

What is a microfinance program?

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A microfinance program provides small loans to entrepreneurs too poor or without collateral to qualify for traditional bank loans.

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What was the first microfinance program?

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The first microfinance program was the Grameen Bank. The Grameen Bank started in Bangladesh in 1976. (Grameen means "rural" or "village" in Bangla language).

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Was the first microfinance program successful?

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The first microfinance program was extremely successful in improving family's incomes and reducing poverty. The program continues to operate throughout the world today.

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How big is the Grameen Bank today?

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As of April, 2009, the Grameen Bank had 7.75 million borrowers, 97 percent of whom are women. The Grameen Bank provides microfinance services in 83,967 villages in Bangladesh.

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Where are microfinance programs found?

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Microfinance programs were originally adopted in developing countries to help the rural poor establish income-generating activities. Today, microfinance programs are found throughout the world in both developing and developed countries, including Canada.

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What can loans through microfinance programs be used for?

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Loans are usually provided for income generating purposes. For example, money could be loaned to start a handicraft business making baskets and selling the items at markets. A loan could also be used for the initial investment for a vegetable garden (such as tools and seeds) and the vegetables would then be sold for profit and to pay back the loan. Some loans may be provided for other purposes such as housing or education.

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How are microfinance loans paid back?

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Loans are paid back in small instalments (little amounts each week, as opposed to large amounts at the end of each month). This makes the loans easier to pay back for people living in poverty who may have difficulty saving large amounts due to other expenses that may arise over the course of the month.

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Do microfinance loans have special conditions?

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Microfinance loans may come with conditions specific to the business the loan is intended. For example, a loan for a water buffalo to start a small water buffalo breeding business may come with conditions that the animal is vaccinated and visits a veterinary professional on a regular schedule. These conditions would result in a better chance for business success and loan repayment. These types of conditions may be monitored by the banking institution or a non-governmental organization that is helping to coordinate the loan.

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What is the interest rate on microfinance loans?

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Interest rates vary by microfinance program. Generally, interest is charged at market rate or just below market rate.

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What are peer lending groups?

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Peer lending groups are groups of 4 - 5 borrowers established by the loan institution (bank or NGO organization). These peer groups monitor and support the lending activities of the group through regular meetings. They also provide a form of peer pressure to help people keep accountable to their loan. Peer lending groups review business plans and discuss business ideas.

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What are some benefits of peer lending groups unrelated to the loans process?

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Peer lending groups allow new social networks to form and allow the exchange of information among group members. For women's lending groups, this provides a unique opportunity to meet with women from other communities and share information about farming practices, health care and families.

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Why are women more likely candidates for microfinance loans?

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Many microfinance projects are targeted to women's groups. In general, women have been found to be better savers of money and have had a better success in loan repayment. This makes them a better candidate for microfinance projects. In developing countries, women are also often lacking assets that could serve as collateral, since it is traditionally the men who control financial resources and assets, such as land. This also makes them preferred candidates for microfinance programs.

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How can getting a loan to raise chickens help break the cycle of poverty?

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Eggs can be sold to provide an income or chicks can be raised and sold for income. Eggs and chickens can be eaten to provide an important source of protein in the diet of the rural poor. Improving nutrition can help people stay healthy and prevent future expenses for medicines, funerals, etc.

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