

Microfinance Roundtable – Summary Report

On December 19, 2008, Wells Fargo economist Ed Kashmarek hosted a roundtable with several Wells Fargo employees representing a diverse array of countries around the globe to discuss microfinance and poverty to better understand what it's really like to live in poverty and how microfinance (small loans to poor people to start small businesses) can help to improve the standards of living for the world's poorest citizens. Lori Crever, who works on social responsibility objectives for International Financial Services, was also on hand. The format was very informal, simply going around the room and having each participant tell their brief story. These are their stories.

Sharon Garth (United States) – Sharon took a trip to Zimbabwe many years ago and discovered that there is no access to financing for women. “*Women are treated very poorly in society,*” she says, “*and family members often prey on them.*” She helped to start a program to educate women and teach them how to run self-driven businesses such as pottery, sewing and gardening, which the women do very well. The program started with 40 women, and has since grown to 600 women. She says it is a challenge dealing with changing governments and changing laws. Sharon has been to Africa four times, and the program continues to expand.

Yao Adabra (Togo) – Yao worked for Care International in Togo, helping to form groups for lending. Yao says there is no access to banking in Togo. “*Traditional banking is very difficult in Togo because people do not have identification or birth certificates with which to open an account or prove their identity,*” he says. He helped to teach people how to manage their business, such as everyday accounting. He says there has been a lot of progress, and people continue to take night classes to become more literate. Yao had to eventually leave the country due to political upheaval.

Ann Nemitz Gooijer (United States) – Ann has done a lot of traveling abroad and has seen poverty first hand. “*I was struck by the terrible treatment of the lower class by those who are better off,*” she says. Ann was briefly overcome by emotions, showing just how passionate she is about helping the poor to live a better life having experienced and seen first-hand that education and opportunities are important, and can be huge catalysts for positive change.

Awa Saidu (Gambia) – Awa grew up in poverty in The Gambia with her 15 siblings. Her family's situation changed drastically when her mother was able to obtain an equivalence of a \$50 loan, and used it to buy vegetables from the market. She would then take those vegetables to hotels to sell them for a profit. In time she was able to buy some land, build a house and help her husband start and build a business. Awa did the household finances starting at age 10, and saved all of her mother's money. “*Just to be able to eat and have clothes was a great feeling,*” she says. Awa eventually moved to the United States where she got a masters degree in international development and education. She says education for women is very important. Since they are the core of the family, women's education has a much bigger impact on the family and society. She says the status of women correlates with the development of nations. “*Once empowered,*” she says, “*women can achieve anything.*” Once a woman is able to start making money, it is important that they learn how to manage the money, and to save, she says. Awa is

interested in forming a nonprofit organization to help educate girls.

Adel El-Huni (Libya) – Adel works with the African Development Center. His sister works with the World Food Program, and he has a friend who opened a girls' school in Afghanistan. Adel says, *“Lack of pride can destroy a human being, and microfinance can help give people pride.”* Just having someone listen can also help. Adel wonders if people would leave their home countries if there were more opportunities at home. People often leave their country, get a good education in the U.S., then bring their skills back to their home country. Although education is very important, *“Before you can worry about building schools, you need to have water,”* he says. He says local people may have better solutions than international institutions such as the World Bank, and that international institutions should collaborate more with the locals to find the best solutions.

Paul Bochan (United States) – Paul is passionate about helping people, regardless of the circumstances or location. In addition to volunteering at local organizations such as People Serving People and Mary's Place, he has worked and lived in an orphanage in Ensenada, Mexico and helped build houses for tsunami victims in Khao Lak, Thailand. *“People need love,”* he says. *“People are capable of achieving great things, but sometimes they do not have the means or support to achieve them.”* Paul thinks that now is a pivotal time for the world's poor and the potential growth of microfinance. With the growing trend of corporate, and even pop-culture, support for philanthropic endeavors – i.e. Google.org, the Bill and Melinda Gates Campaign, the ONE Campaign, Muhammad Yunus' Nobel Prize and even this Wells Fargo sponsored roundtable - he is excited to ride this wave and see where it takes our society.

Andrea Calvert (United States) – Andrea works with Community Funding for Wells Fargo. She has a friend in India who works at a microfinance institution, working with the Indian government on microfinance programs and talking and working with villagers. Andrea says microfinance can give people a chance and a sense of pride. *“Even those in horrible situations can make it if given the opportunity,”* she says. She believes that awareness of poverty is key.

Syeda Tarannum (India) – Syeda's mother ran a school for widows and single mothers in India, teaching them sewing and embroidery and how to become self-sufficient. She says the kids were very eager to learn how to read and write, even though their classroom was under a tree. Unfortunately, kids are often forced to leave school to go to work and help feed the family. She also agrees that education of women is very important, but third world countries are far behind developed countries in female education and equality. She says women are very motivated, and the impact of just a small loan can change lives. *“Charity won't help in the long run,”* she says. *“It only gets people out of their current situation.”* In addition, charity money goes through a lot of hands before it reaches the people who really need it, leaving little at the end.

Wayne Doe (Liberia) – Wayne left Liberia right before their civil war. He says it is tough to integrate people back into society after long wars. He took a trip to Zimbabwe some years ago, where he saw people playing beautiful music with rudimentary instruments. Being a musician himself, he decided to help raise funds to buy them new

instruments. He says people in Liberia often take advances on their pay at very high interest rates. In order to alleviate poverty, he says more help must come from international partners. It is important, he says, to recognize the potential of borrowers, both from a risk standpoint and an opportunity standpoint. *“Wells Fargo has a real opportunity in microfinance,”* he says. Along with other Wells Fargo team members, Wayne is willing to take a leave of absence to work on Wells Fargo microfinance initiatives in poor countries.

Tami Zaragoza (United States) – Tami’s husband ran a business in Mexico. People there don’t have houses until they have money; mortgages are not typical due to the fact that their currency, at times, devalues greatly. Many business owners have no education in business and no insurance, but there is lots of crime and corruption. Tami also traveled to the Philippines, where she stayed with family. Many people there have little clothing, just one light bulb in their house or dwelling and have shared bathrooms. She says different cultures view business differently. Often, people are in business to feed their family rather than make big money. *“People will do anything to feed their family,”* she says, *“even get involved in crime.”* You can’t change lives without a lot of money, she says, but we can sure keep trying. She says money helps people eat but it doesn’t improve the family in the long run. *“People ask ‘How will I eat?’ rather than ‘How will I save?’”* she says. Borrowers need to want success too, however. Microfinance will not help otherwise. She says lending in Mexico and the Philippines is very risky, as the lender may not get paid back. The concept of lending is different, and some people think it’s no big deal if they don’t pay back their loans.

Giri Gowdar (India) – Giri’s brother collected money to loan to farmers in India so they could buy land, equipment and cattle. They would collect money immediately after people got paid. Savings in third world countries may not be worth much in a short period of time due to high rates of inflation. *“People don’t know what opportunities are there until given a chance to save or invest or run a business,”* he says. Although microfinance is really helping, some people don’t pay back their loans.

Luz Angela Fethers (Colombia) – Luz says there is a lot of trouble with violence and drugs in Colombia. Families often lose husbands to guerillas. Women have few opportunities for food, work or education because it is a very male oriented country. The children have little self-esteem and often get involved in crime. *“Education can break the trend of kids getting involved in crime,”* she says. The kids have leadership skills, but they are being used in the wrong way, such as in gangs. Society often dictates children’s futures, she says. Education must be improved, and the children need leadership training and role models. She says mentorship programs are very powerful in helping kids get on the right path. She says corruption often impedes microfinance and other programs. Many people immigrate to the United States due to lack of opportunities. Globalization is leaving some people behind. Before entering the market locally and abroad, American companies need to study the impact in communities and how they can be socially responsible, since they could cause more poverty by raising the cost of living or displacing local businesses. She says people need to learn the value of money, and what it takes to make it.

Ray Williams (United States) – Ray grew up in poverty in the inner city of Minneapolis. Taking care of the family was his mother’s main focus. People will find any means

necessary, he says, to provide for their family, including narcotics and gangs. They kept moving around, there was barely any income to buy food, and a hot meal was a rarity. The family would go to local churches for charity. Primary education was considered important, but anything beyond that was considered irrelevant. Even though it's tough to get very far without a good education, taking care of the family takes precedence over going to school. He says there are better schools and opportunities outside the inner city, as teachers in the inner city have little drive and passion. Therefore Ray went to great lengths to go outside the inner city to get a better education. He says we need to make sure that kids are being given a good education. *"People need to know how to live rather than just survive,"* he says. Ray says there are similarities and differences between being poor in America and being poor in Africa. The similarities are the inability to feed the family, violence, little guidance, broken homes and the self-perpetuating nature of welfare. The main difference is that there are more resources to aid the poor in America, although Ray says they are not too useful. He also says it may be worse in America because welfare only serves to pacify, gives people little incentive and keeps people in their place, on the low end of the socio-economic ladder. *"Poor is poor... race, color, Africa, America, it doesn't matter,"* he says. Ray believes it is important to give back to the community. In addition, he believes people shouldn't have to move to the U.S. just to get ahead.

Causes of poverty – The meeting ended with a brief discussion of the main causes of poverty. First, in an increasingly globalized world, opportunities for those without an education are becoming scarcer. However, it is tough to think about or concentrate on education if you have no food. Still, kids need to be able to dream, but their dreams will largely go unrealized without a good education. Second, the financial system needs to be more equitable. The distribution of resources is very uneven, and the income gap is growing. This income gap will only narrow when the education gap narrows. There will never be no absolute poverty since there will always be people who are much less well off than others, but we should try to close the gap by giving more people opportunity. Third, corporate leadership needs to change its attitude toward social justice, and get away from the focus on just profits. Finally, it is believed that there is a conscious effort to keep the poor poor, and this must change, starting with governments and community leaders.

Takeaways – There are some very important takeaways from this meeting. It is abundantly clear that it will be nearly impossible to reduce or eliminate poverty unless education of the people becomes *the* top priority for governments around the world. Specifically, education of girls and women will have a much bigger impact since they are the caretakers of the family and will put their earnings to good use. Unfortunately, whether due to lack of government funds or lack of government will, this continues to be a tremendous challenge. Government corruption often impedes the ability of the masses to improve their standards of living. In addition, the unequal treatment of women in society in many developing countries often prevents them from even getting a fair chance at a decent life.

Even if the opportunity to get an education is presented, many will not be able to take advantage since they must first take care of their family. This is true for both parents and children, especially in the developing world. As important as education and schools are, even more important are the basic necessities of life; food and water. It is nearly

impossible to learn reading, writing, arithmetic and other trade skills when you don't even have enough food to eat or clean water to drink. Even with these basic necessities, though, many struggle with various diseases such as AIDS and malaria that can wipe out entire families and villages, and with floods and droughts that can ruin crops and livelihoods.

Thus, it is clear that microfinance is not a panacea for eliminating poverty. However, it is a powerful tool that can help the poor cross the chasm from subsistence to prosperity by unleashing the human spirit and giving people a universally desired sense of pride and self-esteem. It brings hope and opportunity to the poor, allowing them to attend basic needs, take care of their families, improve their standard of living and make their dreams come true. It is but a small piece of a vast, complex puzzle, a puzzle that desperately needs to be solved. But at least now we have a better idea where the microfinance piece fits. Indeed, a small loan can make a world of difference...and hopefully a different world.