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Microfin

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Microfin

- By the end of the lesson you should:
1. be able to understand microfinance and fair trade
 2. be able to evaluate the benefits and drawbacks of each one

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Microfin



Bangladesh

Microfinance



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Microfinance
Microfinance uses financial and business services to help small businesses start their own business. This helps them to create income and business self-sufficiency.

Microfinance is important to the world's poor because they often have high interest rates and no collateral that can be used with a bank.

Microfinance gets involved in providing small business loans to entrepreneurs in the world.

Microfinance is important because it helps the world's poor to start their own business and create income.

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Positives:

- Reduces savings gap
- Increases AD and AS
- Lowers unemployment
- No fiscal burden on Government

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Microfinance:

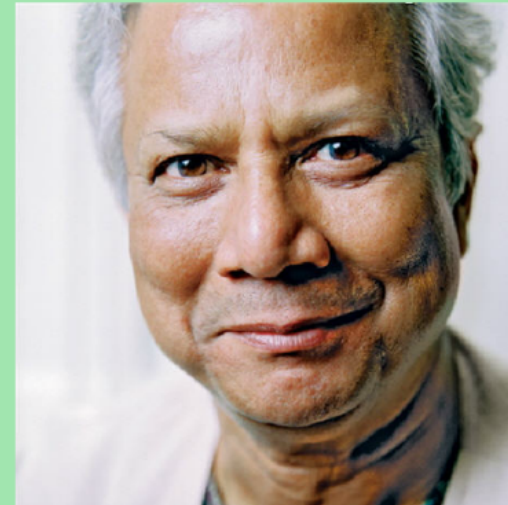
Providing poor families and businesses (especially women) small loans in order to start their own business. The idea is that it can create income and increase self-sufficiency.

This provides an alternative to loan sharks who often charge high interest rates - microfinance tends to be transparent

Low interest rates are used only to cover costs

This has been very successful in promoting small business growth in Bangladesh and India

<http://www.stalshare.net/gentility/micro-finance>
Fair-trade-and-development



Mohammed Yunus -Grameen Bank

However:

How are the repayments collected?
What happens if repayments are missed?

Could this crowd out government initiatives?

Is more debt a good idea?

Moral Hazard

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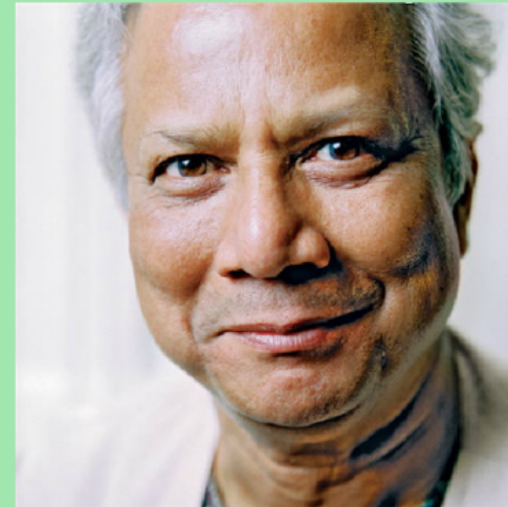
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