

UZBEKISTAN:

Female Leaders a Force for Change



Old traditions blend with the new. A Namangan woman in traditional attire applies for credit union membership with a young volunteer of Tayanch Credit Union in Namangan.

Born and raised in a rural area in the outskirts of Bukhara, Saifullaeva Matlyuba was a typical Uzbekistan woman when it came to finances: her husband was the family's main wage earner and she was responsible for the home and family, supplementing her husband's income with a small salary she earned as a nurse at the village kindergarten.

But all that changed one evening when Matlyuba's husband, returning home from work, was struck by a car and seriously injured. No longer able to perform the difficult physical labor required of his construction job, he was forced to accept a lower paying job. The family's financial position was precarious, and Matlyuba knew that she needed to find a way to earn money.

With limited job options, Matlyuba decided to sell fruit and vegetables in Bukhara's Central Bazaar. She needed only 20,000 soums (US\$20) to start her business, but quickly found herself running out of ways to raise the money: relatives and neighbors weren't able to help, and the local bank wasn't interested in funding a business of that small size.

Then Matlyuba learned from a neighbor that she could receive a loan from Umid Credit Union. When she arrived at the credit union she was warmly greeted as if she were a long-time member. At first she was hesitant to tell the credit union staff member who greeted her that she was looking to take out a very small loan. But during the interview with the credit union loan officer she was happy to learn that the credit union gave many such small-size loans. After a short interview Matlyuba signed the loan papers and was ready to start her "business career."

Although Matlyuba's business faced some difficult times during startup, her monthly sales totaled over one million soums (US\$1,000) in a matter of months. She was eventually able to purchase a small piece of land (with a second loan from her credit union), which allowed her to grow and sell her own fruit and vegetables. Today, Matlyuba also herds cattle on her farm, sells products at her own store, and has invested money in a sewing workshop in her village that provides income to 12 local women.

Meeting the Needs of the Uzbek People

Umid Credit Union is just one of the 19 project credit unions that currently make up World Council of Credit Unions' (WOCCU) Uzbekistan project. The project has a number of important goals including the support of further credit union development of a legal and regulatory framework for the country's credit union system,



COUNTRY INDICATORS

National Capital: Tashkent
Government Type: Republic
Population: 26,851,195
(July 2005 est.)
Area: 447,400 sq km
Inflation Rate: 3% (2004 est.)
Exchange Rate: 1,020 soums/US\$1
(2004 est.)
GDP: US \$47.59 billion (2004 est.)
GDP per Capita: US\$1,800
(2004 est.)

Source: CIA World Factbook

CREDIT UNION INDICATORS

CUs: 19
Members: 26,300
Assets: US\$5.56 million
Loans: US\$4.8 million
Shares & Savings: US\$4.85 million
Project Data July 2005

and implementing a supervision and examination program.

The project is also working to develop credit union management capacity so managers can effectively manage credit unions over US\$1 million in assets, thus insuring sustainability once the project is complete. Training of credit union managers and boards of directors is ongoing and includes areas such as



accounting, operations, lending, collections, savings mobilization and internal controls. All project credit unions have also been able to comply with the International Credit Union Standards promoted by World Council.

A former Soviet bloc country, Uzbekistan is struggling to create a market economy. Uzbek citizens have had little access to financial services and are eager to take advantage of the entrepreneurial opportunities provided by credit unions. Sixty percent of the project's credit union loan portfolio is made up of small business loans for working capital. The average loan size is around US\$1,000 for a term of six to nine months. The average interest rate on a loan is 62 percent per annum, and members receive 40 percent per annum on their savings accounts. Credit unions are supplying the only cost effective option for small loans in Uzbekistan. Banks do not offer micro loans to members. Before credit unions the only option for consumers was a loan shark who charged an average of 120 to 180 percent.

For an Uzbekistan credit union it is not uncommon to make what most of us would consider short-term loans to a member for critical purchases such as a winter coat, medical expenses or business capital. Meeting the basic financial needs of members is a priority. Although credit unions are serving all income levels they are reaching out to the poor, who benefit most from affordable financial services.

One of the project credit unions helped member Olga Kotrokhova solve a serious personal problem. Kotrokhova, a single mother, had a five-year-old son who was seriously injured and disabled. Through her credit union she received several loans—which she quickly repaid—to cover medical expenses, as well as travel costs to



(Above) Credit union members from Umid Credit Union construct embroidery silk pieces.

take her son back and forth to a hospital in Moscow. Over the next two years she received additional small loans to build a handicapped-accessible home. It was only because she belonged to a credit union that she was able to make a better life for her son.

Women Play a Crucial Role

The project's ongoing success is driven by the people of Uzbekistan, especially its women.

"The former government restrictions have created a group of people who are not afraid to be proactive and efficient, who are not afraid to take bold new initiatives," noted Normunds Mizis, WOCCU-Uzbekistan project director.

Women and women's associations like the Businesswomen's Association of Uzbekistan played key roles in the formation of the original Uzbekistan credit unions. One such credit union is Lastochka in the southwestern part of the country. The credit

union's manager, Larisa Yurikova, is currently trying to expand the outreach of her credit union by setting up additional service points (branches), which is a new concept in Uzbekistan. Although she has yet to receive formal approval and authorization from the Central Bank, Yurikova has quickly moved forward with this idea, knowing the many benefits her fellow citizens receive from credit unions. Lastochka Credit Union has implemented a simple system where someone from one of the credit union's four service points writes up loan requests and faxes them to the main credit union office, where the member later receives the loan. Many of the micro loans have been processed this way, enabling

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Lastochka Credit Union board and staff members.