

Domestic finance and microfinance

[Literature](#), [Russian Literature](#)



Domestic finance and microfinance Why can MFIs provide banking services to people that were previously considered unbankable?

Looking at the banking history, services were provided to people were able to meet the banking requirements. Poor people are lucky with the emergence of MFIs in the market as their requirements are simple as compared to those of their counterparts in the banking industry. Through their minimum savings opportunities, even the low-income earners can save in their respective groups (Ledgerwood &White, 2006).

The MFIs have better lending terms as compared to those used by banks. Their requirements are simple elements as compared to those that focuses on large sums. Their role in the market makes a big difference between the two lending institutions. It's also vital noting that the amount they finance differs in terms of their amount and their requirement. The motive of MFIs was to help the low-income people access banking as opposed to the commercial banks that have different target group (Ledgerwood &White, 2006).

Lastly, MFIs can provide loans to low-income earners on the basis formation groups. As compared to the commercial banks, MFIs are effective in working with the low-income earners. Governments also support their operations in order to boost their economy.

What role can an expanding MFI sector play in the economic development of a developing country? Also explain what role it cannot play,

The MFIs play crucial roles in the developing of a countrys economy. They help the members of such countries in setting up their business by financing them. They also help them people in understanding the need to do savings

through their training forums. Through their operations, they help in increasing supply and circulation of money. Moreover, in terms of management they help them to know what they are required to do in managing what they have and use those assets to generate income (Ledgerwood & White, 2006).

However, as the MFIs operate, they are not allowed to spread misleading information as a way of persuading their target customers. In this case, ethical standards regulating banking sector remains a must to them too and never breach them.

Work cited

Ledgerwood, J. and White, V. (2006). Transforming microfinance institutions providing full financial services to the poor. Washington, DC Stockholm: World Bank MicroFinance Network Sida.