

## ACKNOWLEDGEMENTS

# **THE USE OF THE SUBSIDY DEPENDENCE INDEX TECHNIQUE IN APPRAISING THE PERFORMANCE OF A RURAL FINANCIAL INTERMEDIARY: A CASE STUDY OF THE KWAZULU FINANCE AND INVESTMENT CORPORATION.**

By

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A mini-thesis submitted in partial fulfillment of the requirements of the

Degree

**M Inst Agrar**

In the

Department of Agricultural Economics, Extension and Rural Development

Faculty of Natural and Agricultural Sciences

University of Pretoria

June 2000

## ACKNOWLEDGEMENTS

### ABSTRACT

I would like to extend my gratitude to the following people who have made the writing of this paper possible. Professor Gerhard Coetzee, formerly with the Development Bank of Southern Africa and now with the Department of Agricultural Economics, University of Pretoria. He was responsible for introducing me to the broader field of Rural Finance in theory and practice both as my lecturer and thesis supervisor at UP and as head of the secretariat of the Strauss Commission. His guidance with the proposal, the patience and helpful comments when supervising this thesis are greatly appreciated.

Dr. Jacob Yaron for the intensive and rigorous training and exposure to the SDI technique, as well as practical guidance on the SDI calculations for various rural financial intermediaries before and during the Strauss Commission.

I would also like to extend my sincere gratitude to my parents, grandparents and family at large for their motivation and encouragement throughout my academic pursuits. I specifically dedicate this thesis to my grandfather, Njomane Tom Nkomo who has consistently urged me to read on.

I would like to thank God for the love, wisdom and the strength he continues to give me so generously.

**ABSTRACT**

The performance of rural financial institutions is of key significance to the process of rural economic development. Rural financial institutions internationally have generally failed to achieve their objective of promoting rural economic activity by developing the rural financial sector mainly through the granting of loans while also trying to maintain their self-sustainability.

This thesis reviews the use of the Subsidy Dependency Index as a tool for the measurement of the performance of a Rural Finance Intermediary. Evaluating the self-sustainability of a financial institution does this.

Our point of departure is that conventional institutional financial evaluation techniques such as the Return On Assets, the Return On Equity and a host of other ratios have fundamental shortcomings when evaluating the performance of development finance institutions. Financial ratios like the return on assets and the return on equity are primarily suited to profit maximising institutions. On the other hand The Subsidy Dependency Index is suggested as a highly effective tool designed for evaluating and monitoring the performance of Rural Financial Intermediaries, which primarily depend on subsidies for their survival. A calculation of the Kwazulu Finance Corporation's subsidy dependence index has been performed to illustrate the use of this tool.

Recommendations are that the subsidy dependence index provides a quantitative insight to the cost of keeping a rural financial institution afloat. It questions interest rate policy and calls for the improvement of the subsidy dependence index and its monitoring. It also offers a consistent basis for comparing the self-sustainability of different institutions.

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4.5.5 NON-FINANCIAL SERVICES

4.5.6 NATURE AND VOLUME OF BUSINESS

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