Read the text and answer the questions.

For each question (**14 – 20**), choose the correct answer **A**, **B**, **C** or **D**.

Thinking about Ethical Banking

In this week's article, we focus on ethical banking practices. Many people read our blog and post that they want to start a business or buy a villa, but because of their low incomes, they have difficulty in finding finance. Many people have lost hope in banks which make more and more money – but customers, charities or people in poverty receive little of the profits made by them. So, we want to explain how microfinancing and ethical banking might help. First, this article will look at microfinancing as this is particularly popular with entrepreneurs, small business owners and start-ups.

Microfinance is the process of giving loans, saving opportunities and money transfer options to people who would not usually have access to banking facilities. Some people, such as the unemployed or people on low incomes, do not qualify for a traditional bank loan. For many young entrepreneurs without much money, this is also the ideal way to get the investment they need to start their business as microfinance offers smaller loans. However, experts argue that the loans are actually too small to start a large business as they would only cover the basic needs of a young entrepreneur. Moreover, microfinance must still comply with Sharia Law. As a result, they cannot charge interest on loans. Microfinance therefore makes its money by having very high administrative costs for setting up a loan compared to the size of the loan. The argument is that microfinancing is not truly ethical banking because poor people end up paying more for a loan than richer people.

So, what is real ethical banking? It is where banks invest in organisations, businesses or people who have a positive effect on society or the environment and offer products which do not cause harm. Islamic banking is an example of this. Because of Sharia Law, Islamic banks cannot charge interest on loans as traditional banks do, so they do not make profit from people who are struggling. That is certainly more ethical. The way finance works through these kinds of ethical banks is that they charge for their services rather than charging interest. They will also share in the profit or loss that is made. That means that they will be sharing the risk through a long-term relationship, which is key to maintaining the bank's ethical characteristics. Although Islamic banks have to invest in fixed assets such as buildings, it does mean they are more secure.

Perhaps for many young entrepreneurs, who may only have an idea for a new business, microfinance might be the most appropriate way for them to get money as they may lack fixed assets.

1 . According to the text, why have people lost trust in traditional banks?
A Banks do little to benefit society.
B It is difficult to find finance.
C Banking facilities are too small.
D Administrative costs are high.

2 . According to the text, who can benefit from microfinancing?
A banks and investors
B start-ups and charities
C entrepreneurs and people on low incomes
D house-buyers and internet bloggers

3 . The text says that microfinancing is not truly ethical because _____.
A there are high administrative costs
B few financial services are offered
C the poor pay more for services
D the loans are very small

4 . What is the main difference between Islamic banks and traditional ones?
A The amount of money you can borrow is smaller.
B They make money by being paid for services.
C They are better for start-ups.
D They offer more services.

5 . The relationship between ethical banks and customers is _____.
A risky
B secure
C profitable
D long-term

6 . How does the text describe ethical banking?
A responsible
B dangerous
C popular
D perfect

7 . In the last paragraph of the text, the writer suggests entrepreneurs should ____.
A use their own assets
B use microfinance
C think of many different business ideas
D invest in fixed assets