

# [Importance of microfinance in sustainable development economics essay](https://assignbuster.com/importance-of-microfinance-in-sustainable-development-economics-essay/)

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Today sustainable development is one of the biggest challenges. Microfinance Development tools initiative for sustainable development as empowerments are recognized. Microfinance services poor access to financial services that are defined can major banking industry has been ignored by. They have to access business Banking poverty, lack of education services, and lack of a remote area dwellers collaterals. It began during the 1970s and now as many different nonprofits organizations

Organizations (both regional and international), financial institutions, some Commercial banks and state, local governments and are independent rating agencies Mainstream in Asia, in different parts of Africa to provide microfinance services, Latin America and Eastern Europe.

Pakistan is a rapidly developing country (Leghari, F., 2007) and one is a big emerging market

For four consecutive years of 7 percent annual economic growth by 2007 (Pakistan Times, 2007). 160 million people in the population of Pakistan (2006), which is 65 percent, live in the countryside. This area is a relative peak, both classified GDP at Person (U. S. $ 840) and the Human Development Index (HDI) (the product of human development Report, 2006). Pakistan’s decades of internal political disputes, had lower level foreign investment and India’s neighbouring country with an expensive, constant confrontation.

Government loans between agriculture and small in the past have very little difference. In attention

Increased to provide credit for small farmers was. Before independence was available to institutional credit Taccavi form of a loan before the cooperative was initiated by the government for farmers

and commercial banks actively agriculture and other agricultural products from the loans. Loan was Taccavi government treasury departments and provincial governments through income distribution.

Seeds, fertilizers, etc. to the incomes of farmers in need have been provided by the agencies. Taccavi were ready Floods and droughts in conditions. Microfinance for damage to crops is in the early 1980s when the Aga Khan Rural Support Pakistan began in Programme (AKRSP) in response to his credit in 1982 and launched Orangi Pilot the same year (cons) project established. AKRSP model was

1990s with the creation of the National Rural Support implemented throughout the country

Programme (NRSP) and the NWFP Rural Support Programme (SRSP). These institutions were

Including general support institutions that provide social services to a wide range of financial resources Services. Financial services that were provided to poor people are often socially and were

Efforts very cheap and light to recover the outstanding loans were made. Addressing them

Error RSP 1996 meeting created special microfinance NGOs have found that Foundation. Microfinance in Pakistan in 1998 (NWP) network started playing this precursor (MFIs) to play a role in the representation of emerging countries. Further Development Fight against poverty in 2000 when Pakistan (PPAF) has funds in its first loan to follow MFP, and State Bank of Pakistan has opened a microfinance unit. The Government of Pakistan in 2001 helped create an important detail

Prosperity Bank Institute, dedicated to serving the poor.

## Microfinance

Microfinance” is often defined as financial services for poor and low-income clients. In practice, the term most often used narrowly to provide this self” microfinance institutions “(MFIs) as Identified by refer to loans and other services. These organizations usually last 30 years developing new ways to unsalaried borrowers small loans to use, very low or are no guarantee. This method of group credit and responsibility, savings loan needs before, gradually increasing loan size, and ready access to future loans if clear and complete existing loans are returned immediately to the guarantee included.

Define by different authors

Joanna ledgerwood (2000) microfinance evolved as an economical development approach intended to benefit low-income women and men.

The term refers to the provision of financial services to low income clients, including the self employed.

Ghani and mehmood (2010) define microfinance constitutes credit and other financial services of a low monetary value given to microenterprises and households primarily to encourage their productive activities as a means overcoming the poverty trap.

## Historical background

Until that date back in the mid-1800s can be traced theorist Lysander Spooner credit benefits small entrepreneurs are people of a way out of poverty as farmers was writing and when. But his idea of a Marshall Plan affected with what happened at the end of World War II. Expressions of micro financing is today used its roots as 1970s when Bangladesh’s rural micro-finance chief Mohammad Younis, where to start and create micro financing with modern industry organizations as Bank.

Pakistan world’s seventh most populous country. Pakistan 145 million people of microfinance in Pakistan the same percent less than $ 2 per day. History’s traditional way of life to follow. 60s in the focus was on agricultural loans, mostly for information, and felt that poor access to basic needs that subsidized loans. In 70s, there nationalized banks in one country and most of the loan was provided to small farmers Agricultural Development Bank of Pakistan (ADBP) as the government was provided by banks. ADBP within range, many tried to program – even a small credit program for women provided by mobile teams include.

Pakistan Microfinance still relatively new for both vision and practical. 2000 major provider of microfinance NGOs and government-sponsored network of rural support at least one case, a specific micro-finance window or in a traditional commercial bank was. Discovered, a well-known NGO working out of Lahore, with the exception none of these institutions and a financial stability specialized microfinance institutions (Pakistan Microfinance Network (2003)) .

First Micro Finance Institute Orangi Pilot Project in Karachi in Pakistan and Aga Khan Rural support (AKRSP) is the program. AKRSP rural support NGO movement that about 70 per cent of development Access to microfinance.

Founded in 1997, the first Microcredit Summit in Washington (1999\_ 2008) DC. In Musharraf government in February, held in 1997 the government was strong poverty alleviation focus

Program. So in this age microfinance network of very rapid growth the government has

A tool for fighting poverty as selected microfinance. Because this purpose the Government of Pakistan is this year’s World Bank-funded Pakistan Poverty Alleviation (PPAF) Fund

2000. Another government initiative in which microfinance as a tool of poverty used

Prosperity Bank is established by concession is provided and diverse microfinance

Housing finance, personal loan, leasing, insurance and shipping services for all products

Especially in rural areas of the country.

Prosperity Bank’s annual report published in the year 2007, according to a number of good

Investors in microfinance because of their interest in microfinance is the rate of return

More than traditional banking system is. Several reports and studies as risk

Microfinance sector, and reduce by the year 2015 in the private sector will dominate.

(Khushhali Bank’s Annual report 2007 page no. 4)

## Problem identification and purpose of the report