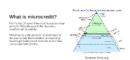
Microcredit/Microfinance: Can it help end poverty?







Comply for years upo, their around Fasca, a flanginistic measures insider, non-trining flaggraphic in two as assume a far mark territors associated. Commission in which is hope for admits in their day to wait, a pile for the farming for years of the comply for admits in their day to wait. In the complete their properties of the complete their properties of their fast is instability to add the displace of their properties of buildings, in a feet for the farming ways. And on the properties of their properties of buildings, in the fast is building to their fast in the properties of their properties of their properties of the complete for their properties of their properties of their properties of the complete for their properties of their properties of their properties of their properties of the forms of their fast in properties of their properties of their properties of their properties of the construction of their properties of their propertie

respective a point of person yields recovering follows be existed as the amount of inverse in their territorist is through those for a could, it cannot be about America youther default, in a Maria, and be's actionated of report for being part of a process which could not pleasible event wants of shallows to help for a bandwarding, offset forms to contribute output.

he bendam the remay and sold dam to pay to bush wherever they would. He gas all old took, as between the other village, and did the came thing. He always gas his manay bulk. The old contains dains must be per bendarily what he sendains, so many broad to contain bulk. The Contains of the old he are not with its proposition of a behalf with the party. The contains of the old he are not with its proposition of a behalf with the con-

Grameen loan methodology

The constraint betting patient will wish was wast with basis of authorist observable part of the patient of the

L portues that haster care there are more than

page transcorpromise page defination of the control of the control

Impact

The basis new lends over a billion dothers to record the near nillion borrows, service women, and involving smooth services had been desired by village in languisdaris. The applyment rate is very. The near occurrency of the occurry float reprotecting susty shock the basis serviced. And the approach property and extractile And the approach property and the property of the control to the control of the property of the approach of the property of the approach of the property of the approach of the property o

Gramour's secous in Rongladesh has also allow that the developing world has leasons to leach ticher countries. Into the USA and littlesh, floth countries have begun to encounties microposit schemos, based on the Statesen model, in an atter

Solutions

Focus on promoting swings rather than loans

Effective regulation of microfrance institutions to ensur

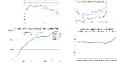
Promotion of genuine community owned financial institutions such as precit unions and building societies to promote lived control accumulation.

Support for militoenterprises to compensate for lack at monegetia. Vaccounting/other skills that the poor may not

Microfinance and its Impact on Development Harvard Case Solution & Analysis

TheCaseSolutions.com

Grameen Bank, Which Pioneered Loans For the Poor, Has Hit a Repayment Snag Dard Prodrem, 6910 tax Meno, pplo, upploop/armout, and effoct, ploneered from poor hash to oppose a man



Market saturation

The assumption was that large mantees of the poer would have which beariness (show that they could port than, in fact many bearinesses deplicated each other and quickly enhancied demand fire their products. This means that the go out of business.

The World Stank found that 90% of nicroembary/rises failed within one your of being set up in Brook and Horzegonino, white another couldy in Auditin Prodesh found had best harn set of them when operating is years, other their set of them when operating is years, other their set of the most in party cases a business failure continued with the next in party cases a business failure or with the next in party cases a business failure. Problems

Proble

Collection miscrifrance is small by point procise to meet oursettings weards. If they point has the his was a souther part incurred to make you will not make a souther part book the found of high radius of interiors. This can make that make those the book has part of make an entirely form out of governing they go at all the contracting from out of governing they go at all the contracting from out of governing they go at all the contracting from the government of the governmen

Does it help the poorest?

Proof

A study of 3 Microfinence institutions in Banguladesh by Mounder Chipfling Driverly with Microconds 1,046) found that Granneen, BRAC and RO-12 were through the or participate or in property or year. Other studies as upgrated that immediate of introduces programmes tended to have higher incomes the Process and in such reportantial.

A lot of the evidence tended to be anecdotal focusing on basistudies of particular people who had benefited from a loan. I what about the rest of them?

Impact? What impact

A major abudy of 5000 households in Marracco jues Stessa, 2010, sobering assessment of Microthances inspare. Standard Social intervalvies heaving have the intercellatures between the impact of concurrence, new United Social Social Social Social Social 2009 Marchites was againgt \$1,000 years for the interchance incurrence we have little sold owdersor that \$0] improves the lives

Claims for microcredit

Very strong claims have been made for microcredit, suggesting it can be a lead tool for lithing the poor out of poverty – that women can be empowered by such loans – it can create employment through promoting

What is the proof?

Microcredit/Microfinance: Can it help end poverty?







comply for your supp. Mailware of No. 10 a.m. from principal assessment activation, you construy, diagnostic to be control or arrows of month treatment activation activation and the consideral submitted highly and principal activation and principal activation ac

transis, went solver for entage sectional ordered is proud and ordered as come of an ordered and ordered organization, organization organization, organization or the section of imposit to be the previous as settlement to be section or the section of the section

the best fleets the tensing until tall theritis pay Claudi inflorment they until fill got all of \$1 km in.

Analy, in the create is siften collages, and fill the same fleet from grid only and the tension follows. The collade facility depth is extensive the collaboration of the coll

Grameen loan methodology

The contentional and registers of only resist content for basis of automatical contenting greaters and an extensive state of the contenting greaters are as the content of automatical content of the content of automatical contenting greaters are as the content of the contenting greaters are as the content of the content of the contenting and contenting and content of the contenting and contenti

Representation for the permethonic again little data report principle.

The technic pick of the behavior of all the behavior behavior and the control of the control o

Author in good differentiation promotion basis solution brainess had a size programs. The open-source per forest author in considerability is follows that follow promotions had being a of industria. These uses from a fill of linear inclusion with inferrability to consider a of more continued by the considerability of the considerability of the considerability of promotions, growing than eligibility, regioning place-devices one or populations and solids a solid-largerability to the particular considerability of the following the considerability of the considerability of the considerability of the following the considerability of the considerability of the considerability of the following the considerability of the cons

Impac

The hard was in each of the notified distant to recent the two tests only between CM of distant content, and including recent that half of the villages in the splants. The report and rate is 1919. The villages in the splants. The villages in the splants are specified as the SPA. The villages is not unable to be splants as promised as the splants and recent in the splants of the splants in the splants are not unable to the splants in th

Chamateris sections in Bungladesh has wise shown that the developing worth has import to seach rich or counting. But the USA and Brain. Belt recent feet have begun to procurage microscotts of some the Common model, in an attempt to select this field were invested in the Common model, in an attempt to select this field were invested.

Solutions

Focus on promoting savings trather than loans.

Effective regulation of microfinance institutions to ensure that they revealed houses with

Promotion of genuine community careed financial institutions such as credit enions and building societies to promote local capital secureabilities.

Support for microenterprises to compensate for lock of manageric/accounting/other skills that the goor may not

Microfinance and its Impact on Development Harvard Case Solution & Analysis

TheCaseSolutions.com

Grameen Bank, Which Pioneered Loans For the Poor, Has Hit a Repayment Snag the Committee of the Committee of the Committee of the Universal distance with a Committee of the Com

Market saturation

The assumption was that large numbers of the poor would have walks bearinsa it can that they could profit free. In fact many blair eases displicated each other and quickly cohesised denied for their products. This record that go out of bestimes.

The World Stank bound that 50% of injuries recyptions failed within one year of being set up in its sink and Herzegovini hald another study in Another Invaled his out that less that the of them were operating it years after their exhibitionment. In many cases a business failure combines with this need to puly back learns, rescribe from the lean and the study of the study of the study of the study. With the growth of neoliberalism the emphasis has been that the bean recipients must pay be to be the bean recipients must pay be to be the bean recipients and also pay off credit at full cost. This has led to high unique user userging between 25-59%. In 2010, about all suicides in Andres Pradesis, India were blaned on the pressure of hump in pay.

the offen inventoriance is seen for pore provide to encourage the result. If they don't have be had an tap an income making bashinase, hely will not make tap an income making bashinase, hely will not make pose of making. This comments that offer due to be seen of making. This comments that offer due to be trained to a such board facility in the straight encourage the make the such board facility in the straight exist. The such board facility in the straight exist.

Proof

Chardone Fighting Powerly with Microcentil, 1996) bound that Charmeon. Black and RD-12 wave. It is provided projection to see the projection of the projection of the projection of country per year. Other staties suggested that members of interdistance programmes and those not in such programmes.

A lot of the evidence tended to be anecdotal focusing on cas studies of particular people who had benefitted from a loan, what about the evit of them?

Impact? What impact

A major study of \$000 households in Marcocco (see Simus, 2010, sobering assessment of Microfinances inpact, Stanford social invasculors Parkedy found that invasculors before an consumption for the property of the property of \$200 Konfiders was capaging that: "30 years for the informational major and the hard little and disvidence that (ii) improves the lives clients in measurable source!

Claims for microcredit

Very strong claims have been made for microcredit, suggesting it can be a lead tool for lifting the poor out of poverty – that women can be empowered by such loans – it can create employment through promoting small businesses.

What is the proof?

Microcredit/Microfinance:

Can it help end poverty?

What is microcredit?

For the last 30 years it has been touted as a key policy for lifting the poor in the develoing countries out of poverty.

Microfinance is the provision of small loans to the poor to help them establish or expand an income generating small business so that they can escape form poverty.



Source: kiva.org

Muhammad Yunus



The microfinance movement began with Muhammad Yunus' work in Bangladesh in the late 1970s and spread to other developing countries.

Yunus believed that the poor could help themselves given a start . He said - "When we want to help the poor, we usually offer them charity. Most often we use charity to avoid recognizing the problem and finding the solution for it. Charity becomes a way to shrug off our responsibility. But charity is no solution to poverty. Charity only perpetuates poverty by taking the initiative away from the poor. Charity allows us to go ahead with our own lives without worrying about the lives of the poor. Charity appeases our consciences."

(Muhammad Yunus, Banker to the Poor: Micro-Lending and the Battle Against World Poverty)

"If we are looking for one single action which will enable the poor to overcome their poverty, I would focus on credit". (Dr Muhammad Yunus)



Twenty five years ago, Muhammed Yunus, a Bangladeshi economics teacher, was visiting a village when he met a woman who made bamboo stools. She couldn't afford to buy the bamboo to make the stools, so she had to borrow the money from the bamboo sellers and then pay them a large part of the profit from each one she sold. There was so little money left for her to keep that she couldn't afford to buy more bamboo, so she had to borrow more money. And so the cycle continued with no way out for her. She couldn't borrow money from friends or family because they were as poor as she was. She couldn't borrow from the bank because she had no collateral (property or land) to guarantee that she would pay back the loan.

Yunus went around the village and found forty-two people who were in the same situation - trapped in a cycle of poverty with no escape. When he added up the amount of money that they needed to break free of the cycle, it came to just twenty-seven dollars. As Yunus says "I felt ashamed of myself for being part of a society which could not provide even twenty-seven dollars to forty-two hardworking, skilled human beings."

He lent them the money and told them to pay it back whenever they could. He got all of it back, so he went to other villages and did the same thing. He always got his money back. The official banks didn't want to get involved in what he was doing, so Yunus started his own bank. The Grameen bank was born, and with it a new approach to lending money – 'microcredit'.

Grameen loan methodology

The conventional banking system will only make loans on the basis of collateral. Grameen gives priority to those who have nothing, particularly the poorest women. The loans are small and repayments are made in small amounts spread over a year, with a built-in insurance scheme so that the family doesn't become responsible for the loan if something happens to the borrower. There is no legal contract between the bank and the borrower, and no danger of legal action if the repayments are not made – the relationship is based on trust and good faith.

Repayment rates are very high for two main reasons.

- 1. Borrowers know that they cannot borrow again if they don't repay the first loan.
- 2. They must join a group of other borrowers who all share some responsibility for other members' loans and are encouraged to make group decisions. So there is considerable peer pressure and support from the group to encourage them to pay it all back.

Another important difference from conventional banks is that Grameen has a social programme. The system encourages the borrowers to do practical things to improve their living conditions, health and level of education. These are known as the 'Sixteen Decisions' which include, for example, not continuing the dowry system, growing fresh vegetables, organising clean drinking water and good sanitation, education for children, and being ready to help each other whenever necessary. Conventional banks would not consider this to be any of their business.

Impact

The bank now lends over a billion dollars to more than two million borrowers, 96% of them women, and involving more than half of the villages in Bangladesh. The repayment rate is 99%. The rural economy of the country has improved greatly since the bank started. And the success has spread. This year it was estimated that there are now over 7,000 microcredit organizations in the world, lending to over 16 million of the poorest people.

Grameen's success in Bangladesh has also shown that the developing world has lessons to teach richer countries like the USA and Britain. Both countries have begun to encourage microcredit schemes based on the Grameen model, in an attempt to deal with their own levels of poverty.

Claims for microcredit

Very strong claims have been made for microcredit, suggesting it can be a lead tool for lifting the poor out of poverty – that women can be empowered by such loans – it can create employment through promoting small businesses.

What is the proof?