



*Small means
— big dreams*



A booklet about financial services
for the poor people of the world

Gita Rani Borman – Group Leader of the Dhakin Khan Bank Association (Grameen Bank) collects members' payments at their weekly meeting. Bangladesh.



Foreword

The poor of the world – just like the rest of us – dream of gradually being able to improve their lives. Access to financial services geared to their needs – savings, credits, insurance and money transfer – can make the difference between having a dream, and realising that dream.

Provision of financial services is in line with Sida's view of poverty alleviation: "Poverty is about lack of material resources, lack of power and influence, lack of choice."

Studies show that microbanks do provide members with some power and choice.

Microcredits mean an opportunity for poor people, people who ordinary banks would refuse, to borrow money – usually just small sums. UN has proclaimed 2005 as the International Microcredit Year. Access to microcredits can contribute to the fulfilment of many of the UN Millennium Development Goals which are aimed at reducing poverty in the world. These goals play an important role in Sweden's new policy for global development.

Experts, the donor community and not least the recipients themselves all agree that financial services for poorer people must be based on sound commercial principles and adapted to suit the real needs of the customer. Everyone – including poor people – needs to be able to manage capital – even if it is very little capital. Experience has shown that poor people are creditworthy and become good customers of microbanks provided these take careful account of their situation and needs.

In this brochure Sida gives us an insight into the lives of some ordinary people. We see that small means can lead to the realisation of big dreams.

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Jan Grafström

The Financial System Team at INEC/Market

Small means — big dreams

It all started in Bangladesh...

Actually in 1976, in the village of Jobra. This was where Professor of Economics Muhammad Yunus and his students laid the foundations of the Grameen Bank. This was a new kind of bank, one catering for the poor who would have been turned away had they ever dared approach an ordinary bank. In countries such as Bangladesh, poor people's only loan providers were money lenders – loan sharks. Exorbitant interest rates meant that the poor peasant, having taken a small loan to buy seed, could be trapped for life – practically enslaved.

The Grameen Bank is owned by its customers, the majority of whom are women. By 2005 there were over four million members. This first microcredit bank has been followed by many others. The idea of microcredits, of financial services for poor people, has spread like wildfire. Now there are microbanks all over the world.

While the basic idea of microbanks is the same everywhere, how they are organised may differ. For example: some are for women only, while others have both men and women members. The original Grameen Bank organises its members in groups. Each basic group has five members, and several of these basic groups together form a “branch” membership of 30-50 members. The branch meets once a week when the members pay back some of the principal and the interest on their loans. New loans are approved at these meetings. The members of the branch collectively gua-



Weekly meeting in Group No. 5, Dhakin Khan Bank Association (Grameen Bank). Bangladesh.

rantee each other's loans. In some other microbanks members apply for a loan individually – almost like in an ordinary commercial bank.

Microbanks offer a number of services: credits for company development, agriculture, house construction or to pay for studies, as well as private loans and even special loans for beggars. They also offer different forms of savings and transfers as well as pensions and health insurance.

During the spring of 2005 I was afforded the opportunity of travelling around to meet microbank customers in four countries on four continents. I was struck by the power of the human will and by peoples' ability to improve their

own situation – if they could just get the chance. I was impressed by their joy, pride and creativity. I was gripped by the lives I visited, if only for a moment. I saw – once again – how alike we humans are – in our needs our wishes and dreams, in little things and in great deeds.

Anders Gunnartz, May 2005



Professor Muhammad Yunus, the creator of the Grameen Bank.



Tara Banu, approximately 46 years of age, Bangladesh

Agriculture, milk production. Shop. Built house.

Microbank: Tara has been a Grameen Bank customer since 1993.

Services utilised: Credits, many different ones through the years. The first loan of 3000 Thaka (45 USD) was used to cultivate a rice paddy. She bought a cow with the second loan. She still has the cow which has given birth to six calves all in all. She has started a little shop, built a house and drilled a well. One son has a study loan. Her entire life has been changed.

"My business is going well and I have a nice house with a TV and a fan. I can buy beautiful clothes and jewellery. I remember the horrible life we lived before, in a terrible hut which let in the rain."

Tara cannot read or write. Her middle son attends college, getting good grades.

"He belongs to the next generation," says Tara.

Lives: Bashuakhula Village near Dhaka. Lives with husband (disabled, manages the shop), three sons aged 15 to 30, one daughter-in-law and one grandchild.

Ferozo Almasi Feuri, 42 years old. Tanzania.

Ladies' tailoring and shop, clothes designer.

Microbank: Pride Tanzania customer since 1998.

Services utilised: Credits to build up and develop the company. Last loan was in January 2005, 5 million Shillings (4670 USD) which is the highest possible loan amount. Feroza bought cloth and embroidery machines with the money.

"Before I made contact with Pride Tanzania I did not have enough capital in my company. I only had three sewing machines – now I have eight and eight employees. I have opened up a branch in a suburb. Last year I travelled to Dubai to buy cloth, shoes and bags and I will probably be going there again this year. I have rebuilt my house and can afford to pay for my daughter's schooling".

Lives: Dar es Salaam. Lives with husband (works for a messenger service) and one daughter aged twelve.





Haika's market stall is in the suburb where she lives.



Haika (on the right) with her "basic group" at the bank's weekly meeting when her loan was approved.

Haika Lymo Tanasio, 45 years old. Tanzania

Fruit and vegetable stall.

Microbank: Pride Tanzania customer since 2005.

Services utilised: Credit used to develop the business. Haika's first loan has just been approved. It is for 50 000 Shillings (47 USD). She intends to buy more stock for 40 000 Shillings in order to increase her turnover.

"The rest will be used for a corrugated iron roof for my stall, the old one lets the rain in."

The loan is to be repaid over six months. Then she wants to continue to the next credit level which is 150 000 Shillings.

"Although I would love to borrow double that amount, I can manage the repayments. My business is doing well but I need more capital to develop it."



A person wearing a white long-sleeved shirt is visible on the left side of the frame, leaning over a large, dark, textured container, likely a chicken coop. The scene is dimly lit, with the primary light source being a fire burning in a metal container in the center. The fire casts a warm, orange glow on the surrounding area, which appears to be a dirt or gravel floor. In the background, a plain, light-colored wall is visible. The overall atmosphere is one of a simple, rural setting.

Michael Andrea Ndarusaure, 51 years old. Tanzania.

Egg producer, vegetable grower.

Microbank: Pride Tanzania customer since 2000. Previously applied to a commercial bank, but was refused.

Services utilised: Credits to build up and develop the business. The latest loan was in May 2004, 3 million Shillings (2800 USD). Used to buy chickens and renovate the building.

Previously Michael worked as an engineer in sales at a machine company.

"I make much better money now compared to when I was an employee. My company is doing well. I can afford to pay for my three children's education. My eldest girl is studying in Uganda."

Lives: Dar es Salaam. Lives with wife (who runs a local shop) and two children aged 11 and 16. One child lives abroad.



Gabriela is very pleased with her new house, however the loan did not stretch to doors and windows. Now she is trying to save money for these.

Gabriela Canahut, 53 years old. Guatemala

Street seller. Built house.

Microbank: Génesis Empresarial customer since 2000.

Services utilised: Credit to build houses. Latest loan in September 2004, 10 000 Quetzales (1230 USD) that Gabriela used to build a house for herself. Two previous loans she used to build a house for her mother and a bathroom.

When Génesis Empresarial first came to Masagua they were met with suspicion.

“People said that if you borrowed from Génesis they would take your land. We soon realised that this was not true. But borrowers have to take their responsibility seriously and manage their payments properly.”

Lives: El Milagro Village, Masagua. Lives with two sons, 28 and 22 years old (eldest son works at a textile factory), daughter-in-law, two grandchildren and mother.



Gabriela with her mother at the old house.



Maria with son Manuel aged eight.

Maira Imelda Ruiz Ordonéz, 33 years old. Guatemala.

Local store.


Microbank: Génesis Empresarial customer.

Services used: Credits for different business projects, has borrowed five times. Last loan was in March 2005, 8 000 Quetzales (990 USD) used to buy goods for the shop she started up seven months ago. Previously she has sold firewood and bred chickens and pigs. She still has the chickens although not as many, she was forced to give up the firewood business as there were problems with supplies. She had to find something new.

“The shop seemed a good idea. We already had premises next to our house, so I don’t need to leave home. Business is good, thank the Lord.”

Lives: Chimaltenango. Lives with husband (sells second hand car parts) and four children aged between 8 and 14.



A woman with short brown hair, wearing a bright pink puffer jacket over a black top, is smiling and standing next to a bicycle. The bicycle has a large metal basket on the front filled with several trays of brown eggs. She is standing in front of a rustic house with a thatched roof and a white door. The scene is outdoors on a dirt path.

Snežana Boroš, 45 years old. Bosnia.

Egg producer.

Microbank: Lider customer since 2004.

Services used: Borrowed 2 500 Marks (1520 USD) in 2004 to buy chickens and feed.

Before the war Snežana was an employee, she actually received a prize for being the best typist in Yugoslavia. The war changed everything – for her and her husband. She is a Bosnian Muslim, but has a Serbian name. Her husband is Hungarian and worked for a Serbian company. Both lost their jobs and their Muslim neighbours turned their backs on them.

Snežana started up egg production in 1999 with the help of a development cooperation grant. Now she has just expanded her henhouse. Soon she will need 9 000 Marks to buy 500 more chickens, however Lider has a ceiling of 4000 Marks for loan number two.

“I will have to try to fix a loan from friends. I am anyway grateful to Lider for the money they lent me in spite of my having almost no security.”

Lives: Sarajevo. Lives with husband (metal worker) and a tame crow.

Snežana's customers are all within cycling distance.



*Aleksandar Mokrić, 45 years old.
Bosnia.*

Factory producing household paper.

Microbank: EKI Mikrokrediti customer since 2002.

Services utilised: Credits to develop the company. Latest loan in January 2005, a total of 25 000 marks (15 200 USD). The money was used to buy machinery. Machines are expensive. Now Aleksandar manufactures kitchen and toilet paper and serviettes, however he still has no machine to make paper handkerchiefs. He has six employees.

Aleksandar was previously a manager at a government-owned brewery. After the war the company found itself in Yugoslavia and Aleksandar left. With his savings he started up a paper factory at his family's farm in 1998.

"Now I export some to Croatia. The quality is good so I am counting on exporting on a larger scale."

Lives: Škaric-Šamac, Srpska Republic. Lives with wife (works in the company), three children and mother and father.



Sulajman and wife Camila in front of the new house. The container to the right.

Sulejman Bikic', 76 years old. Bosnia.

Pensioner. Built house.

Microbank: EKI Mikrokreditni customer since 2004.

Services utilised: Credit to build a house. Borrowed 3 000 Marks (1830 USD) in October 2004. The money was used to pay four construction workers. A German development cooperation organisation contributed the construction materials.

Sulejman previously owned a house on the same site. He rented it out to a construction material company where he was an employee. In 1992 Sulejman and his family were forced to become refugees in Germany. When they returned after six years only the foundations of the house remained. Years later they were given a container where they lived for three years. At the end of 2004 they were able to move into the new house although only the bottom floor is finished so far.

"We are living well now. It was very cramped in the container. Winters were cold, we only had a wood-burning stove."

Lives: Jakeš Village, Modriča, Srpska Republic. Lives with wife (pensioner) and one son, 39 years old (unemployed car mechanic).



In Jakeš there are still houses in ruins since the war.

Nusreta Mešic, 42 years of age. Bosnia.

Strawberry cultivation.

Microbank: EKI Mikrokredit customer since 2004.

Services utilised: Credits to develop the business. Borrowed 2 000 Marks (1200 USD) in September 2004 to buy strawberry plants and expand her cultivated area.

During the war Nusreta and her family were unemployed refugees in Hungary for eight years. When they returned to Bosnia they had nothing. Other refugees had had better luck and could return with some savings.

"Many people from the village left on foot but came back in a car. Myself I left in a car and came back on foot!" says her husband Mustafa laughing.

In 2003 they returned to the village which had been occupied by Serbs. Their houses had been stripped of everything of value including doors, windows and floors. They have now repaired the house themselves; they were helped with construction materials.

Nusreta began growing strawberries in March 2004. A German company offered start-up help in exchange for a cooperation contract. She will not be able to take her first harvest until the summer of 2005. Will it be a good one?

"That is in the lap of the gods!" says Nusreta as a smile lights up her face.

Lives: Tarevci Village, Modriča, Srpska Republic. Lives with husband (metal worker, own company) and two sons 10 and 22 years old (the oldest son is a police officer).





Laila Begum (on the right) with colleague Firoza Begum who also used to be a beggar.

Laila Begum, Bangladesh.

Vegetable seller (previously a beggar).

Microbank: Grameen Bank customer since 2004.

Services utilised: Credit to start up the business. Borrowed 200 Thaka (3 USD) in October 2004 to buy vegetables. This special type of loan for beggars is interest-free. She pays back 5 Thaka (8 US cent) every week.

Laila has given birth to nine children. All of them have died. When her husband also died she was forced to become a beggar. This has been her work for nine years.

Now she has learned how to do business. She cannot read or write but she can count! She gets up early every morning to buy vegetables at the market.

"Before I went from door to door and begged. Then people slammed the door in my face. Now I go from door to door and sell vegetables, now they welcome me. My life has become much better. My dream is to open a shop."

Lives: Dakhin Khan, Dhaka.

Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.



SWEDISH INTERNATIONAL
DEVELOPMENT COOPERATION AGENCY

SE-105 25 Stockholm Sweden
Phone: +46 (0)8 698 50 00
Fax: +46 (0)8 698 56 15
sida@sida.se, www.sida.se