



Fine as a needle

Microcredit allowed Shefali Begum and many others to escape from poverty

MD FAZLUR RAHMAN

SHEFALI Begum, 28, believes her husband would have been ruined and her family would have succumbed to the clutches of poverty, had she not received loans from a local microcredit institution a decade ago.

"I got married when I was 13, and my husband did not take care of the family after the birth of our first child," said Shefali, who now owns a boutique in Sadhurmore, a village in Boalia, in the district of Rajshahi.

"He was selling land to finance a lavish life. I was afraid my family would be destroyed."

The six-member family could not make ends meet with the earnings of her husband, Mamunur Rashid Swadhin, as a three-wheeler driver.

"My husband earned very little; not enough to pay the expenses of the family and send the children to school," she said.

In 2001, the mother of four decided to do something about it. Her father-in-law, an elderly man, was a former master tailor, but had no capital to harness his expertise.

"One day I met an official of the local branch of [the microcredit NGO] ASA," she said. "He promised to help me after he found out about my sewing skill."

She joined a group of borrowers who obtained a one-year loan of Tk 5,000. She said the loan changed her life.

She first gave some money to her husband and bought some cloth, and then started her business.

"During those days, my father-in-law taught me everything," Shefali told The Daily Star.

After successfully repaying the loan, she got another Tk 8,000 to expand her business. And between 2002 and 2008 she received eight loans totalling Tk 150,000 as her business grew. She took a final loan of Tk 60,000 in December of 2009.

One of the best-known local and



ANWAR ALI HIMU

Shefali Begum strums through some of the many clothes made by her expanding business that hang on racks, ready to go to stores -- and delighted buyers.

international micro-lenders, ASA also supports small entrepreneurs.

Headquartered in Bangladesh, it has lent more than Tk 7 crore to 80,088 clients, as of 2009, under its programme for small entrepreneurs, out of total disbursements of more than \$5.4 billion.

Shefali did not study beyond the SSC level, but she now makes saris, fatuas, salwar-kameezes, purses and vanity bags in her factory.

She has also employed her NGO experience while expanding business. She has appointed agents to lead a group of 12 women who do hand-stitching, allowing her factory workers to concentrate on design and cutting.

Shefali now wants to expand her factory's capacity to 300 saris, 300 fatuas, 100 salwar-kameezes and 100 purses and vanity bags a month.

She may take another loan from ASA when the current loan expires next month. She may also take a loan from a private bank to finance the expansion.

Success did not come easily: "Apart from my father-in-law, the family

members opposed my handicraft business I started to set up. Even my husband was reluctant. I received no help from them during the bad times.

"But with some savings and a loan from ASA, I bought cloth and did design and sewing all by myself before selling those."

Shefali said she faced a lot of trouble while marketing her products as they did not have any reputation or brand image, and also in getting a fair price. "I walked from shop to shop describing the quality of my products. Convinced, they started to make orders."

Shefali reminisced about her days when she was travelling to take part in fairs, to showcase her products. "Sometimes I had to spend night away from home, which invited a barrage of queries from my family and neighbours. Those days were really hard."

She finally came to see herself as a successful entrepreneur, and now credits her achievement to her father-in-law, and her own hard work and patience.

"Despite being a physically-challenged person, my father-in-law taught me everything from cutting clothes to sewing to stitching. Without his support I would not be able to come this far."

"Due to this business, I can now bear all the expenses of my family and send my four children to school."

A small entrepreneur now for more than 12 years, she never lost confidence. She is creating jobs for about 100 needy women, and employing 80 full-time and 80 part-time workers, mostly women.

In the last three years, she sold products worth Tk 480,000, earning a net profit of Tk 150,000. She owns a showroom and has invested Tk 5 lakh so far. However, her small factory can only accommodate a dozen employees at a time.

Shefali plans to rent a showroom to boost sales and reduce inventory. "I have sold items worth Tk 2 lakh this Eid, but I had stocks worth Tk 5 lakh."

Her entrepreneurship has pulled her family out of poverty and given

them dignity. "My family never respected me before I became a member of ASA," said Shefali.

Her success even changed the sour attitude of her family members: "My husband now looks after a pond I have recently leased for fishing." However, she wishes she had more family members, particularly when work pressures mount.

Her neighbours are also fascinated: "Now many women come to me to get training in hand-sewing. Some of my neighbours have already taken my advice, and are dreaming of becoming a successful entrepreneur."

She now dreams of taking her products to the global stage: "I want to create hundreds of jobs, as my locality is one of the poorest in the country. I also want to export my ready-made garments, which will earn the country foreign currency."

She says she may even set up a training institute to coach the destitutes from across the country.

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"Despite being a physically-challenged person, my father-in-law knew tailoring. He taught me everything from cutting clothes to sewing to stitching"

The rise of microenterprise lending

Microcredit agencies step up to the new demands of microcredit successes

MD FAZLUR RAHMAN

Micro-financiers that have for years lent tiny amounts of cash to help people lift themselves from poverty are now also financing small and medium enterprises in an effort to give the budding entrepreneurs a stronger base and to create more jobs.

Operators say microcredit agencies have so far focused on pulling poverty-stricken people out of the menace and give them an economic shelter. But industry participants say the time is ripe for microfinance institutions (MFIs) to enable their clients to boost their labour productivity and explore new business opportunities.

That's why microcredit operations are gradually turning towards small enterprise development schemes. They estimate 20 percent of the country's over three crore of microfinance clients could graduate to the SME level.

Shafiqul Haque Choudhury, president of ASA, a leading microlender, said many small borrowers have successfully graduated

from poverty but now need money to make their business large and more sustainable. This often requires more financial support than the microcredit products can supply.

"Microcredit can pull people out of poverty, but they need more than that," says Choudhury. "If we don't stand by them, they risk of falling prey to poverty trap in the event of any natural disaster or personal or family tragedy," he told The Daily Star.

People with no cash but a great business idea are also knocking at the doors of MFIs to win support. Their appeals for funding are often rejected by the mainstream commercial banks due to a lack of collateral, guarantor or other necessary documents.

The shift from microcredit, a Bangladeshi invention, to SME demonstrates a stronger economic in the country's rural areas, where most MFIs operate. Choudhury, a former caretaker government adviser, says that ASA's SME programmes aim to help small entrepreneurs create jobs others, not just for themselves.

But the money is not guaranteed; a business case must be made, he adds. "We look at whether the borrower's plan or project is viable or not."

The market is underserved. Of about 60 lakh potential SME clients in the country, less than half are served by non-governmental organisations, such as ASA, BURO Bangladesh,

it was BURO Tangail. It started to finance small projects in four districts on pilot basis three years ago.

"We are champions in microcredit, but we did not have any experience when it comes to SME lending," said M Mosharraf Hossain, finance director of BURO Bangladesh. "In the last three

- 20 percent of the country's over three crore micro-borrowers could graduate to the SME level.
- Of 60 lakh potential SME clients, less than half are served by MFIs

TMSS and Grameen Bank, and financial institutions like BRAC Bank.

Choudhury said SME clients of ASA now account for 11 percent of its total 44 lakh clients and 32 percent of its Tk 4,406 crore of total loans outstanding.

BURO Bangladesh started its microcredit activities in 1990, when

years, we observed how it worked. We have learnt a lot."

He agreed that MFIs are slowly financing projects beyond microcredit, as many of their clients are ready to graduate to stronger economic base: "They are showing entrepreneurship, and they have the capacity needed to launch large

enterprise.

"They need capital to take their skills further. The need for capital among these entrepreneurs has forced the MFIs to develop their product," the BURO official said.

BURO is piloting the product in four districts, but Hossain said there are queries from other districts eager for the project. "Hopefully, we will be able to launch such financing in the 54 districts in which we have operations starting next year."

As of June of 2010, BURO Bangladesh had lent Tk 230 crore to 18,000 medium-small entrepreneurs. That's a far cry from other districts microcredit clients -- 715,000, with Tk 1,600 crore in outstanding loans. It has a total of 9 lakh members.

Grameen Bank, which pioneered microcredit here and around the world, offers larger loans called micro-enterprise loans, for its fast-growing members. There is no restriction on the loan size.

So far, nearly 27 lakh members took a total of Tk 7,277 crore in micro-enterprise loans, with an average loan size of Tk 26,976,

according to the bank.

Choudhury of ASA said the government should give permission to non-banking micro-lenders to mobilise funds through savings; the way regular banks operate. Otherwise, they will not be able to finance bigger projects in the long run.

Few commercial banks in Bangladesh can be bothered for loans of less than Tk 50,000, but these are ideal for the MFIs in the country. The same can be said of small entrepreneurs, though the situation is changing gradually as more and more banks are financing such projects, to conform to the central bank guidelines.

The country's 1,200 MFIs, including 540 registered with the Microcredit Regulatory Authority (MRA), have more than 3 crore clients. Each year they collectively disburse Tk 30,000 crore on average.

Most of the 240 partners of Palli Karma-Sahayak Foundation (PKSF), a state-run lender to the MFIs, are also financing SMEs under different brands.

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