

FINMARK TRUST

MAKING FINANCIAL MARKETS WORK FOR THE POOR

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Kuyasa Fund: community based lending

Social networking lies at the heart of the Kuyasa Fund's operation. It is a small housing micro lender based in Cape Town, which targets people who would otherwise be excluded from credit by formal housing finance institutions. They are in poor households, with secure title to plots, are eligible for a government housing subsidy and are active members of a community savings group. Most live in the townships of Delft, Phillipi, Khayelitsha and Lwandle in the Cape metropolitan area.

Saving is central to the concept. The system is based on savings groups, attached to specific housing support centres and, because one borrower's failure to repay holds up loans to people further down the delivery queue, the group dynamic provides security. The savings programme allows Kuyasa to lend to the informally employed and other risk groups, such as pensioners, who make up 68% of clients.

Kuyasa provides unsecured loans of, on average, R5 000, repayable over six to 30 months. To qualify for a loan, borrowers must deposit a small amount into Kuyasa's account as security and to cover credit life assurance.

Lending started in 2000 and, by November 2005, Kuyasa had granted 4 244 loans worth over R20,5m.

Kuyasa puts its bad debt ratio at just below 5%. The organisation has incorporated elements of the furniture industry's system of using community based loan officers who are familiar with the client base and can resolve repayment problems when they arise. The loan officers evaluate clients and originate and approve loans.

Ninety three percent of Kuyasa's clients earn under R1 500 a month, nearly 70% are either informally employed, self employed or pensioners and 74% are women. The average client has a savings balance of R2 500.

The full report is available at

http://www.finmark.org.za/documents/2005/AUGUST/Delft_report.pdf