



Liberia's Rural Community Finance Institutions

A case study of the Rural Community Finance Institutions in the Totota and Zorzor regions¹

EXECUTIVE SUMMARY

This two-page brief presents the findings of a preliminary study that was conducted with the financial support of FLPFI. **The research project was designed and managed by the Central Bank of Liberia, and studied two Rural Community Finance Institutions (RCFIs) in the regions of Totota and Zorzor in Liberia.** FLPLI Fellow Mussah Kamara, Director of the Research, Policy, and Planning Department, Central Bank of Liberia, directed the project. The project's methodology allowed for understanding how these two RCFIs are regarded by rural inhabitants of these regions; the methodology did not allow for assessing the performance of these institutions. **Among the key findings, the study found that most respondents know about the existence of RCFIs and 76.7% of them use their services. Furthermore 87.2% of respondents believe RCFIs are useful now and will be helpful in the future if needed. However, the data also suggests a need for improvement of the services that these institutions provide.** Respondents' most common complaints refer to problems with physical access to the institutions or problems with the operations, staff, and/or services that are available.

This study invites future research and evaluation to truly assess the performance of RCFIs and their impact on financial inclusion in Liberia. To assist with that effort, the project validated an instrument that coupled with adequate research design could generate the data required to answer questions regarding RCFI performance.

BACKGROUND

In 2013, the Rural Community Finance Institutions project was launched by the Central Bank of Liberia (CBL). Its objective was to address the lack of access to financial services faced by rural communities. To achieve this objective, the project proposed the creation of 12 Rural Community Finance Institutions (RCFIs). These institutions were to be created in rural areas with a high concentration of workers that received salaries and/or larger farming communities where a possible agriculture value chain was located. Since the policy's implementation there has been no assessment of the performance of these RCFIs.

With the support of FLPFI, this research study proposed to assess the role of RCFIs in two rural regions of Liberia, Zorzor and Totota. To perform this task, the research project conducted surveys of clients and employees of the Zorzor and the Totota RCFIs to characterize the operations of these rural financial institutions. The data provided by the study generate valuable exploratory insights that can contribute to a future review of the RCFI program in Liberia.

RESEARCH QUESTION, SAMPLE SELECTION, AND METHODOLOGY

This exploratory study sought to evaluate whether RCFIs have facilitated access to financial services in the rural communities of Totota and Zorzor. The study generated data (over 100 surveys) that serves



to characterize clients of these RCFIs and the services provided by the RCFIs. However, this is not an assessment of the performance of RCFIs or an impact evaluation of the policy that implemented them. The methodology and sampling strategies used do not allow for evaluating the effect RCFIs have on financial access in these regions. Also, given the sampling strategy (purposive sampling), it is not possible to state that data collected are representative of the RCFIs' user population or representative of the two regions studied.

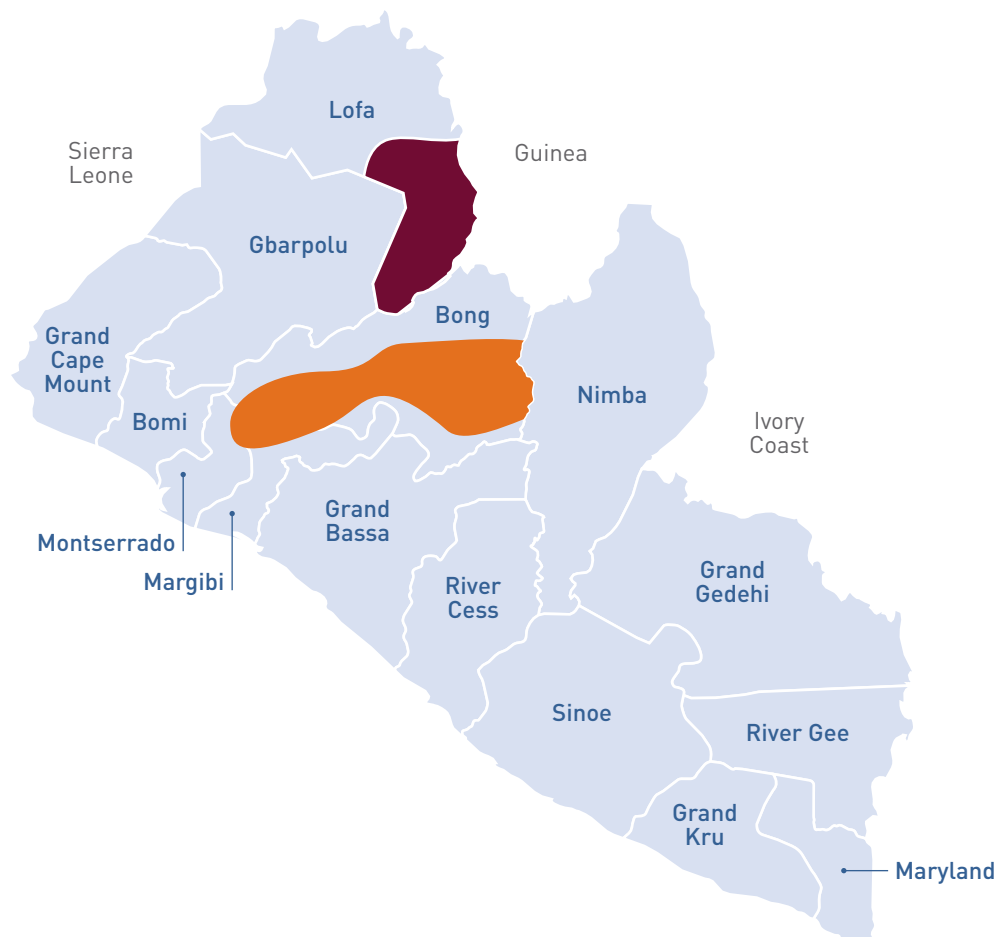
Recognizing these limitations, the study does provide anecdotal evidence of benefits and challenges experienced by RCFIs users and a validated instrument that could serve to assess the quality of services provided by RCFIs, if different methodologies were utilized in future studies.

DATA

The study collected 105 observations in the Liberian regions of Totota and Zorzor (see Map 1). The two enumeration areas were decided by the CBL prior to starting the study. The sample frame was to include teachers, healthcare workers, farmers, and entrepreneurs operating within the two rural communities. The sampling strategy did not predetermine participant selection or the radius of operation for enumerators which explains the differences in the enumeration areas depicted in Map 1.² Most data were collected at the main populated areas of each geographic region.³

All respondents were adults of which 61.7% were male and 38.3% were female. Almost 95% of respondents were aware of the existence of RCFIs

Figure 1: Enumeration Areas (source: Study report)





in their regions. Of these, around half state they gained knowledge of RCFIs through “family or friends,” while 10.6% learned about them from “co-workers,” and 5.3% from “employees”. Among the most common occupations, 32.9% of the respondents were teachers, 21.3% were healthcare workers, and 45.8% worked in the private sectors as entrepreneurs or farmers.

Most respondents have used financial services in the past; 78.2% had used a rural banking institution previously, and 76.7% of respondents currently use services provided by the RCFIs.

KEY FINDINGS

The study finds that 87.2% of the respondents believe the RCFI is useful now and will be helpful in the future if needed. This hints to the contribution of RCFIs in the improvement of access to financial products in rural Liberia. However, RCFIs still fall short of providing a service that adjusts to the needs of their customers. Respondents refer to problems with physical access to the institutions and/or problems with the operations, staff, or services that are available.

When asked about physical access, 20% consider RCFIs to be too far away from their location, an additional 20% state that the hours of service are inconvenient, and 30.8% consider that they do not feel comfortable at RCFIs or they just do not trust the formal banking system. On the operations side, 33.6% of the respondents believe RCFIs had limited financial resources, 28.5% state they have poor infrastructure, and 18.3% believe they are understaffed or have unqualified staff. Finally, respondents also voice their concern for lack of ATMs, banking agents, and diversified loan products that truly respond to their needs.

This study provides a first glance at RCFIs, inviting future research and evaluations that coupled with adequate methods can truly assess the impact of RCFIs on financial inclusion in Liberia.

ENDNOTES

1. This research brief is based on the final report presented to the Central Bank of Liberia. All data and comments reflect the findings of the study, and FLPFI was not responsible for the data collection or analysis presented in the study. The research was done independently by consultants hired and supervised by the CBL.
2. The study did consider a quality control assessment to assure that data collected was truthful. About 20% of all the questionnaires submitted by each enumerator were randomly selected for data validation. This process resulted in the successful verification of most of the data collected with only one survey resulting in significant data discrepancies. That survey was rejected and replaced.
3. For Totota, 75% of the data was collected from Totota town or nearby villages, 16.7% of the data was collected at Lelekpaya, and 8.3% of the data was collected at Zeansue. For Zorzor, 76.9% of the data was collected at Zorzor or nearby villages while 23.1% of the data was collected at Fissebu.