

A revolving loan fund (RLF) providing small loans

Haddad Nizar. National Center for Agriculture Research and Extension, Bee Research Unit. P.O. Box 639-Baq'a 19381. Jordan, Tel.: (06) 4725071, Fax (06) 4726099, e-mail:- drnizarh@yahoo.com.

A revolving loan fund (RLF) provides small loans to people to start or improve businesses but who have no credit history or access to commercial bank loans. People who receive the funds (borrower) have to return the loan directly to the fund, which is used to make new loans hence, the term revolving loan fund. Our experience and experience of others showed that grants and loans are not always effective tools for poverty eradication, as poor people can't meet the condition of providing collateral for a loan and prove good credit history or cash flow. Also, we believe that the idea of using the RLF to provide assistance in terms of cash to poor farmers, especially, the category of very poor ones wouldn't succeed, due to absence of the appropriate enabling environment that would require fund seekers to meet the same conditions such as those mentioned above and limit the fund use to specified purpose. The Beekeeping program at the National Centre for Agricultural Research and Extension (NCARE) Jordan believes that the concept of RLF can be effective poverty eradication in developing countries. We developed a new revolving loan fund approach/concept that fit the situation of the poor people and would contribute to poverty alleviation in general. The new approach is based on the in-kind loan concept, which doesn't give the qualified persons cash for the proposed project to pay for the needed project-related service and equipments. Instead, qualified persons for the available loan are given what they need by a fund administering agency for starting and managing their proposed projects/businesses in terms of technical assistance. After an agreed upon period of time the borrowers return the loan in swarms that are going to be used to support another loan qualified persons.