



# Micro Credits, Macro Benefits

In times of mounting economic woes and rising food prices, microfinance is helping poor families keep their livelihood going, their self-esteem intact, and their hopes alive.



Surriya, 36, is a housewife living with her two daughters and husband in a two-room rented house situated deep in a narrow ally of Rehman Gunj-Qila Lakshman Singh - a chaotic and fading part of the old Lahore city. Her husband drives an auto rickshaw from dusk to dawn to raise their family. But lately it has become an uphill battle for him to make both ends meet. While his income remained where it has been for many years now, everything else seems to have changed - in fact jumped up - be it the cost of fuel of his rickshaw, food bills, house rent, or needs of his daughter going to school.

Surriya, sensing the bumps in the road ahead, had decided 4 years ago to chip in with her own little effort to support the family. She availed a microcredit facility from Khushhali Bank to purchase a sewing machine, and started receiving rapid tutoring from a relative in sewing clothes. Gradually, she learned to provide tailoring services to her neighbors. After 2 years, she bought another sewing machine and also began taking interested young girls from the neighborhood as apprentices.

Surriya's decision to open a tailoring shop and the subsequent success of her initiative has had a major positive impact on her family's life. She now earns nearly as much as her husband does from his auto rickshaw and is in a position to share the burden of running the household. She is setting aside a small part of her income for the education of her daughter. "I have not been lucky enough to have an education, but I would do all I can to help my children go to school and then to college," she says with a firm resolve in her voice.

## The Optimistic 'Beauty Box' Maker

At 52, Fazal Rehman, father of four daughters and three sons, is a born optimist.

"I have heard that the government is raising duties on the importation of small items, if it is true, I am sure my business will pick up again," he says. "I use to get 60 rupees for each wooden box that I made 5 years ago. Today, I have to sell it for 40 rupees, as my client refuses to pay more because of the cheaper Chinese beauty boxes available in the market."

Mr. Rehman has been crafting small wooden boxes, which are used as makeup boxes, for the last 30 years in a 7-by-10-foot workshop near the timber market in Lahore.

He says there were about seven such workshops in the neighborhood. Now he is the lone entrepreneur trying to eke out a living out of this business. The shops closed down one by one because of shrinking demand and rising supply of low-cost imported beauty boxes in the market.

Fazal still works from 8 in the morning until about 7 in the evening. Naturally, he was finding it difficult to manage his fairly large-size family's needs, pay 4,000 rupees in rent for his workshop, and fend off his other overheads. After much thinking, he decided to train his youngest son in the art of box making. Then he realized that he will need to buy more wood with two of them working at the shop. Over the years, the price of wood has gone up.

He managed to turn his business around after applying for a 10,000 rupee credit from Khushhali Bank. He is now supplying more boxes to clients. He earns about 500 rupees per day, which he feels is a decent income under the circumstances.

Fazal's story demonstrates that microfinance is helping small, viable businesses in many ways, including reducing their vulnerability to external shocks. The attendant benefits of small loans in ensuring livelihood and food security, as well as boosting the morale of small entrepreneurs in a difficult economic situation cannot be underestimated.

## Flowering the Future

Micro credit means a lot to poor women. Their status both in their home and in society improves when they earn and contribute to the family income.

"Our experience says that women use loans responsibly. Compared to men, women default (on their loan) far less often," says Amina Hassan, head of Lahore region of Khushhali Bank.

Sabra Siddique from Lahore has now entered into her fourth cycle of loan with Khushhali Bank. She runs her own artificial flower-making business from home. She started the business with a 1,000 rupee loan 4 years ago. Her husband and relatives were opposed to the idea. They were concerned about what her neighbors would think about her working out of the home.

Using her hard-earned savings, she has renovated her house and even constructed an additional room from where she runs her business. She can afford better cloths and food, and has enrolled her children in the best schools in the locality. Today, her relatives and neighbors look at her achievements with envy. She commands more respect and "say" in family affairs.

Sabra is a big believer in small loans. "I don't want to go for a bigger loan as it would be difficult to manage a bigger business and pay back bigger loans. So, I am content with what I am getting," she says.

Khushhali Bank was established with a paid-in capital of PRs1.7 billion subscribed by 16 commercial banks, mostly state-owned. However, low-cost and long-term funding was provided by the government through ADB's Microfinance Sector Development Program.

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