

Estonia: ETNA Microcredit scheme for women entrepreneurs in rural areas

Description: This microfinance scheme is targeted at self-employed women and female-owned micro-enterprises in rural areas of Estonia. The project aims to establish loan groups in 10 rural regions for women who are starting or developing businesses and provides mentoring and training support. It was established by ETNA, an Estonian non-profit association of rural women-entrepreneurs.

Problem addressed: This microcredit scheme developed as a grass-roots initiative of rural female entrepreneurs to support their businesses and to stimulate economic activity in rural areas. With the continual decline of employment in the agriculture sector, an increasing number of people are moving from rural areas to cities in search of work. Enterprises founded by women in Estonia are typically small but provide jobs for themselves and their family members, which helps sustain rural communities. Supporting and encouraging women to start enterprises or become self-employed is especially important in rural areas, where alternative employment opportunities are scarce.

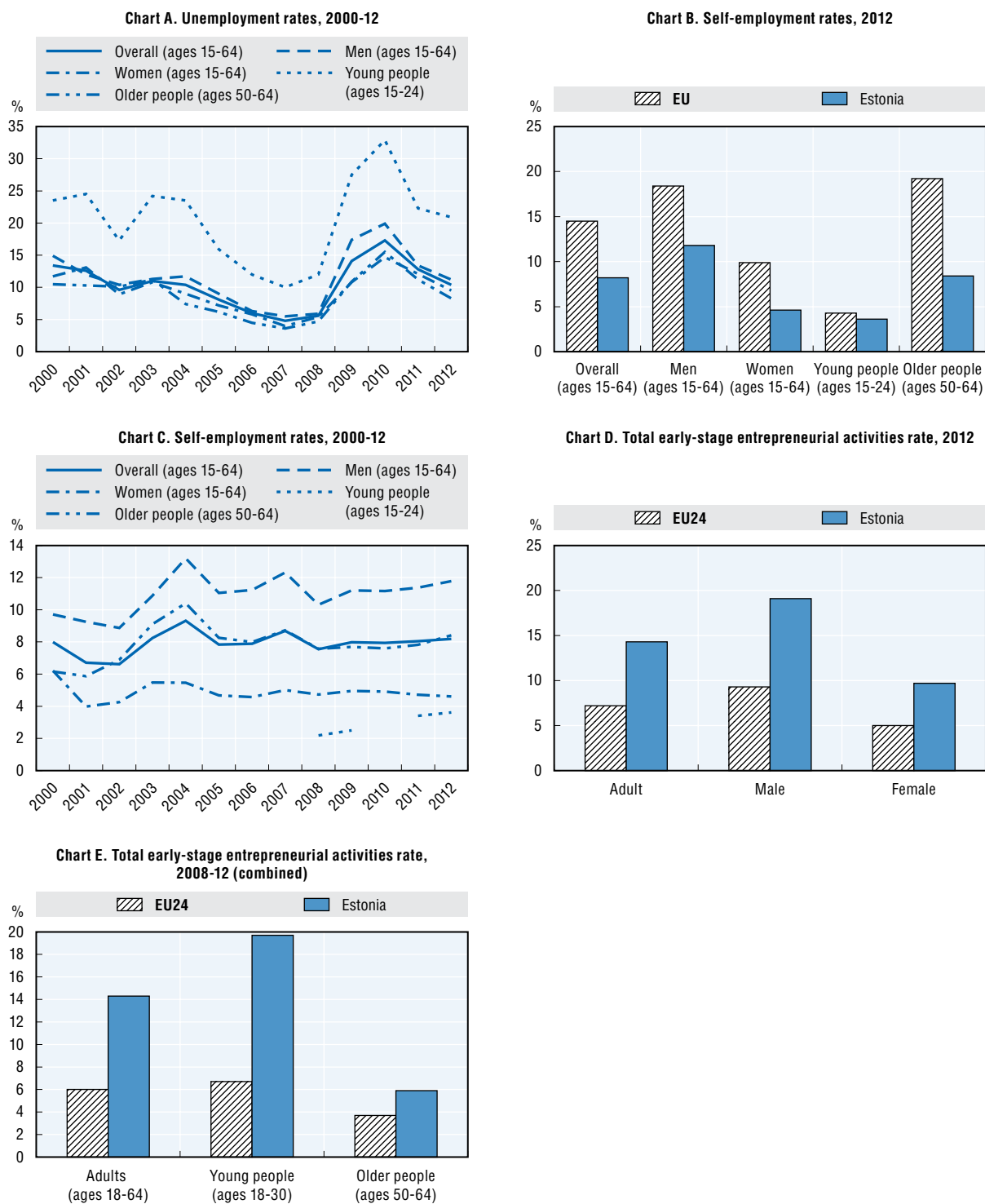
Approach: This microfinance scheme operates through loan groups with up to 10 members, who provide loans to group members who are starting or expanding their business. The loan groups are composed of people from the same rural area, who have common social networks and can provide support to each other. To become a member in a loan group, potential members must participate in training courses on the basics of entrepreneurship, document management, accounting, and business plan development. Group members can receive loans of up to EUR 2 000 and maturity up to 3 years for purchasing services and equipment, covering the own-financing requirement in other business-support programmes or for payment for a specific service (financial consultation, business plan consultation). No collaterals or mortgages are required, the loan and the responsibility is taken by the person. The issue of loans consists of three steps: i) preparation of the business plan by the applicant and its approval by the lending group; ii) assessment of the compliance of the loan application with the objectives of the scheme; iii) signature and issuance of the loan. The annual budget for the scheme is EUR 268 794 and it is operated by 3 salaried staff, including a network co-ordinator and a loan-manager. This initial funding was obtained from the Open Estonia Foundation.

Impact: During the first 16 months of the project there were 10 mentoring groups with 65 members established, which by the end of 2013 matured into 11 lending groups with 72 members. This project started as a group mentoring project and only commenced lending activities in July 2013. It is therefore too early to draw conclusions about the impact of issued loans.

Conditions for success: The scheme was established with private funds and will require additional external funds since the revolving fund is unlikely to generate sufficient income to be self-sustaining. Social factors also influence the impact and sustainability of such funds, including a balanced age structure for the lending groups, and actions to support self-confidence and motivation to grow.

Key inclusive entrepreneurship data

Figure 18.1. Entrepreneurship and self-employment data for Estonia



Sources: Chart A. Eurostat, Labour Force Survey, 2000-12; Chart B. Eurostat, Labour Force Survey 2012 ; Chart C. Eurostat, Labour Force Survey, 2000-12 ; Chart D. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2012; Chart E. Special tabulations of the Global Entrepreneurship Monitor adult population survey, 2008-12.



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