

The GLOBE Gazette



Valentine's Day Bake Sale

The GLOBE managers organized their first bake sale of the Spring semester on February 14th, the Marketing Team organized a great event with the help of the entire class. The class baked an assortment of cookies and cupcakes to help raise money for GLOBE. The table was decorated with various posters explaining the mission of GLOBE to increase awareness among the

STJ community. At this event the class was able to raise more than \$200, which will help support at least two microloans. The money has been added to our GLOBE fund and will be distributed to our new borrowers in the Congo.

At each event the GLOBE Managers also sell our promotional items that include wristbands, t-shirts, bumper stickers and water bottles.



Alumni Visit . . .

On February 15th, 2011 GLOBE ambassadors from previous semesters congregated to converse about microfinance and the experiences they've had with GLOBE. The former GLOBE members discussed which tactics proved to be most beneficial in their pursuit of helping the poor.

The Fall 2010 group's portfolio consisted of an extensive range of accomplishments. Notably, they improved the GLOBE website through stjohs.edu, and created new formulas that make it easier to assess risk associated with lending.

We have decided to share with you some of the questions we asked those who came before us, and their responses.

Why did you join GLOBE?

Bill Myers, Fall 2010: "I joined GLOBE because it was a great opportunity to get involved within campus, and also the world community in helping people."

Looking back would you do anything differently?

Sophie Jean, Fall 2010: "I actually wouldn't do anything differently. I was a part of the accounting team, I got more knowledge of accounting. I was generating financial statements, budgeting; it gave me a lot of hands-on experience that I probably would have gotten at an internship and I loved it so I wouldn't change a thing."

Randall Acosta, Fall 2010: "[I'd] probably try to get more in touch with past GLOBE alumni. They really had a lot of information and knowledge, and since it changes every semester, there's a gap in between. If some way we can connect those a little more, I feel like we would work a little more efficiently."

What do you think about Dr. Sama?

Claude Moise, Fall 2010: "Dr. Sama is a wonderful, amazing person. Her dedication to GLOBE inspires everyone just to be a part of it, to do something and to help out in some way shape or form. It was amazing and it was a wonderful opportunity to be able to work with her and have her as my teacher last semester."

How has GLOBE changed your life?

Claude Moise, Fall 2010: "GLOBE has changed my life by making me more aware of what's going on in the world today outside the United States, and that although there's poverty everywhere there are many ways that we can actually help those in need."

Randall Acosta, Fall 2010: "It's made me realize a lot more than what's going on in my immediate town, even country. Things are changing everywhere politically, government, economically and GLOBE really puts you together with the people out there and how you can make it better. It's not just us here, it's all over the world."

One piece of advice for future GLOBE managers?

Randall Acosta, Fall 2010: "Future advice would be to take a deep breath, look at what you're doing because you really are making a change. You're giving out loans to real people, with real problems, and real business ideas. This is something you don't normally do in any class, so having that understanding really helps you motivate yourself."

It is now up to the present GLOBE ambassadors to follow through on GLOBE's mission and to continue to improve and innovate so future GLOBE members will reach greater heights in their fight to alleviate poverty. GLOBE will continue to grow each semester and make great strides in helping those in need.

Andhra Pradesh: How Microfinance-related Suicides May Change Microfinance Forever

By: Julia Mignone

When Mohammad Yunus created Grameen Bank in 1976, it appeared that the financial services industry had finally gotten a conscience. The word “banker” no longer only conjured up images of devils in Armani suits pushing junk bonds to fund their lavish, Caligulan lifestyles; it now also applied to a new class of lenders that were determined to make money by making positive change in the lives of the poor. However, in light of the slew of financial crises that rocked the world the past decade, it seemed as though the dark side of finance had once again resurfaced.

Andhra Pradesh is the site of the latest in microfinance-related scandals to shake the finance industry. Being one of the poorest states in India, it has attracted tremendous microlending activity, accounting for about one-third of the country’s \$5.3 billion in microloans outstanding. Although MFI’s have been servicing extremely poor areas like Andhra Pradesh for decades, the influence of multinational banks has increased dramatically within the past decade and a half. When Big Banking is not in competition with MFI’s for borrowers, it provides local MFI’s with additional funds to carry on their work in the field, but at a cost: they want the MFI’s to help them realize higher returns on investment for their investors, and in order for that to happen, MFI’s must go on the offensive with their lending tactics.

In 2010, Indian news sources uncovered the results of these aggressive practices when a slew of suicides linked to microfinance began to make waves in the Andhra Pradesh community. By the end of the year, over 80 borrowers had committed suicide in Andhra Pradesh due to their inability to repay loans, prompting politicians to consider restructuring regulation for microlenders.* Life for borrowers with tremendous amounts of debt, however, is still very difficult. Chand Bee is a 50-year-old woman who had taken out multiple loans since 2005. She used some of the money to pay for her eldest son’s funeral, but when she fell behind on payments, collections agents threatened her and urged her to prostitute her grandchildren to help pay her debts. She fled her home and lived as a beggar for a year when she had heard that the numerous microfinance-related suicides had led to a state-wide

suspension of debt collections in late October.** Since then, many borrowers like Chand Bee have been waiting to see how political decisions could affect them going forward.

promulgating new restrictions on microlenders when the Reserve Bank of India released the Malegam Committee Report. In it, the report recommends numerous new regulations, including interest rate ceilings, limits on loan amounts, and borrower income floors to facilitate applicant vetting.*** The report also addresses coercive collections activity by imposing a \$2,257 fine and jail time for lenders caught harassing borrowers.**** Although many borrowers may rejoice, lenders may not be so pleased with what this means for their businesses.

For one, regulation is generally quite expensive, which means that even microfinance institutions that successfully help borrowers may now have to increase their interest rates in order to continue to be sustainable. The proposed interest caps may make this difficult, forcing many local MFI’s to close their doors. Additionally, many individuals and families who would, under ordinary circumstances, be able to receive loans may not find that to be an option any longer under the proposed borrower income floors.

It is sad to think that the people microfinance seeks to help will suffer because of the poor decisions and bad practices of a few bad eggs that have lost sight of modern microfinance’s mission. MFI’s like Grameen Bank have functioned and flourished in a self-regulated environment, following models that help borrowers help themselves, and now they risk having to kowtow to new legislation that, despite its aim to soften the blow of crooked institutions, could seriously cripple their progress and their reach. Is this really the cost of doing business? Or is this the cost of limited education among borrowers? Will we ever know?

*Biswas, Soutik. “India’s Micro-finance Suicide Epidemic.” BBC News. BBC, 16 Dec. 2010. Web. <<http://www.bbc.co.uk/news/world-south-asia-11997571>>.

** Lee, Yoolim, and Ruth David. “Suicides in India Revealing How Men Made a Mess of Microcredit.” Bloomberg, Bloomberg L.P., 28 Dec. 2010. Web. <<http://www.bloomberg.com/news/2010-12-28/suicides-among-borrowers-in-india-show-how-men-made-a-mess-of-microcredit.html>>.

*** “Under the Microscope: Microfinance’s Latest Growing Pains.” Knowledge@Wharton. The Wharton School at the University of Pennsylvania, 2 Feb. 2011. Web. <<http://knowledge.wharton.upenn.edu/article.cfm?articleid=2701>>.

**** Wachtel, Katya. “30 Suicides In India Linked To Uber-Aggressive” 19 Oct. 2010. Web. <<http://www.businessinsider.com/microfinance-suicides-2010-10>>.

Microfinance Organizations Continue to Invest after Anniversary of Haiti Earthquake

By: Chanel Jennings

“Haiti’s most important asset is its own people -- 10 million creative, hardworking people,” said Charles Ries, vice president of the Clinton Bush Haiti Fund. “Aid-dependent support is not sustainable. Ultimately, the international community loses interest, donations go to another, more recent disaster. What Haitians need is the capability of building businesses that are sustainable and that link together to form a growing economy.”*

Microfinance organizations like Fonkoze, Haiti’s largest microfinance institution (MFI), operate with the goal of helping Haitians achieve just that. The micro loans and cash grants offered by Fonkoze provide Haitians with the monetary resources necessary to rebuild local businesses and help pave the road to economic revitalization. In response to the January 12th, 2010 earthquake, Fonkoze was awarded grants in the amount of \$14,348,893. Of that pledged amount, \$10,373,961 has been received by the organization to date. Fonkoze has successfully distributed 95% of funds received, with 81% going directly into the hands of borrowers and cash grant recipients. 13% of the funds is being spent on repair or reconstruction of housing for victims of the earthquake. The remainder of 6% was allocated to infrastructure repairs and disaster preparedness education. (Fonkoze.org)

A financial institution that focuses on an otherwise underserved population, Fonkoze prides itself on

being “the alternative bank for the organized poor,” CEO Anne Hastings said. With 43 branches serving almost 45,000 borrowers and more than 220,000 savers in every region of Haiti, the MFI has begun the 2011 New Year with plans to invest in rebuilding health services and infrastructure. In the next month, a group of domestic and international partners will announce the formation of a new catastrophe micro-insurance facility of which Fonkoze is a founding member. Fonkoze is not the only MFI making headway in Haiti. Zafèn, an online-based microfinance initiative, offers interest-free donations and business loans, as well as programs designed to encourage sustainable economic development. In its first nine months of operation, Zafèn raised more than \$276,000 for 460 projects across Haiti. It also provided tuition for 1,700 schoolchildren. (Zafen.org) Because entrepreneurial loans are not generally available to Haitians and access to funds of any type is very limited, business owners are often surprised to hear that organizations will fund interest-free loans through Zafèn. “They ask ‘is this real?’” said Zafèn project director Régine Alexandre. “The people and communities are so touched to see that others from outside Haiti believe in them and their projects. Zafèn has really given hope to Haitian entrepreneurs.”** When disaster strikes and creates chaos and turmoil in a developing nation, dedicated organizations like Fonkoze and Zafèn continue to invest in the one resource that no natural disaster can eradicate - the zeal of the Haitian people.

* Schwartz, C. (2011, January). Rebuilding Haiti By Empowering Its Residents. Huffingtonpost.com . **Zafèn Microfinance Program for Haitian Entrepreneurs Generates Interest-free Loans & Donations . (2011). Media-Newswire.com .

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