

Loan scheme for foreign workers

Organisation studying ways to set up a novel microfinance system

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WANTED: Singaporeans willing to provide small loans to foreign workers here.

A new organisation, The Microfinance Society (Singapore), is studying ways to set up a novel microfinance system for foreign labourers and maids here.

It hopes to build a platform for Singaporeans to provide micro loans to foreign workers and maids in financial emergencies or who may want to start a small business back home.

Its president, Mr Vivek Jamwal, explained: "Currently, there are no credit facilities available to such workers here..."

We aim to plug that gap, to be there for them, and grant them the credit they might need."

When asked whether demand for such services exists, Transient Workers Count Too president John Gee told my paper that his organisation has come across various situations where workers would benefit from such loans.

For example, they would be handy for workers who have sustained injuries on the job, are tussling with their employers over compensation, and lack funds for immediate treatment.

Microfinance typically involves small sums of money, ranging from tens to hundreds of dollars, that are lent to those who are jobless, poor and unable to tap existing credit lines.

They use the money to start small businesses with which they pull themselves out of poverty. Pay-back rates of over 90 per cent have been cited by some reports.

The society's proposed system will have a novel feature: The money will be lent to workers who already have a steady income.

Foreign workers could be a "very attractive" group of borrowers as they are more able to pay back the loans, said Ms Sarah Mavrillac, the president of non-profit group Aidha.

Another microfinance organisation, Milaap.Org, was recently set up here to provide an online lending system - similar to that of popular website Kiva - to low-income entrepreneurs and communities in South and South-east Asia.

Singapore has the potential to become a microfinance hub for the region, but there are plenty of challenges, advocates said.

Milaap.Org founder Anoj Viswanathan said that Singapore benefits from "a strong regulatory and legal framework, access to quality financial and legal advisory services and a favourable ecosystem for technology startups".

Its proximity to "target markets" is a major advantage, as well as its high profile in developed countries, "which form the majority" of lenders, he added.

The challenges? Working out commercially viable interest rates and establishing a pay-back system for collecting money from the foreign workers, who often work full-time and have little spare time to make payment.

Industry experts here are split over whether a viable microloan system can be set up in a developed country like Singapore, where the cost of starting a business is relatively high and people have ready access to credit.

There has been no successful system here to date, said Institute of Policy Studies research fellow Lee Yoong Yoong.

The biggest reason was that "there was no organisation willing to champion the task of setting up a microfinance system here; they were concerned about its commercial viability", he said.

Last May, my paper reported that a growing number of Singaporeans are getting involved with global microfinance websites.

However, awareness here is still low, even though excitement over microfinance has gripped much of the developed world.

Singaporeans whom my paper spoke to were cautious, but also open to the idea of lending money to foreign workers.

One of them, freelance writer Goh Lin Li, 29, said: "I would make a loan if there is a stable and accountable organisation in place, and if it has a system set up to ensure that the emergencies are real and borrowers are intent on paying back."

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