



Building Jordan's Sustainable Small Loan Industry Challenge

Lack of access to capital was once a major obstacle for low-income Jordanians. Without credit history or collateral, the poor are generally regarded as too high-risk by commercial banks, making it difficult for them to get the loans they need to start or expand their businesses. While some lending institutions offer subsidized loans which are more affordable to borrowers, this practice is not sustainable and can drain a country's economy by placing extra stress on a government's budget or create a dependence on uncertain funding from international donors.



Photo: Mahmoud Shawkat

Muzayna Al Moghrabi's loan helped her start a supermarket in Jerash.

“[This] program has been the main catalyst for building the capacity of microfinance practitioners, as well as for advancing the industry at large.”

- Niveen Abboushi-Sharaf, Former Board Member, Microfund for Women.

Initiative

USAID is helping to build a sustainable small loan industry to help finance small business in Jordan to help the poor improve their economic well-being through entrepreneurship. Small, unsubsidized loans are provided at interest rates that are both commercially viable for the lender and affordable for the borrower. Using character references and joint liability through group lending to evaluate loan eligibility, this program serves those who are not considered 'bankable' and rewards timely repayment with access to larger loans.

Through assistance, training, and targeted grants, USAID established four sustainable institutions that provide loans to poor clients throughout Jordan. To support these institutions and encourage best practices throughout the industry, related initiatives were created, such as regional training programs and a temporary fund to help guarantee lines of credit from commercial banks.

Results

By early 2004, more than 60,000 entrepreneurs had borrowed more than \$72 million through the USAID-supported institutions. Most of the borrowers are women, using the funds to create small and home-based businesses to support their families. The repayment rate is over 95%, challenging the prevailing attitude that the poor are not creditworthy. The institutions enjoy a high rate of operational sustainability, proving that sustainable small-credit is a viable business. In just five years, the institutions' success has made Jordan a leader in promoting sustainable loans to small businesses as a way to eliminate poverty and empower the working poor to achieve economic self-sufficiency.

