

Policy brief #2
poverty alleviation
and microcredit
institutions



Topic; Policy brief 27th February 2008 World Bank encouraged and supported alternate financial s for redressal of the basic and direct needs of the poor in the third world. Consequently local financial institutions like house building finance corporations, agricultural developments banks, farming cooperatives, youth investment promotion services and small enterprises development cooperatives emerged in these countries. Grameen Bank of Bangladesh is a classic example of this sort in micro finance (GOP 2001).

These micro-credit institutions usefully served the small farmers, small entrepreneurs and helped the self-employment of many unemployed youth. These banks successfully worked where other regular commercial banks failed because of their overarching responsibilities with bigger clients (A. R. Kemal 2000).

As an example district kohistan of Pakistan had per capita annual income was hardly US \$ 150. 00 . The Micro finance bank of Pakistan (MFBP) came into this district in mid 1990s. The first thing the bank did was to get the consolidated reports of the ownership rights of the people over mountainous property of the people from the revenue department in order to determine the title of people. Then the MFBP issued passbooks to the people on the landed titles. The institution made small cooperative societies in every village of around 100- 200 households. MFBP advanced loans for the rehabilitation of scrub forest, indigenous poultry, sheep and goats and wherever possible dairy farming (MFBP 2006). The recoveries were affected through local headmen. Loans for tractors as carriage vehicle and bigger mechanical shops and gas stations were also sanctioned. By and large the response was positive. In early 2000 it was observed that the same district <https://assignbuster.com/policy-brief-2-poverty-alleviation-and-microcredit-institutions/>

had shrub forest, developed shops, big poultry farm, and organized sheep and goat farms. The shops are looming on the roadside. There are hundreds of girls in the local private English medium schools by now. The banks recovery rates are 85-90 %.

Potential impacts of such institutions are far reaching on the poverty alleviation in the third world. These institutions are specialized in the identification of the right causes of the poverty in different communities and the redressal recipes are tailor made. Their approach is quite befitting and these institutions provide the grass roots solutions for the problems. Instead of operation on the macro-policy levels these institutions look at the poverty issues in a different kaleidoscope. Therefore so far single panacea for poverty alleviation has been the alternate institutions. The support for them should continue.

Recommendations.

World Bank should continue supporting the alternate financial institutions in the developing countries because these institutions are addressing the issues of poverty in a befitting manner. The other commercial banks cannot and do not ration the credit for the small farmers, artisans, unemployed youth and the homeless destitute because of the lack of their capacity. The alternate institutions have developed operational mechanisms and have evolved strategy to tackle the poverty alleviation challenges at the grass roots level.

References.

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