

Microfinance backs the little people

Written by Russel Hunter
Thursday, 26 August 2010 09:51

Today's topic: Small businesses can benefit from small finance



It has almost become a cliché – small business is the backbone of the economy. But look around Samoa. There are many – very many – small, family operated businesses struggling to stay alive and feed their families.

Some are the only source of a family's income. Others are sidelines aimed at supplementing the household budget.

Many if not most are operated by women.

Few if any of them would have the required collateral to qualify for mainstream bank loans which means in most cases development of the business is problematic to say the least.

It's hard to expand a business without capital and when most of the income from, say, the family owned and operated store goes towards school fees, fares, food, power and water that capital is all but impossible to accumulate.

But there's hope for those who believe in their businesses.

Thanks to all who have contributed to the launch of the Microfinance Network in the Pacific, small loans are now available to such village entrepreneurs.

Read about the experience of Patricia Leavasa on page four of your newspaper today.

Mrs Leveasa desperately wanted to make her general store more visible to both local and passing trade.

But without capital, she seemed destined to be hidden away in a back street.

Along came the Microfinance Network which established a centre in her village and things began to change for Mrs Leavasa and her family.

She was able to relocate her shop to a much more visible spot and expand the range of goods on her shelves.

The result? Higher sales that more than met the repayment schedule required by her loan agreement.

But it's more than that. Her children go to school. They'll be educated and one day perhaps take over and expand the business or – who knows? – go on to even bigger things.

They'll no doubt remember that it was their mother's hard work and determination –coupled with the availability of microfinance - that gave them the opportunity.

These relatively small loans genuinely empower small people – the people who should matter most in any society.

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How many more women like Mrs Leavasa are there out there? The short answer is we don't know – but we can certainly tell there must be hundreds perhaps thousands of micro-business operators who could do with just a little hand up – not a hand out – to make a major difference in their lives and those of their family members.

And, returning to the near-cliché about small business, such loans do boost the economy in very real ways.

They help people purchase goods for resale. They help children stay at school – surely an investment in the nation's future. They help people to feel they can succeed.

Microfinance will never replace the big banks and nor is it intended to.

But it may well help people to grow to the stage where they can walk in the door of any of the big four with a degree of confidence.

Here's another cliché – great oaks from tiny acorns grow.

And that's as true as ever it was.

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