

INDIVIDUAL CASE STORY | MSE SYSTEM

ACCESS TO NON-COLLATERALISED LOANS SOLVES SERKALEM'S BIGGEST CHALLENGE AS A WOMAN ENTREPRENEUR

Serkalem is a 35-year-old female entrepreneur engaged in a small garment business. While today she runs a growing business, she initially struggled to get it off the ground. Like many micro and small enterprise (MSE) owners, Serkalem was constrained by limited access to affordable working space, materials and equipment, required skills, and exposure to input and output markets. But one of the biggest constraints was lack of access to working capital.



Loans provided by MFIs and banks require collateral or a personal guarantee of a salaried person with a higher income, both of which Serkalem didn't have. At one point she accessed a group loan with other business owners who cross-guaranteed each other, but it turned out to be a negative experience as some of the group failed to make payments. She explained:

“ I took a group loan from Addis MFI together with four other individuals. I invested it in my business and paid it back on time. However, some of the individuals in the group failed to pay on time so the MFI held all of us accountable, and it is still in a court process. Hence, I will never enter such loan access arrangements. ”

Serkalem learned about non-collateralised loans through Helloomarket, LIWAY's partner for its Digital Marketing Service intervention. She sells her products on the digital platform. The non-collateralised loans are provided through LIWAY's partner ONE Microfinance, and Helloomarket is encouraged to share information about the loans with its users.

Excited about the possibility of accessing working capital for her business, Serkalem applied and received a loan. Upon repayment of the loan, she took another and has continued to do so as needed to invest in her business. She explained:

“ I got connected to this loan access through Helloomarket. It was what I was looking for badly as I need more finance to keep my business going. I took a loan of 30,000 ETB without any collateral or other guarantee except for my business transaction track record. The loan is repaid at the end of the month. Now I took the ninth round of loans within a nine-month period. ”

According to Serkalem, access to the loans has solved her biggest challenge. She now purchases larger amounts of inputs for her garment products ahead of time. She is able to continuously produce garments and as a result, her income has increased. She also bought a new sewing machine on credit after paying the down payment from the profit from her business.

Serkalem is hoping she will be able to access a larger working space as she wants to expand her business and diversify her garment products, as well as create opportunities for others.

“ If I got access to a larger working space, I want to recruit more staff in addition to the two assistants I already have, so that I can expand my business and become a successful woman entrepreneur who can also create job opportunities for other people. ”

Serkalem is just one example of women business owners who are benefitting from non-collateralised loans. It demonstrates how changing the rules, procedures, and standards for accessing loans can help empower women entrepreneurs.