

## READING COMPREHENSIONS\_30

Read the following passage carefully and answer the questions given below it. Certain words have been printed in bold to help you locate them while answering some of the questions.

Giving loans to impoverished women to make ceramics or to farmers to buy milk cows were not seen as great business. Microfinance was an industry championed by antipoverty activists. Today it is on the verge of a revolution, with billions of dollars from big banks, private equity shops and pension funds pouring in, driving growth of 30% to 40% this year alone. In 1998, a nonprofit microfinance organization in Peru, converted into a bank (called Mibanco). This demonstrated that the poor are good risks who repay loans on time and getting them together, not only chips away at poverty but also turns a profit. The success of Mibanco has **piqued** the interest of commercial banks, which had previously shunned the country's poor. Now big banks are going after Mibanco's clients with low-rate loans and realising it takes special know how to work with the unbanked are hiring away Mibanco's staff.

But with the emergence of players who are only out for profit, microfinance schemes could end up milking the poor. This could happen in countries where lenders don't have to disclose interest rates. When a Mexican microfinancier went public, revealing its loans had rates of about 86% annually, the Consultative Group to Assist the Poor criticised it for putting shareholders ahead of clients. The pressure to turn a profit also forces microfinanciers to change their business models in waysthat **depart** from the industry's **core** mission, to help poor people lead better lives. Such shifts have caused the average loan size to triple. Moreover smaller loans being costlier to service, a lower percentage of loans go to women because they tend to take out smaller sums, According to CGAP, with the flood of new large entities there is the risk that a large percentage of cross border funds go to Latin America and Eastern Europe, the World's most developed microfinance markets. "The poorest of the World's poor, who are predominantly in Asia and Africa get left out,' says the CEO of the nonprofit Grameen Foundation, which helps develop microfinance institutions.

Segmenting the industry, might be worthwhile if it allows more of the poor to get access to credit. Multinational corporations could take the top microfinance institutions to the next level, and the remainder could be the responsibility of development groups and regional banks. Yet making loans to poor people is hardly a poverty cure. Property rights and the rule of law matter too. One cannot override

what microfinance alone can do. Most nonprofits started with lending simply because local laws prohibited nonbanks from offering deposit accounts. With an increase in competition and marketing efforts, poverty alleviation experts are concerned that people will be talked into loans they wouldn't otherwise want. For example, organisations like Mibanco are providing consumer loans. There is nothing wrong with buying TVs and microwaves on credit, but certain markets, like Mexico, have been flooded with loans that have nothing to do with providing capital to aspiring entrepreneurs just increasing household debt.

1. Why did most microfinance institutions initially provide only credit services?

- a) They were unable to compete with the interest rates offered on deposits by commercial banks
- b) They have to operate purely on a nonprofit basis
- c) Government restrictions prevented them from offering additional services
- d) To ensure the poor have access to modern necessities like microwaves

2. What was the impact of the non-disclosure of their interest rates by lending institutions?

- a) The Government issued sanctions against such firms
- b) Shareholders interests were not protected
- c) More microfinance institutions were motivated to go public
- d) The poor were exploited

3. What is CGAP's fear with respect to new entities providing microfinance?

- a) NGOs will be unable to survive in an environment of cut throat competition
- b) The poor will hesitate to take advantage of credit facilities because of the formalities involved
- c) The poor in the developed world will be overlooked
- d) The interests of the most deserving among the poor will be neglected

4. What is the author's opinion about the competition for customers among microfinanciers?

- a) It benefits the poor by providing them with loans they would have otherwise not had access to
- b) It is futile since the poor have to pay high rates of interest on property loans
- c) It is not beneficial since firms waste their profits on marketing rather than helping the poor
- d) None of these

5. Choose the word which is most similar in meaning to the word printed in bold as used in the passage.

**Depart**

- a) Absent
- b) Retirement
- c) Divide
- d) Vary

6. Choose the word which is most similar in meaning to the word printed in bold as used in the passage.

**Piqued**

- a) Provoked
- b) Irritated
- c) Disturb
- d) Offended

7. Choose the word which is most similar in meaning to the word printed in bold as used in the passage.

**Verge**

- a) Tend
- b) Crossroad
- c) Ascent
- d) Slope

8. Choose the word which is most opposite in meaning of the word printed in bold as used in the passage.

**Aspiring**

- a) Uninterested
- b) Ungrateful
- c) Anxious
- d) Miserable

9. Choose the word which is most opposite in meaning of the word printed in bold as used in the passage.

**Core**

- a) Clear
- b) Unnecessary
- c) Crust
- d) Besides

**Answer:-**

1. Option C
2. Option D
3. Option D
4. Option D
5. Option D
6. Option C
7. Option D
8. Option C
9. Option C