

# Microfinance

Finance



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## Microfinance

Microfinance is a financial service that people access in the form of loans. Their aim is to provide loans to the poor who cannot access bank services. Microfinance has managed to gain popularity around the world. It is not just for developing countries anymore. The idea of self-reliance and independence that micro finances may portray has increased trust in the microfinance institutions. The European Union benefits from the micro finances. Microfinance has enabled people to start the small business as it provides equity to entrepreneurs. Even with the popularity, microfinance institutions still lag as the people who may need the services in developed countries do not know them.

A majority of the inhabitants of nonindustrialized countries cannot access the micro finances. This problem arises because the interest rates charged by microfinance institutions are high, hence, making it difficult for those who need the loans to pay back. They, therefore, prefer not to borrow at all. Some people may not borrow the funds due to fear of their businesses not picking up. This is a serious problem to developing countries, for example, Uganda and thus it should be addressed to enable the micro finances reach the poor.

Regardless of all the challenges, microfinance institutions have been of immense help to the poor. Interference by politicians or governments in the microfinance institutions can lead to their downfall. Political leaders should appreciate the work done by the institutions and not act according to their political interests. For example, the government of Bangladesh did not have <https://assignbuster.com/microfinance-essay-samples-2/>

a valid reason to enable them force Yunus to step down; his bid to start a political party might have caused this.

#### Works Cited

Hulme, D. and Arun T. Microfinance: A Reader. London: Routledge, 2009.  
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