Credit is often the missing link for low-income families that
try to make a living by operating small microenterprises. At the same time, the presumption that lending to the poor is very risky, the costs of operation are high, and the low repayment rates for such loans limit bankers’ willingness to extend credit to the poor. This article, however reports on the results of a microcredit program in Indonesia which suggests that when agencies, government and non-government, in a developing country make credit available to low income women, they can reduce the costs of delivery, greatly increase repayment rates, and substantially improve the well-being of poor families. Other studies also suggest that such credit tends to increase women’s participation in decision making, reduces fertility, substantially improves household nutrition and raises aspirations for children’s education.