

# Feature Article:

## Microfinance provides rural women with access to capital

Vientiane, 2<sup>nd</sup> March 2015

Mrs Savatdy Luangkang, 50, from Soukouma district, Champasack province, has been operating a local business selling soaps, detergent and small food items near Soukouma market since 2000.

"It is a simple operation and the business is doing well but it is difficult to be a small business woman", she says.

"The main issue is that I am alone to run the shop and I also have to take care of my mother who is 80 years old. And also I am not strong and I cannot carry heavy things in the shop."

Nevertheless, Mrs Savatdy is a real entrepreneur at heart and plans to take out a small loan from a bank to expand her business activities. While access to finance is difficult for many rural people in Laos, it is especially so for women.

"Many women would like to start their business. But they are often not able to do so. One big issue is that they do not have enough capital. Banks do not willingly give us credit," said Mrs Savatdy.

The German Development Cooperation project 'Microfinance in Rural Areas – Access to Finance for the Poor' (AFP) that is implemented by Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ) with the Bank of Lao PDR addresses this common issue found in rural Laos. This program started in 2009 by supporting the establishment of Village Banks in 15 different districts of Laos. Australian Aid joined in 2013 as a co-financing partner which enabled the expansion of the operations to six more districts in the three Southern provinces of Champasak, Salavan and Savannakhet.

The Village Banks, which have been set up under the AFP project, are the most common and most important providers of microfinance in rural Laos. They are member-based organizations that operate in a specific village with an average of 75 members. These Village Banks focus exclusively on poor districts with the aim of providing access to finance that would otherwise not exist at all.

"Prior to the Village Bank, I used to borrow money from relatives. I did consider private money lenders but their terms and conditions are tough, and the interest is very high," said Ms Savatdy. "The Village Bank Committees are local people with whom I have an honest relationship," she added.

With the extra cash from the Village Bank, she plans to expand her business by purchasing more diverse products to attract more customers to her store.

People take out loans from the Village Banks for different purposes and nearly half of all loans are invested in agriculture such as cash crops and livestock production. About 24% goes toward store operators and traders, according to GIZ.

“Before we decide to take a loan, my husband and I would discuss to see if the investment would be profitable or not. Once we agree, we have to co-sign the contract at the Village Bank,” said Mrs Savatdy.

Mrs Savatdy is one of many rural women in Laos who receive benefits from the AFP project. Through its collaboration with GIZ on Microfinance, and with the other partners across the Lao Australian Rural Livelihoods Program (LARLP), Australian Aid is committed to increase the economic security and resilience of poor women and men in rural Laos.

*This article is part of a series prepared by Laos-Australia Development Learning Facility, an Australian Aid Project, leading up to International Women's Day on March 8<sup>th</sup>.*



Mrs Savatdy in front of her small store in Soukouma district, Champasack

Photo by: GIZ / AFP

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