CO-OPERATIVE BANKS DEVELOPMENT AGENCY

Co-operative Financial Institution

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Statistical Matters

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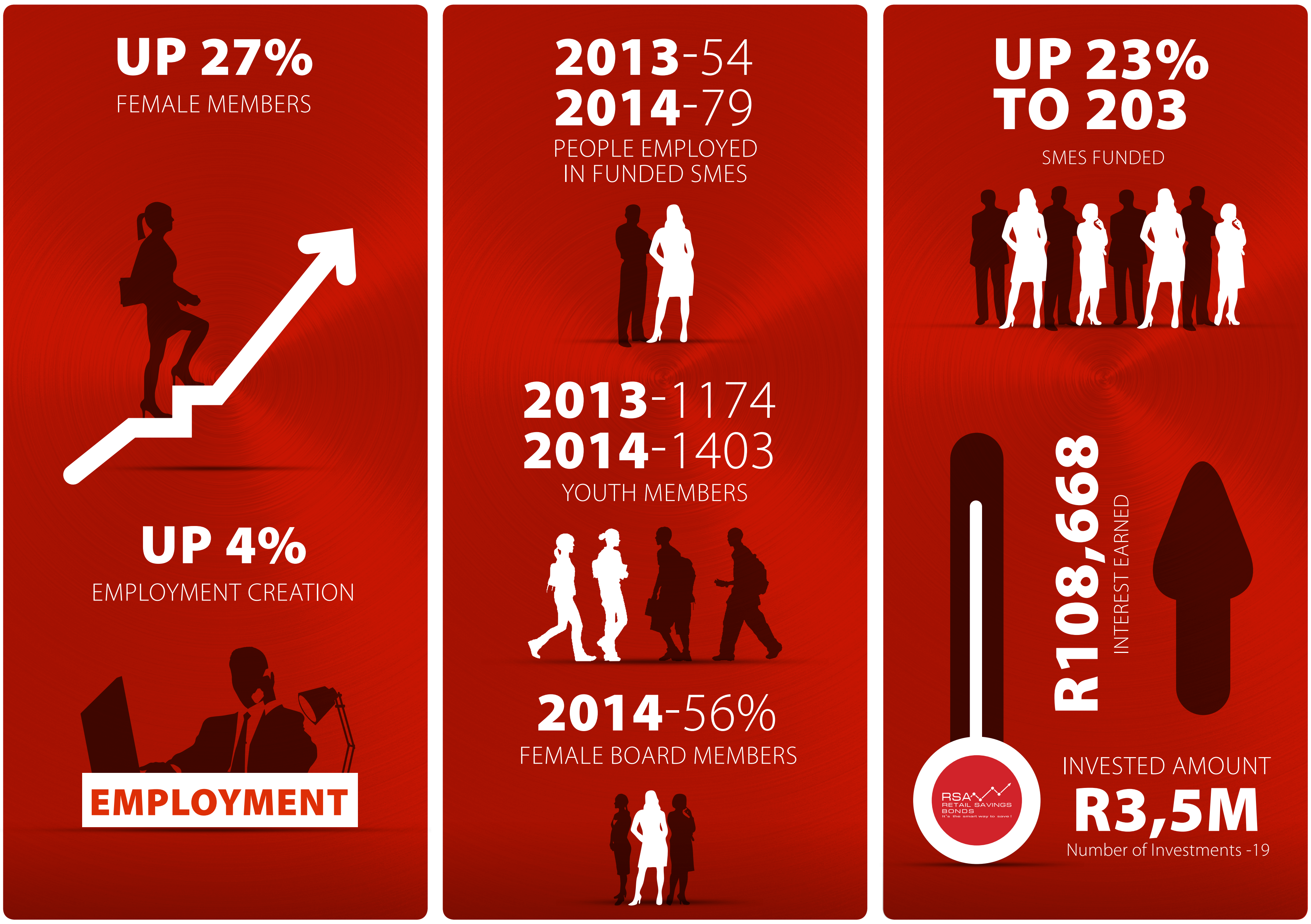

GLOBAL ECONOMY

Global economic growth projections have been revised down in recent months, with growth forecast to rise from 3.3 per cent in 2014 to 3.5 per cent in 2015 and 3.7 per cent in 2016. Volatility in capital flows is expected to continue.

Weak domestic demand and falling inflation expectations have prompted the central banks of Europe and Japan to introduce additional monetary stimulus. However, the outcome of negotiations between Greece and its creditors could have destabilising economic and political consequences for the European Union.

Forecast growth rates of large emerging markets have been revised downwards. In emerging markets and developing economies, growth is projected to dip to 4.3 per cent in 2015, improving to 4.7 per cent in 2016. China's GDP growth rate is projected to slow to 6.8 per cent in 2015.

SA ECONOMY

The National Treasury projects GDP growth of 2 per cent in 2015, rising to 3 per cent by 2017. The moderately improving growth outlook will be supported by continued economic growth in much of sub-Saharan Africa, as well as better terms of trade and inflation gains associated with the lower oil price, and a more competitive rand exchange rate. Inadequate electricity supply, however, will impose a serious constraint on output and exports over the short term.

Household consumption is projected to grow by only 2 per cent in 2015 as a result of subdued employment growth, lower income growth and high debt levels. Higher purchasing power and lower inflation will not fully offset these effects. **Source:** *2015 National Budget*

SECTOR SNIPPETS

JAK BANK AND LESSONS FOR THE CFI SECTOR IN SOUTH AFRICA

The JAK Bank provides us with an important model for interest free saving and lending. The Swedish JAK Bank is based on a Danish concept from 1931. It started in 1965 and obtained a banking licence in 1997. It is a cooperative bank owned by its members, of which there are about 38,000. JAK stands for Jord Arbete Kapital, which is Swedish for Land, Labor and Capital, the factors of production. Its main goal is to provide its members with interest free loans. It operates under four basic principles:

- Charging interest is inimical to a stable economy
- Interest causes unemployment, inflation, and environmental destruction
- Interest moves money from the poor to the rich
- Interest favours projects which yield high profits in the short term

Jak Bank works like any other typical bank, i.e. takes savings from its members and issues loans to its members. The loans are backed by either collateral or guarantors. The JAK has very low default rate, for which there are several reasons. Interest free loans are obviously much easier to repay. Members are far more committed than 'customers'. And JAK requires its members to save to obtain the right to borrow. Savers are known to be good debtors.

How can it be interest free? Well, very simple: instead of interest savers are rewarded with interest free loans for themselves through a point system. To obtain the right to a loan, new members must have saved for at least six months. During this time savers acquire 'saving points'.

JAK Bank has 30 local branches and a large number of JAK member groups across the country. To keep overheads low, the local branches rely heavily on the assistance of 650 community-based volunteers, trained by JAK staff in interest-free lending. Volunteers recruit new members through the JAK newspaper and educational events in the local areas. Volunteers can tap into a number of JAK systems to assist them with community engagement, including internet services and on-line forums. A JAK school conducts courses for volunteers and members.

Sources: *http://socialeconomyhub.ca/; https://realcurrencies.wordpress.com/2012/11/03/the-jak-bank-interest-free-full-reserve-banking/*

ADVANCING AFRICAN WOMEN'S FINANCIAL INCLUSION

> CFIS WILL NEED TO DEVELOP GENDER-SENSITIVE INSURANCE PRODUCTS

This is a summary of a policy brief which was a joint undertaking of the participants of a Round Table co-organized by Making Finance Work for Africa (MFW4A). Participants include representatives of Agribusiness Initiative Trust (aBi Trust) Uganda, Cooperative Credit Unions Association (CUA) Ghana, Women Development Business MF South Africa among others.

Women's financial inclusion yields significant development impact such as more inclusive and sustainable growth through higher levels of productive investment and asset accumulation. At the household level, women are the primary financial managers in most families, ensuring intra-household resource allocation to meet ongoing basic needs and additionally saving to invest in and protect their families' future. However, on the African continent, characterized by a low level of financial inclusion overall, the lack of access to financial services for women is acute when compared to that of men. As the statistics below show:

- 22% of women in Sub-Saharan Africa held accounts at formal financial institutions, compared to 27% of men in the region;
- 43% of men saved during the preceding 12 months, compared to 38% of women
- 5.2% for men and 4.3% for took loans from a formal financial institution, with loans coming primarily from "family or friends"
- Extent of purchases of insurance policies was very limited for both men and women, with the most striking difference registered for agricultural insurance (11.2% of men and 6.2% of women paid for crop, rainfall or livestock insurance in the previous 12 months)
- In terms of mobile money transactions in Sub- Saharan Africa, receiving money is the most often cited use, with 15.5% of men receiving funds via mobile phones as compared to 13.6% of women

The key challenges for CFIs is therefore to develop products and services tailored to better suit the specific needs of women, i.e. at the household level, they require finance level to protect and to plan to ensure the wellbeing of their families (generally the responsibility of women) and at the enterprise level (including agriculture), to invest profits in ways that impact positively their families and communities.

Given the higher levels of vulnerability women face (lower earnings than those of men, less ownership of assets and control of property and the responsibility of ensuring the welfare and security of their families), CFIs will need to develop gender-sensitive insurance products that incorporate an understanding of the risks African women face and the influence that household dynamics have on the ways that risks are managed.(**Source:** *Making Finance Work For Africa*)

CFI FINANCIAL INDICATORS

PERIOD	REPORTING CFIS	CHANGE	
Feb-12	13	n/a	n/a
Nov -13	15	15%	
Nov -14	18	20%	

PERIOD	ASSETS (RANDS)	CHANGE	
Feb -12	91,640,204	n/a	n/a
Nov -13	119,631,594	31%	
Nov -14	157,478,610	32%	

PERIOD	SAVINGS (RANDS)	CHANGE	
Feb-12	79,275,389	n/a	n/a
Nov -13	97,118,907	23%	
Nov -14	128,880,898	33%	

PERIOD	MEMBERSHIP	CHANGE	
Feb -12	25,318	n/a	n/a
Nov -13	26,986	7%	
Nov -14	24,159	-11%	

PERIOD	LOANS (RANDS)	CHANGE	
Feb -12	51,631,395	n/a	n/a
Nov -13	67,087,494	30%	
Nov -14	86,258,679	28%	

PERIOD	CAPITAL (RANDS)	CHANGE	
Feb -12	9,235,220	n/a	n/a
Nov -13	19,350,940	110%	
Nov -14	26,147,917	35%	

UNDERSTANDING THE DATA IN THIS TABLE

A green arrow signifies a large positive change in the value of the financial indicator while a red arrow indicates a large decrease. Figure comparisons are year on year changes.

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