

Micro-credit scheme off to a good start

So far, 31 loans have been dished out and only one business venture has flopped

Theresa Tan

The Straits Times, 11 November 2012



Rosliana Jumahat, 32, at her shop in the PKMS Building. Madam Rosliana borrowed \$50,000 to start her own business catering to plus-sized brides, and she now offers a full suite of services for Malay weddings -from renting bridal gowns to hair-styling and make-up, as well as catering and decorations. -- ST PHOTO: KEVIN LIM

A pioneering initiative to give loans to people with little or no income to start a small business has seen encouraging results.

The Micro Credit Business Scheme has approved 31 loans since it was launched a year ago with \$5 million in seed funding from the Tote Board and has not had to write off any bad debt yet.

Its borrowers would have found it tough to get such unsecured credit from mainstream financial groups.

So far, it has lent sums of \$5,000 to \$50,000 to Singaporeans who include housewives, the unemployed and blue-collar workers. Two in three borrowers are women.

They have used the money to start businesses such as food stalls, an online clothing shop and a courier company.

So far, only one business has gone belly up - a 50-something noodle hawker's business failed, but he repaid his \$5,000 loan after finding work as a cook.

Retired banker Kuo How Nam, 66, who is volunteering as chairman of the scheme's loan management committee, told The Sunday Times: "Most of the people we have financed are doing okay. We have a few cases where they are one or two months behind in payment but they still pay."

Applicants are screened to ensure they have a viable business plan and the expertise to execute it.

Only about 15 per cent succeeded in getting loans; the rest lacked a sound plan or know-how, which raised the risk of failure.

"The last thing we want to do is to make you poorer. So we are not going to give people money to try their luck," he said.

The scheme is not a handout, he stressed, but a commercial loan to help those who traditionally do not have access to credit.

It charges between 8 and 12 per cent interest per annum for unsecured loans and borrowers must be Singaporeans with annual incomes of less than \$30,000.

This interest rate is considerably lower than the 18 per cent charged by licensed moneylenders, most of whom would not be keen to lend to such low-income borrowers, said Mr David Poh, president of the Moneylenders' Association of Singapore.

Borrowers can take up to 10 years to repay their loans and they have to make modest-sized payments twice a month.

The concept of micro-credit was pioneered by Bangladeshi economist Muhamad Yunus, who founded the Grameen Bank in the 1970s, to give small loans to the poor to help them start a business as a way out of poverty. He and the bank won the 2006 Nobel Peace Prize, and that model has been replicated in more than 100 countries.

Mr Kuo said advocates of micro-credit here include ambassador-at-large Tommy Koh, but it was Tote Board chief executive Tan Soo Nan who formed a committee to launch the micro-credit scheme and test its viability.

POSB Bank is also behind the scheme by being the loan administrator, and SE Hub, a social enterprise that invests in other social enterprises, provides free space for the scheme's office.

The scheme will be in its pilot stage for at least another two years, said Mr Kuo, before its impact can be assessed.

Social workers say the scheme caters to those with entrepreneurial drive, talent and know-how, but cautioned that doing business is not for everyone - many poor people would be better off finding a job with a stable income.

Institute of Policy Studies research associate Lee Yoong Yoong said micro-credit could benefit those who may find it hard to land a job but could create a living for themselves with some help, like ex-convicts.

Mr Lee, who has visited a number of businesses run by the borrowers, said: "It's a good start from what I have seen. People are paying on time and I see most of these businesses are doing well."

Case No. 1: Helping Hand For Successful Bridal Business

Roslina Jumahat, 32, is a small business owner who is not afraid to dream big.

The mother of two children, aged three and four, used to work full-time as an airport customer service officer and part-time as a makeup artist at a bridal firm.

After more than five years in the wedding trade, the self-taught makeup artist and designer of bridal gowns was brimming with ideas and raring to start her own business.

She spotted a niche: the under-served group of plus-sized brides. Wedding gowns for bigger women were costly to rent and she felt that she could give competitors a run for their money.

The O-level holder said: "I have a lot of passion and drive. And I know the Malay wedding market."

What she did not have was the capital to get started.

Her \$30,000 of hard-earned savings were not enough to bring together a decent collection of wedding gowns to launch her business.

Then she read about the microcredit scheme, applied last year, and received a \$50,000 loan at 10 per cent interest per annum, to be repaid over eight years.

That allowed her to buy about 50 gowns and launch Andaman Qaseh at the PKMS Building in Changi Road last year. Now she offers a full suite of services for Malay weddings - from renting bridal gowns to hair-styling and make-up, as well as catering and decorations.

Her mother, a retired hawker, is her head chef, assisted by her older sister. Her older brother helps with logistics and she has a pool of 20 people she can tap when there are weddings.

Madam Rosliana, who is married to a 39-year-old airline reservations agent, declined to reveal her income but there are clear signs that she is doing well.

She recouped her \$80,000 investment within a year and she has bookings all the way until 2014. She works part-time at the airport and teaches makeup techniques too.

Without micro credit, she says, it would have taken a lot longer to get to where she is. She said: "I'm happy that I'm sharing my knowledge and wealth with others. I'm creating jobs by hiring other people. The loan really came in handy."

CASE NO. 2: Shoe dealer doubles his income

When his boss called it a day, salesman Simon Ng, 52, decided to take over the shoe business.

After all, he had dealt with dozens of shoe shops in the heartland, and could count on them to buy the footwear he imported from China.

But he had no capital. He had only a few hundred dollars in savings and a homemaker wife, 32, and two toddler sons to feed.

Mr Ng, who has primary school education, said in Mandarin: "I knew I would not qualify for a bank loan and I didn't want to ask my relatives for loans."

With his meagre savings, he was able to buy and sell only about 100 pairs of women's sandals and canvas sneakers at a time. And that meant an income of about \$800 a month.

In the past he had tried a variety of businesses, and was made bankrupt after one business went under and he owed creditors about \$30,000.

A discharged bankrupt, he borrowed \$7,000 from the microcredit scheme in February at 8 per cent interest a year. He used the money to buy a lot more stock, and that helped double his income to about \$1,600 a month.

"With more capital, I'm more confident of expanding my business and earning more," he said.

CASE NO. 3: She keeps prices low for the poor



Housewife Jamaliah Osman, 47, was at the end of her tether.

The mother of three had worked as a cook at a food stall for a few years, taking home about \$1,000 a month. Her 55-year-old husband, a former technician, had been unable to work for a decade after injuring his spine in a fall.

Madam Jamaliah borrowed \$7,000 to set up a Malay food stall in the food court above the Bishan Bus Interchange. She now earns about \$3,000 a month. --
ST PHOTO: TED CHEN

Then her boss closed the stall and she took on odd jobs such as sewing curtains that gave her just a couple of hundred dollars a month.

She said: "Money was very, very tight and my sister had to help support us."

Madam Jamaliah, who has primary school education, took her big step to becoming her own boss after reading about the micro-credit scheme. She applied and got a \$7,000 loan to start a Malay food stall last December.

She used it to pay the rental deposit for the stall and buy her display shelves and crockery. And she worried about making her \$220 monthly repayments.

To her relief, business at her SJ Muslim Food, in the food court above the Bishan Bus Interchange, took off quickly.

She now has three part-time assistants and sells items such as lontong, mee rebus and nasi lemak from 6.30am to 8pm daily.

A hot seller is her \$1 nasi lemak with rice, an omelette and a choice of either a piece of chicken or fish. She usually sells 150 to 200 packets within an hour of opening in the morning.

Explaining her low price, she said: "I have been poor and I think the poor can still afford \$1."

"My income is now about \$3,000 a month and I feel very happy. I have my own business and I can support my family. I don't have to worry about money any more," she said.