

LITTLE INTEREST IN LENDING



VIETNAM: Anh lives in District 8 in Ho Chi Minh City in one of the hundreds of slums that sprawl along a heavily polluted canal. Anh's family is among the poorest of the poor – but for the first time she and her husband have a means to improve their circumstances.

Anh has joined the Capital Aid Fund for Employment of the Poor, a microfinance program which provides loans to help generate employment opportunities.

'We used to borrow money and a motorbike from a lender,' Anh explains, 'but the interest rate was high and if we didn't repay in time, we were abused and scolded.'

The capital aid fund offers a fairer alternative. 'Since taking out a loan from the credit branch for the poor, things are much better. We bought a motorbike which my husband uses as a motorbike taxi and he now brings home more money,' says Anh.

The capital aid fund meets the needs of those not reached by the Vietnamese Government's poverty reduction program. It currently has 14 branches throughout Ho Chi Minh City, half of which are funded by the Australian Government. The main activity is small credit. The maximum loan is \$600 and the flexible loan term is up to 10 months. Loans can be repaid daily, weekly or by installments – whatever suits the client best. For, as Nguyen Thi Hoan Van, the capital aid fund's project manager, reminds clients, 'The fund lends, it does not give out free.'

About 60 per cent of poor households obtain loans for small



The United Nations International Year of Microcredit.

There are two objectives for the United Nations International Year of Microcredit. The first is to raise awareness about the importance of microcredit in eradicating poverty. The second is to enhance existing microcredit programs that support sustainable development.

businesses, 14 per cent for breeding animals, such as chickens and ducks, while other loans may be used for enterprises like garment making or waste recycling. About 80 per cent of the fund's clients are women.

Anh's loan has made a big difference to her family. Instead of hiring a motorbike at high cost, Anh's husband drives his own motorbike taxi each day. Apart from the small monthly repayment to the capital aid fund, his earnings go straight to the family. This new way of working is so much better than the old. Anh remembers some days when her husband didn't make enough to cover the motorbike's rental – he was, in effect, working for nothing.

These days the motorbike taxi is becoming quite a successful venture. With it on hand all the time Anh's husband is able to pick up more fares. It's now the family's main source of income. Not only is repaying the 1 per cent monthly interest on the loan manageable, but there's money left over. 'We have saved \$50 for the family,' says Anh proudly. 'It means we can pay for our second daughter to go to school.'

ABOVE: Counting money.
Photo: Mark Henley/Panos Pictures

What is Microcredit?

Microcredit, also known as microfinance, offers loans to poor people who otherwise would not be able to borrow money. The interest rates are generally much lower than those offered by traditional money lenders.

Microfinance projects supported by AusAID help tens of thousands of poor households. AusAID funds microfinance programs in Bangladesh, China, Indonesia, Papua New Guinea, the Philippines and Vietnam.

Women are often the largest group of beneficiaries. The research shows that women improve their social status, employment opportunities and incomes as a direct result of sound microfinance programs.

The Capital Aid Fund for Employment of the Poor (CEP) in Vietnam is an example of a successful microfinance program.

- > It has exceeded its performance targets with a net increase of more than 17,000 members half way through its 5-year \$5.5 million program. (An increase of 15,000 members was expected for the entire program.)
- > It has good prospects for sustainability.