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## Green Riba

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Rahfin Faruk

Green Riba

Green  
Riba

## Alternative to Fostering Grassroots Environmentalism

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## The Name and Vision

In Arabic, riba' is a loan with the condition that the borrower will return to the lender more than and better than the quantity borrowed – interest. This proposal sees traditional interest as oppressive – especially in light of new evidence about the role of microfinance institutions and usury – and counter intuitive to traditional small-scale entrepreneurship. The proposed initiative also seeks to use elements of business sustainability and environmentalism as core roots of the plan. The combination of two progressive ideas – the lack of riba' and biocentrism – are core ethical components to Green Riba. However, in this instance the organization's name is intended to signify how environmentalism, sustainable practices and entrepreneurship can benefit from the "interest" of Green Riba.

## Tradition!

Interest rates, even at highly respected microfinance institutions like Grameen Bank, can exceed 20 percent. This rate alone can crush entrepreneurship – it is effectively a tax on business at the micro level. However, institutions like Grameen Bank have been largely successful because of incentivized accountability systems. Per example, a tight knit Bengali village holds its borrowers accountable by engaging in a form of group-based punishment; if one individual fails to payback a loan, the entire group must pay back the loan. Because of this and other opportunities unique to Third World rural markets, microfinance has succeeded in South Asia.

Microfinance is a relatively new phenomenon in the United States. It aims to give money to borrowers ignored by the traditional banking system. However, it has failed to grow at the levels of South Asian markets because of a few reasons: 1) heavy regulations against small and micro businesses, 2) a lack of accountability and 3) high interest rates. This initiative aims to target its efforts at the only non-intrinsic and non-institutional issue on the list: high interest rates.

Borrowing from the lessons of Islamic finance, which does not allow for the use of interest in loan making, this project aims to ease the burden on small businesses by providing loans without interest to borrowers.

## The Aim for Long-Term Sustainability

Many non-profits have problems staying afloat because they are especially susceptible to market conditions, regulations and human capital deficits. More often than not, non-profit failure results because of a lack of funds. Green Riba wants to exist beyond the capacity of short-term funds provided by a Big iDeas grant. Thus, this initiative will utilize a Good Returns business model (except that in this case the project intends to target a wider base than women's entrepreneurship programs).



The Good Returns model invests 100 percent of profit from a business enterprise to loan programs. In addition, the Good Returns model keeps initial investment as a wealth generation tool for future product purchases while all profits are put into microfinance programs.

#### The Storefront

Green Riba will aim for long-term sustainability through the creation of a store that sells environmentally friendly products. Initially, the business line will include steel tumblers, acrylic cups and pens made out of recyclable material. The supermajority of the proposed budget will go towards the purchase of these items.

These items will be marketed initially to SMU students through on-campus sales, specifically in the flagpole area- a traditional marketplace for many organizations. Item transactions will take place through both cash and credit card sales. An iPad and an iTouch will use the application Square and a credit card reading device – which has aided thousands of small businesses in credit card sales – for card-based transactions. With the permission of proper entities at SMU, Green Riba- after extensive product analysis and SMU-specific market research- will launch these items onto the SMU market. During the meantime, a heavy public relations and marketing campaign – through press releases, pamphlet distribution and word of mouth – will take place across the SMU campus. While Green Riba projects a profit catering to the general SMU student body, it also realizes the main purchasing demographic on campus.

Fraternities and sororities have a great amount of purchasing power at SMU. Each year, there is demand for fraternity and sorority specific items. Greek organizations regularly utilize off site stores such as McCartneys and purchase items in a singular fashion. Green Riba intends to provide a cheaper, bulk price alternative to fraternities and sororities on campus. Per example, if Tri Delta needs fifty tumblers branded with the Tri Delta logo, Green Riba will provide said tumblers – through the website 4imprint.com- at significantly discounted rates. Not only will Greek organizations be able to pair with a socially conscious organization but also said organizations will save money.

Over time, the project hopes to expand to the Park Cities and access a national audience through the use of a website. **If** the sales venture proves successful, product lines will be expanded and more attention will be given to how products can be marketed on a wider level with the aid of PRSSA's in-house PR firm.

Profits of twenty to sixty percent are expected (depending on the good) and all money made will be transferred to a separate fund.

#### Holding Fund

All revenues from the storefront will be placed in a holding fund provided by the non-profit Plan Fund, which holds cash for many small non-profits; it acts as a financial intermediary. These funds will be held until loans are distributed to entrepreneurs.

#### Entrepreneur Identification

This project will specifically focus on the area of West Dallas. Mr. Sengupta will be key in finding West Dallas contacts that are willing to set up micro businesses. Because of a new developmental focus sponsored by the Trinity River Project, the Margaret Hill Hunt Bridge, etc., West Dallas is projected to grow at a high rate. However, as gentrification in Dallas' history shows, local entrepreneurs are key to preventing the flight of local populations and a high quality of integrated socioeconomic life. Moreover, the initiative plans on establishing a physical presence through advertising, public relations, communication with other West Dallas non-profits and bimonthly table setups in strategic areas of the city that advertise the components of the plan.

## Loan Allocation Process

Due care will be taken when handing out loans to small-scale entrepreneurs. The initiative not only plans to look into each candidate's credit and criminal history but also plans on using the expertise of banker Dr. Rahman to vet borrowers who have flaws in their business plan and/or do not practice safe and sustainable business. Moreover, because zero interest loans decrease the incentives for borrowers to pay back loans, two incentives will be put into place. First, borrowers who pay back their loans will be awarded a 5 percent return on their original loan as a good faith measure. Second, borrowers who fail to meet payment deadlines will be warned and then fined at increasing levels. Legal barriers will include a signed contract. Institutional checks will include monthly updates on the status of business and an open communicative dialogue between Green Riba and finance.

## The Goal

Green Riba hopes to innovate on traditional notions of microfinance and not have to rely on future grant aid to remain sustainable. A successful storefront, especially with the right branding, will aid Green Riba in advancing the interests of West Dallas entrepreneurs. Moreover, by rejecting interest, Green Riba believes that its borrowers will be able to succeed at greater rates. As income inequality and social decline continues in historically neglected areas of Dallas, this project is of great importance.

## Proposed Timeline:

### April

Establish storefront through the purchase of necessary capital and supplies  
Begin selling storefront items with the permission of SMU  
Start brand messaging and the creation of inexpensive PR items

### May

Continue selling storefront items

### June – August

Establish Plan Fund automatic transference  
Have website up and running

### August

Start locating West Dallas entrepreneurs and accepting applications for loans

### September

Structure and award loans

### November

Expand Green Riba with a more diversified product line  
Enable website to have a selling capacity

Proposed Budget:

iPad and case (\$450)

Website hosting and domain name (\$250)

PR Costs- Pamphlets, Business Cards (\$200)

Burby Tumbler(100 tumblers for \$516.36)

Steel Tumbler,. (100 tumblers for \$486.54)

Brand Pens(500 pens for \$180.32)}

Allocated money for future fraternity and sorority orders (\$1800)

Total budget (estimated): \$3,883.22

\*All items will be purchased from 4imprint.com and include shipping charges.

••A hosting site will be used. This is a rough estimation of the cost of hosting fees over a period of twelve months.