

# Microcredit

## Small Loans that Make Big Changes

by Steve Schultz

**Have a careful look around the next time you visit an exotic dive destination – you just might find yourself in the middle of a revolution.**

Since the 1970s, a quiet revolution has occurred in the war against poverty, creating new and effective ways to help the world's poor. Since some of the best dive locations are situated in some of the poorest nations, this revolution – *microcredit lending* – is having a small, but growing influence on the dive industry.

Muhammad Yunus, founder of Grameen Bank and former professor of economics from Bangladesh, is considered the father of modern microcredit. Yunus and the Grameen Bank are so successful in helping break the poverty cycle; they were jointly awarded the Nobel Peace Prize in 2006.

Microcredit refers to the extension of very small loans (*microloans*) to the poor to help them get a start in business, raise themselves above subsistence living and break the cycle of poverty. These loans are most often used to help small community groups – usually made up of women – start small businesses, such as craft-making and food preparation. They are also used as seasonal relief for farmers, and to pay education and medical bills. A key advantage is they allow borrowers to avoid the harsh interest rates and dangers inherent in dealing with loan sharks, often their only other source of funds.

Microcredit is a part of *microfinance*, which is the provision of a wider range of financial services to the very poor. Today, micro lending has grown into a global affair with close to \$1 billion US

(Boudreaux and Tyler,

2008, the micromagic of microcredit, *The Wilson Quarterly*; *Surveying the World of Ideas*. Winter.) distributed in more than one hundred countries in 2005 alone. (Narasimhan, 2006, Grameen Bank, a Nobel-winning concept, *The Hindu*.)

The loans are not charity – there are advantages to the lenders as well. These small loans are short-term, and are usually paid back in a matter of weeks or months. Interest rates are higher than traditional loans and the payback rate is exceptionally high, so risk is low and profits are high for lenders.

In the town of Tulamben, Bali, a women's cooperative (Sekar Baruna) used a microloan to start a business providing a scuba gear porter service for local dive businesses. The women who run this service carry dive gear to beach entry points and are paid as a collective. The money they make augments the villagers' seasonal fishing industry. Other microloans have been used in the area to start home-based laundries and shops, which support the workers, who, in turn, support the local tourism industry.

Women, rather than men, are overwhelmingly the beneficiaries of micro lending, with more than 75 percent of microloans worldwide given to women. In poor communities around the world, community improvement is often left up to women, hence the reason the loans are primarily to women and women's groups.

Moreover, microcredit lending has had a direct effect on the dive industry in Khao Lak, Thailand. Here, the Ecotourism Training Center (ETC) was developed in response to the economic devastation caused by the Indian Ocean tsunamis of 2004, which killed close to 230,000 people.

The ETC, founded by PADI Instructor Reid Ridgeway, provides career training for disadvantaged Thai nationals so they can find meaningful employment and help rebuild Thai tourism. Graduates of the program become PADI Open Water Scuba Instructors, while participating in a very diverse ecotourism curriculum.

As part of the program, the ETC provides microcredit-style loans allowing students to take home the gear they used while training. The students agree to pay for the equipment at highly discounted rates, and the money, after it is paid back, is used to equip the next

## Microlending Fast Facts

1. Microcredit loans are mostly small – Namaste International provides average loans of about \$183 US.

Source: Yollin, 2007, microcredit movement tackling poverty one tiny loan at a time; *San Francisco Chronicle*

2. The United Nations declared 2005 the International Year of Microcredit

Source: [www.yearofmicrocredit.org](http://www.yearofmicrocredit.org)

3. Women, rather than men, are the main recipients of microcredit loans – a Microcredit Campaign Report stated that 84 percent of 113 million reviewed microloans went to women.

Source: Yollin, 2007, microcredit movement tackling poverty one tiny loan at a time; *San Francisco Chronicle*

4. At least 137 countries are actively involved in supporting microcredit lending.

Source: CBC News, 2006, microcredit lending: small loans; big payback; CBC.ca

5. Repayment rates are better than commercial loans – greater than 95 percent.

Source: CBC News, 2006, microcredit lending: small loans; big payback; CBC.ca

# Dive Aqaba's Laila Manna Receives Award for Microfinance Excellence



Her Majesty Queen Rania, of Jordan, (left, facing) discusses the future of dive tourism in Aqaba, as well as reef conservation actions for sustainable development and congratulates the Dive Aqaba team for its efforts on environmental and accessibility issues.

Dive Aqaba is a family-owned dive center in Aqaba, Jordan, run by Laila Manna, along with husband Rod Abbotson and son Ashraf Sulaibi. In October 2002, Manna and Abbotson began raising funds to start a dive center to fill in what they saw as gaps in Jordan's dive market, specifically a lack of access to boat diving, limited enriched air availability, no technical diving (a growing niche market in the Red Sea), limited instructor level training and, generally, no European staff, a problem Dive Aqaba solved by implementing an inventive internship program that offers free education and diving in return for help at the center. By April 2003, Dive Aqaba was a PADI Dive Center and by November 2004, it had achieved PADI 5 Star status,

Manna and Abbotson initially financed Dive Aqaba by selling their respective properties in Jordan and the UK. Since then, Manna has kept the project financed through a series of personal and business microfinance loans. It was while attending seminars by an organization called Empretec that Manna met fellow Jordanian business owners who had received grants and microfinance loans for various projects. Empretec (an acronym formed by the Spanish words for entrepreneur [emprededore], and technology [tecnología]) promotes the creation of sustainable small and medium enterprises (SMEs) by helping promising entrepreneurs, including women, build innovative and internationally competitive SMEs. Worldwide, SMEs are a major source of economic growth and their effect on job creation is significant. According to [empretecjordan.org](http://empretecjordan.org), up to 98 percent of Jordan's private sector is employed by SMEs.

This makes Manna's success extremely important to the Kingdom of Jordan. So much so Her Majesty Queen Rania, who is deeply committed to projects helping certain segments of Jordan's population become skilled contributors to the country's economy, stopped by Dive Aqaba's dive boat – Laila One – to congratulate Manna in person on receiving the 2007 Aqaba Development Corporation Award for Excellence in Microfinance Projects. While there, the Queen took time to discuss the future of dive tourism in Aqaba, as well as reef conservation actions for sustainable development, congratulating the Dive Aqaba team for its efforts on environmental and accessibility issues.

In just five short years, Dive Aqaba has graduated from the world of microfinance and established itself as a viable, growing business concern. And, Manna and her family hope to add to its growth soon by obtaining financing for another dive boat, an air/gas blending station and more rental gear. Though microloans made it possible for Dive Aqaba to open its doors, Manna, Abbotson, Sulaibi and staff have kept them open and made this PADI 5 Star Instructor Development Center the successful enterprise it is today.

For more information on Dive Aqaba, go to [www.diveaqaba.com](http://www.diveaqaba.com). To learn more about Empretec and its work in Jordan and elsewhere, go to [empretecjordan.org](http://empretecjordan.org).

class. It is very poignant to note that financial support from Project AWARE helped fund the program.

"Project AWARE has twice granted ETC funds to support our marine conservation efforts, specifically," said Ridgeway. "PADI also supported the program. It was not monetary, but in the form of educational materials and guaranteed certification processing up to the divemaster level for all my students."

## Micro Development

In Mexico, a small group of Mayan women in the Yucatan Peninsula developed a local freshwater cavern into an economically viable ecotourism attraction that brings prosperity to their village.

While not directly benefited by micro lending, the site's development is similar in that it was:

- A grass roots development program;
- Organized on a community level;
- Helped pull its participants out of the poverty cycle; and,
- Benefited the entire community and not just the individuals involved.

The site, called the Yokdzonot Eco-Tourist Cenote, is 18 kilometres/11 miles west of Chichen Itza. Two years ago, the women of Yokdzonot took the initiative to develop the cenote – at the time used as a dump – into a sustainable economic resource. The women laid stone footpaths, cut and assembled railings and docks, and developed an attraction that appeals to tourists and locals alike. The cenote opened to the public in January 2007 and offers visitors to the area can rent snorkel gear, mountain bikes and life jackets.

Microcredit lenders and micro developers are having positive effects on some of the places that divers visit. The next time you're on a dive trip, or any

trip, take a look around. You might witness an economic revolution taking place right before your eyes, and even better, you might be able to take part in it. ♦

