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RESEARCH SEMINAR
organized by the
Centre for European Research in Microfinance

"Financing from Family and Friends"

By **Prof. Samuel Lee**

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Abstract:

Informal finance is often believed to be expensive and in limited supply. But most informal investors – family and friends – offer funds cheaply; and yet, borrowers seem to prefer formal finance. We explain this in a model of external finance that assumes social preferences between family and friends. Social preferences make informal finance cheap, but amplify the entrepreneur's aversion to failure, dissuading risk taking and stifling investment demand. Even counterparties with social ties can therefore benefit from formal contracts. This is pertinent to the limited success of group-based microfinance in generating entrepreneurial growth, and to the emergence of social lending intermediaries.

Tuesday, May 27, 2014

At 12.15 PM

Location: Seminar Room R42.2.113 of the Université libre de Bruxelles (ULB), Solvay Brussels School of Economics and Management

Av. F.D. Roosevelt, 42- 1050 Brussels

Please confirm your attendance to cermi@ulb.ac.be at the earliest.

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