



USAID
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UZBEKISTAN

SUCCESS STORY

Credit Unions Fuel Entrepreneurship

USAID facilitates the development of a robust credit union network in Uzbekistan



A small loan from a credit union has financed the revival of this gold embroidery workshop in Buchara. Photo: WOCCU.

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- Nizomiddin Muradov, Executive Director of the Credit Unions Association.

Challenge

For centuries, Uzbekistan has thrived on trade and entrepreneurship servicing the Great Silk Road that passed through the country. To this day, thousands of small entrepreneurs earn their living by baking bread, making national sweets, tailoring, farming or trading. However, until recently, it was almost impossible to get small loans from the banking sector that was nearly entirely state-controlled, over-regulated, and far from being customer-oriented.

The collapse of the soviet banking system in early 1990s led to the loss of soviet-time savings and generated a widespread distrust in the country's financial sector. Such lack of confidence in the country's banking system was further exacerbated by high inflation rates. As late as 2004, just 5% of Uzbekistan's population had savings accounts, while 75% kept savings at home.

Initiative

In 2002, USAID together with the World Council of Credit Unions (WOCCU) launched a program to develop a credit union movement that would enable Uzbek people to earn from their savings and inject capital in micro and small businesses. The program focused on the support for relevant legislation and subsequent development of the credit union network. In April 2002, the law permitting credit unions was passed, and soon, the the country's first three credit unions were registered. USAID and WOCCU have since helped establish and strengthen 43 more credit unions in 11 regions of the country to provide savings and loan services to low-income members.

“Among the most important outcomes of the USAID-funded program was the introduction of the second-tier support structure in the form of the Credit Union Association,” says Nizomiddin Muradov, Executive Director of the Credit Unions Association. Formed in 2005, the credit union association supervises its member compliance with national legislation and their own internal policies and procedures, provides training and other services to its members.

Result

By the middle of 2009, Uzbekistan had 91 credit unions with nearly 125,000 membership and over \$103 million in assets accounting for 4.6% of domestic retail savings. “Today these credit unions render a wide array of financial services to their ever increasing number of members represented not only by natural persons but also with a number of small business entities and entrepreneurs,” says Muradov. People use credit unions to finance their short-term needs, such as buying school supplies for their children at the beginning of the school year. Others take out loans to launch a small business. Approximately 70% of the total loan portfolio volume goes to microenterprise and agricultural loans, and more than half of all outstanding loans do not exceed US\$1,000.