

MICROCREDIT and MRM

What is microcredit/village banking??

Microcredit programs are defined as those that extend small loans to very poor people for self-employment projects that generate income, allowing them to care for themselves and their families. Microcredit programs are committed to providing credit to the poorest of the poor throughout the world – the poorest 20% of the population that shares 1.4% of the world's income.

The concept of microcredit was founded by Professor Muhammad Yunus in Bangladesh in 1976 when he started Grameen Bank. Grameen comes from the Bangla word *gram* meaning village; hence village banking. To meet the initial capital requirements for the first village in order to purchase materials and work freely, 42 people needed about \$27. Professor Yunus lent them the money – since no commercial bank would lend money to people who don't have it – and they paid it back. Now there are millions of microcredit borrowers throughout the world.

Why are microcredit loans primarily to women??

Microcredit is targeting women because 92% of a woman's income will be reinvested in food, shelter and education for her family; only about 40-50% of a man's earnings will reach his family and often as little as 10%

A loan of \$4 to a landless and homeless woman in Nepal resulted in a home and education for her children within a short time. She bought a comb, a mirror and a pair of scissors and put her husband in business as a barber.

What is the repayment rate??

Across geographic and cultural boundaries, the world's poorest borrowers have maintained a repayment rate of 95% or better.

Microcredit views people as clients, not beneficiaries and it seeks to provide them with the means to support themselves through dignified self-employment. Regular meetings and group support contribute to the outstanding repayment rate.

How is Rotary connected to microcredit and how can you get involved??

Rotary has been funding microcredit programs throughout the world for years. In our District 5340, there is an effort entitled **Mobilizing Rotary for Microcredit (MRM)**. Clubs have come together to form MRM, making a significantly greater impact possible. Our first project provided loan capital in India during 2003-2004. Since then we have funded 4 international projects (Afghanistan, Ecuador, Zambia and South Africa) during 2004-2005; 3 international projects (Ecuador, India and Niger) in 2005-2006; 3 international projects (Sri Lanka, Uganda and South Africa) in 2006-2007; and 5 international projects (Nepal, Ecuador, Kenya, Zambia and Liberia) in 2007-2008. A new project launched in July, 2008, in Chilapa, Guerrero, Mexico will benefit from MRM funding in 2008-2009, along with projects in Ecuador and India.

In addition, MRM funds have been given from 2004-2008 to a microcredit project in San Diego. And in 2007-2008, more than half of the district's clubs contributed to a partnership with the Calgary, Canada, Rotary District, Opportunity International, and the Bill and Melinda Gates Foundation to generate \$600,000 for a project in Ghana that will benefit at least 3000 women and their families – 13,000+ total.

Through The Rotary Foundation's matching grants program, District 5340 clubs participating in MRM have contributed about \$100,000, over five years, to generate more than \$350,000 in loan capital for projects in eleven different countries; in total, local clubs have contributed \$200,000 and leveraged more than \$1,000,000 for microcredit programs.

In 2008-2009, MRM will support five international projects – in Chilapa, Mexico, Ecuador, India, Liberia and Indonesia. The project in India involved the cooperation of Rotarians on three continents, Europe (Italy), North America (MRM) and Asia (India).

Please email Kenny Jones, kennyj2@cox.net or Bink Cook, binkcook@san.rr.com, for additional details. Information/videos also are available on the District 5340 website, www.rotary5340.org.