

# **Ethical Globalization & Microcredit Initiatives**

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**Ethical Globalization**



**Sustainable Development**



**Women & Microcredit**



**Empowerment & Poverty Reduction**



**Focus: Horn of Africa (HoA)**

# **Ethical Globalization**

**Today's globalization is one of stark contrasts;**

- **more connections exist: markets, people and ideas linked as never before**
- **these connections provide great opportunities**
- **while at the same time, globalization, can deepen divisions: North and South; rich and poor; the powerful and powerless.**

# **Ethical Globalization**

## **What is Ethical Globalization?**

- ***Acknowledges shared responsibilities* for addressing global challenges and affirms that our common humanity doesn't stop at national borders**
- ***Recognizes that all individuals are equal in dignity* and have the right to certain entitlements, rather than viewing them as objects of benevolence or charity**
- ***Embraces the importance of gender* and the need for attention to the often different impacts of economic and social policies on women and men**
- ***Affirms that a world connected by technology* and trade must also be connected by shared values (such as environmentally friendly, sustainable & inclusive development), norms of behavior, and systems of accountability**

# **Small Businesses: An Engine of Growth**

- Access to credit is often the primary barrier to business start-ups globally, but especially among the poor, “uncreditworthy” women.
- The nations of the HoA need to lobby for more microcredit initiatives & programmes.

# What is Microcredit?

## General Features of Grameencredit:

(as outlined by Muhammad Yunus, Nobel Peace Prize Laureate, 2006)

- It promotes credit as a human right.
- Its mission is to help poor families help themselves to overcome poverty. It is targeted to the poor, particularly poor women.
- Not based on any collateral, or legally enforceable contracts. It is based on "trust" not on legal procedures and systems.

# What is Microcredit?

- Credit offered for creating self-employment for income-generating activities & housing for the poor, as opposed to *consumption*.
- Initiated as a challenge to conventional banking, which rejects the poor by classifying them to be "not creditworthy".

# What is Microcredit?

- Has its own methodology for deciding who receives credit, how loans are delivered (generally through non-profit organizations or through institutions primarily owned by the borrowers) & re-paid.



# Microcredit & Building Social Capital

- High priority is given to building **social capital** → instrumental to empowerment of poor women.
- *Why?* Based on premise that the poor have skills which remain unrecognised & under-utilised. It is not the lack of skills which make poor people poor; poverty is not created by the poor; but rather by institutions and policies that surround them.

# Microcredit & the HoA

- No *a priori* blue-print can be used; microcredit programmes for the HoA need to be as diverse as the countries & cultures themselves.
- Cultural customization of the concept is key to its success.

# Microcredit & the HoA

- The large informal economy
- Urban/Rural differences
- Integrate & utilise local institutions in design, management & delivery of programmes
- Target the wealth producers - women
- Non-interest loans, consistent with the Bai-Muajjal mode of Islamic Banking, will be most appropriate in many regions.

# Microcredit & the HoA

- Integrate with NEPAD
- Lobby ADB, UNDP to offer more microfinance initiatives in the HoA.
- Microfinance programmes must be part of a holistic framework for poverty reduction in the HoA - link to social development, education, health, nutritional, financial education/awareness.

# **Case Study:**

## **Aisha of Assamo, Djibouti**

- \$500 loan from the Near East Foundation, granted to her after her husband was killed & her small farm was devastated by a bad storm;
- Used the loan to buy men's underwear & shirts from Ethiopian traders; she in turn sells them in her village & in Ali Sabieh.

# Aisha's Story

- The loan also permitted her to hire a farm worker & the storm damage is gradually being repaired & her land is becoming productive again.
- Aisha now has two sources of income & her children remain in school.

# A Bright Future



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