



Sri Lanka Verein Hamburg e.V.

Microloans for Creatives



Many people in Sri Lanka have good ideas about how they could earn a little more income. It is usually women, who, as economically and socially disadvantaged individuals, constitute the majority of the country's poorer population, but experience shows that they adapt better and faster to the process of self-help than men. They are more attentive and committed to securing the future, especially for their children, and demonstrate greater consistency in their work. Muhammed Yunus, founder of the Grameen Bank for Microfinance and 2006 Nobel Prize winner, writes in his book *"For a World Without Poverty"*: "As soon as women recognize even the most modest possibility of freeing themselves from poverty, they prove to be more combative than men."

But they usually lack the limited money to acquire the materials needed to start a productive activity. Without proof of their own existing resources to cover the risk, they cannot obtain loans from moneylenders, and if they do, they only charge extremely high interest rates. Even when banks provide microloans, they do so only on a commercial basis and against appropriate collateral, without thoroughly assessing the prospects of success of the projects to be financed in advance and without ongoing support during implementation. If repayments cannot be made, the pressure of over-indebtedness increases, so that borrowers can ultimately end up in even greater poverty.



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Therefore, it requires even greater sensitivity and good support to support the women's creativity in developing and implementing their business ideas and in the subsequent allocation of start-up capital. With this in mind, the Sri Lanka Association has established a fund financed by donations and, through its local partner organization, the Creative Women Foundation (CWF), has launched a social network based on trust and good communication: "Microcredits for Creatives." Within the framework of supervision groups, experienced consultants discuss all project ideas on-site with the interested women and assess the chances of success and the sustainability of the measures before the women receive the necessary start-up capital.

A key to success was the training we funded from local specialists, which imparted basic business knowledge and offered courses for acquiring new skills. A basic prerequisite was always that the loan be based on a realistic business idea and the willingness to improve one's own living situation through initiative and hard work. Since the introduction of the lending system in 2008 in the Galle area – and, from 2019, also to a limited extent in the Tamil North and the Kandy area – a total of approximately 350 promotional loans between €100 and €150 and with terms of 12 to 18 months have been granted over more than 10 years. Since most projects achieved positive results, borrowers' repayment discipline was generally high, with an average repayment of 75% of the invested capital over time. In addition to covering the support costs of the CWF team (administrative and travel expenses), the repaid funds were repeatedly awarded to other women to support their business ideas. The implemented projects included food processing of fish, traditional sweets, chutneys, jams, juices, as well as the production of soaps, paper bags, cloth bags, the cultivation of vegetables and herbs, the production of mosquito nets, clothing, batik and screen-printed fabrics, shoes, artificial flowers, and many other goods and services.

With the principles mentioned here, the benefits of the cycle of granting and repaying small and manageable amounts of money became apparent: women's personal responsibility and entrepreneurial thinking and action were strengthened, the funds could be used multiple times for projects, continuing education measures provided new skills, and the community promoted further collaboration among women in their own creative groups.

The severe economic crisis that began in 2019 led to significant losses in prosperity for many people. This particularly affected poorer sections of the population, who were increasingly unable to meet their basic needs due to rising prices. When the COVID-19 pandemic finally reached Sri Lanka, food shortages became increasingly dire. Demand for microloans collapsed completely, so we decided to forgo repayment of the funds granted up to that point and refund any repayments already made. However, continuing to support women entrepreneurs remains a core mission of CWF, which we continue to pursue through training programs and individual consulting in the production and marketing of products, as well as support in organizing product fairs. Since then, financial support has only been provided in the form of limited grants (see also *"Supporting Creative Initiatives"*).



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Kleinstkredite für Kreative



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Manel sprüht geradezu vor Ideen. Immer kommen ihr neue Entwürfe in den Sinn. Sie schnappt Ideen von ihren Kundinnen auf, kombiniert sie mit ihrem eigenen Geschmack und konnte durch den Kleinstkredit die Rohstoffe einkaufen, die sie für die Umsetzung ihrer Ideen benötigte.

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