

# **PREFERENCES FOR RURAL CREDIT SYSTEMS AND THEIR IMPACT ON THE IMPLEMENTATION OF CREDIT UNIONS IN GEORGIA**

by

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## **Abstract**

Insufficient access to rural credit institutions, the absence of marketing chains for agricultural products and limited application of advanced farming technology are the main development constraints in the Georgian agricultural sector. To research farmers' demand for rural financial services a representative household survey was conducted early 2008 in the region of Shida Kartli (N=406). The survey included a choice experiment to investigate farmer's preferences for characteristics of particular credit schemes. Results show that segments of the farmer population differ in their preferences for loan attributes. Furthermore, farmers expressed a very high demand for small credits with individual liability, and one third of them have experience with loans. These findings provide useful information for future credit cooperatives. Barriers to implementation are lack of trust among farmers and misconception of cooperatives with the former Soviet kolkhozes. Information campaigns can therefore be a key ingredient for the successful establishment of credit cooperatives.