

**Teacher's version P.164-166*

(Activity 4: Review of the trade-off: the Case of Microloan)

For more able students

Read the following information sheet and discuss the questions.

Information sheet on Microloan Foundation (MLF):

Big Changes with Micro Money -The Work of Microloan Foundation

Some features of the operation of MLF:

1. It provides microfinance services in Malawi (South Africa) and the Philippines. With a lot of committed volunteers, some of them are professionals, its operating costs are very low in the UK. This means a large percentage of the donations go directly to the needy.
2. It lends money (microloans of HK\$234 to \$2,880) to women (10-18 persons each group) to help them build sustainable businesses (farming, fishing, market trading) and provides meaningful training and ongoing mentoring support to them.
3. Loans are made on a four-month period and normally a member could receive up to four loans. Repayments of loans are made every two weeks by each group member.
4. It now has eight offices with 49 workers in Malawi and has made microloans to over 7,000 women. It made out 11,000 loans at a total value of HK\$8.3 million in 2007. The interest rates range from 20% to 24% and the rate of repayment is 95%. The Foundation is self-sufficient at the moment.
5. "I feel happy and relieved that I don't have to be worried about financial problems. I feel I have independence," said Joice Chibwe, a MLF client.

Source: www.microloanfoundation.org.uk

Discussion Questions:

1. Is the cost of running MLF high or low? What is the evidence?

2. What is the scarce resource used in the scheme? Is it efficiently used? What is the evidence?

3. How does the income of the poor change? Explain with evidence.

4. In this case, is there a trade-off between efficiency and equity? Why?
