

# Microcredit gaining ground - one dream at a time

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## **Analyzing ENDA Inter-Arabe, the first institution in Tunisia to follow internationally recognized microfinance best practices.**

Microfinance initiatives, though undoubtedly positive, are not universally successful. In some cases, restrictions and regulations hinder what might otherwise be a fruitful endeavor. Such is the case in Tunisia.

Inflation stands at 6 percent; nearly 15 percent of the 9.5 million inhabitants lives below poverty level. Tunisia's banking system is inefficient and state dominated. Nearly 20 percent of GDP is generated by the "informal sector," including services, trade and other non-agricultural endeavors. Some 82 percent of companies in Tunisia have six or fewer employees.

Microfinance has been developing in Tunisia since the late '90s, prompted by three main events: the president's decision to support microfinance; the establishment of microcredit legal terms via Law n. 99-67; and the creation of a support system for women-managed micro-companies by the Department of Women and Family.

However, microfinance faces a variety of challenges: interest rates limited at 5 percent; a ban on commissions; a ban on collecting deposits and private savings; loans limited to US\$1,100; and a three-year maximum return period. Such restrictions have limited microfinance and its potential to improve Tunisians' lives.

NGOs have limited ability to alleviate these problems, since they can issue microcredits only after securing authorization from the Department of Finance - an impossibly bureaucratic

process.

That said, ENDA Inter-Arabe, an NGO with an international statute, has somehow managed to make progress. In "[Microcredit in Tunisia: ENDA Inter-Arabe](#)," IESE researchers [José R. Pin](#), Angela Gallifa and Lourdes Susaeta assess this successful organization and describe how it has strengthened microfinance despite the problems it has faced in Tunisia.

## **Adheres to best practice**

ENDA Inter-Arabe is a microfinance institution (MFI) that works for "poverty-alleviation through credit and support to micro-enterprise, with a clear vision: a loan, a job and a chance for a better life."

The organization, created in 1990, stands apart from other MFIs in Tunisia because it is the only one to adhere to microfinance best practices - which do not always align with the restrictive government regulations.

Furthermore, it is the only microfinance institution in Tunisia dedicated to activities related to the grant of microcredits. It is free from the restrictions plaguing other NGOs.

Over the past decade, ENDA Inter-Arabe has achieved remarkable success in Tunisia. It has granted 82,000 loans to 28,000 micro-entrepreneurs in commerce, services, production/crafts and animal-rearing enterprises, with a cumulative value of 33 million Tunisian dinar in loans. And it has achieved a repayment rate of 99 percent.

There are three main types of services offered: a basic loan for groups, individuals and investments; parallel loans, including seasonal, express and emergency loans; and social funds, supporting clients through death or disability. ENDA Inter-Arabe uses rapid and flexible procedures and offers a progressive credit line from \$120 to \$4,000.

ENDA Inter-Arabe has boosted the position of women; indeed, 93 percent of its clients are women. Half of all borrowers are between 30 and 51 years old; 27 percent have secondary school education; 77 percent are married.

ENDA Inter-Arabe does more than just grant loans. Among its non-financial services are training in accounting and marketing, counseling, networking and tech support. It also runs a community development program in Hay Ettadhamen, a major suburb of 250,000 people, where it offers professional training, work orientation, and literacy and educational activities.

## Stories of lives changed

The sums involved may be small, but the effects are immeasurable. The researchers interviewed three Tunisian women to illustrate the effects that ENDA Inter-Arabe have had on their lives.

*Kaothar Jaouali:* This 42-year-old mother of four became the sole earner for her family after her husband suffered a terrible accident. To make ends meet, Kaothar began building desks using materials she found around her house, including wood from the bed, a mirror and the bookshelves. Using the money from her first sale, she built additional desks, but she had trouble getting enough materials. At the encouragement of her loan officer, she borrowed the money to obtain more raw materials, participated in an exhibition and her business took off. She and her husband eventually separated, but Kaothar was able to raise her children on her own, thanks to the loans that allowed her to grow her own business.

*Emna Larguet:* ENDA Inter-Arabe loans enabled Emna to buy sewing machines and materials to support her own tailoring business. Like Kaothar, she, too, participated in exhibitions, which boosted her sales. When her husband died, she found solace in her work and began training other girls in the trade. With additional financial support secured from the government, Emna now sells her crafts in five hotel shops and hopes to expand further.

*Leila Saida Argüí:* At 41, Leila launched her photography career with her husband out of his shop, which they ultimately had to close due to the expense. After her husband went to prison, Leila took over his photography work to help care for her children and pay legal fees. With a micro loan, she bought new equipment. In 2004, she and her husband, now released, bought a new shop.

The future looks promising for ENDA Inter-Arabe - as well as for the many women and men whose lives are transformed through microcredit. The more success stories like these, the more microfinance will gain traction, particularly in the Arab world.

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