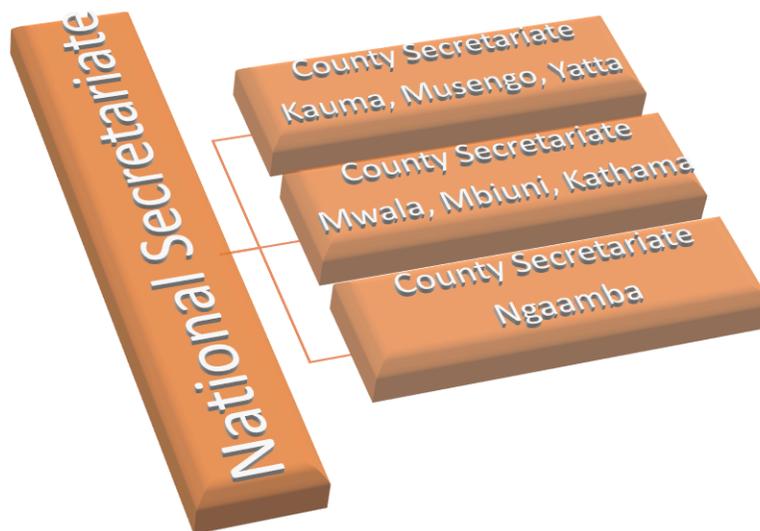
The SOFDEV units have grown remarkably with a total membership of 3,189, cumulative savings of Ksh. 14,532,366 and loan disbursement of Ksh. 60,158,766 prompting the units to consider the aspect of sustainability;

Operational Sustainability; Some of the well-established units have been able to construct their own operating offices in order to cut the recurrent expenditure on rent. The recently established units are also gearing up towards the same. The units have also been constantly improving their operation and management systems in order to effectively meet the members' needs.

Financial Sustainability; The SOFDEV units also review their financial products and services constantly to ensure sustainability.

Economic Sustainability; In keeping up with the changing economy, the SOFDEV units have started business enterprises to boost the units' income levels. The constructed offices have a provision of extra rooms for commercialization in order to generate income.

In order to grow together and scale the economic margins the units are in the process of constituting a national secretariat for centralized governance



(SOFDEV)