## Project Summary


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Microfinance is a means of providing small, short-term loans to very impoverished people who are not well served by traditional finance due to high transaction costs, and because borrowers tend to not have available physical collateral. Microfinance programs use group lending to circumvent these problems, by lending money not to individuals, but rather to groups of individuals. Every member of the group must pay back his or her loan before any memeber of the group is able to get more loans. Through group lending programs, the microfinance institutions lower their transactions costs, as they need to only interact with the group, rather than each individual borrower. Group lending also substitutes social collateral for physical collateral, because defaulting on the loan will cause a person to lose social status. Miriam Goldberg will be working with John Miller on an agent-based model of microfinance. The goal of the project is to determine what conditions and program characteristics produce a successful microfinance program, and we will be anchoring our simulations in the many case studies available. Once our model is replicating actual data, we will attempt to build microfinance institutions that should lead to successful microfinance programs.