



SUCCESS STORY

Micro Loans Energize Diwaniyah

Microfinance loans keep Diwaniyah's Al-Tujar Market bustling



Photo by Saeed Lateef, USAID-Tijara

Five micro loans totaling \$38,000 helped Saad Abdul Ridah Hassan build four retail shops, a wholesale warehouse and a city-wide distribution network in Diwaniyah. "I built my business rapidly because of help from USAID," he says

USAID-Tijara Provincial Economic Growth Program works with 14 microfinance institutions throughout Iraq. In Diwaniyah, microfinancing is handled by the CHF, which has disbursed 2,720 loans worth \$4,430,000 since program's inception.

U.S. Agency for International Development
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Saad Abdul Ridah Hassan grew up poor in Diwaniyah, an impoverished town of 450,000 about 100 miles south of Baghdad. At age seven he began selling newspapers to motorists stopped at traffic lights. It took 17 years for him to scrape together enough money to rent a tiny space for a stationery shop at the city's Al-Tujar Market.

Saad's life took a remarkable turn when the microfinance institution (MFI) funded by USAID and CHF, opened an office in town. The MFI in Diwaniyah loaned the ambitious entrepreneur \$3,000 to expand his shop. Saad paid the money back and received a second micro loan for \$4,500 that allowed him to open a store selling decorative house ware and Arabic-themed gifts. The Diwaniyah MFI is one of 14 microfinance institutions supported by the USAID-Tijara Provincial Economic Growth Program.

Retail diversity resulted in increased revenues. Saad petitioned for a third loan which he used to start men's clothing store. A subsequent loan for \$10,000 went to enlarge his three shops and lease a fourth retail space that he stocked with costume jewelry.

As a general rule, Iraqi retailers mark up the wholesale price of the goods they sell by 100%. After deducting rent, salaries and miscellaneous expenses, they normally take home a 25% profit. Experience told Saad that some Asian imports, notably clothes and jewelry, could be sold at even higher margins. But would opening a second clothing store offer the maximum return on investment?

Saad consulted USAID-supported MFI and decided to borrow \$14,000 to stock a warehouse that would be the hub of a city-wide distribution network. Says Saad: "Asian imports bought in bulk would give me a second wholesale revenue stream and maximize my retail profit margins."

Saad, now 32, has used five microloans totaling \$38,000 wisely. Today, he nets \$15,000 a month on gross sales of \$30,000 and has hired five employees. It is a major accomplishment in a country that just eight years ago had a centralized state economy largely devoid of private sector entrepreneurs.