Microfinance and competition for external funding

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Abstract

In this paper we examine a one-period model in which poverty minimizing microfinance lenders must raise external funding from a profit-maximizing investor. Assuming that the lenders vary in their operating costs, we find that competition between lenders for external funds can lead to higher aggregate poverty reduction.

Highlights

- The share of profit-oriented external funding for microfinance is growing. This has raised concern among poverty analysts. We find that this trend can lead to higher aggregate poverty reduction.

JEL classification

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Keywords

Microfinance; Mission drift; Competition

There are no figures or tables for this document.

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