

## **UN Development Programme**

### **Microfinancing**

#### *Introduction*

In September, 2000, the United Nations adopted what are known as the Millennium Development Goals, in an effort to address the most common and pressing issues of the 1990s. The first of these goals, and perhaps the most significant, is to “eradicate extreme poverty and hunger”. Poverty and hunger are crippling issues in countries with high incidents of these conditions, and the effects can be felt around the world. With 1.2 billion people living on less than \$1 per day, and 850 million going hungry each night, it is clear that poverty is both tragic and widespread.

The UNDP is using a variety of methods, micro financing among them, to achieve this goal with some success. However, widespread poverty is a complex problem to solve, and requires efforts on many fronts. It is commonly believed that poverty cannot be solved solely by The success of micro financing is based on the assumption that those people living with the burden of poverty do not have access to adequate financial services, either because the region they live in does not have a local financial institution, or because they do not have adequate initial funds or collateral. The purpose of micro financing is to provide poor individuals with access to savings and loan services, generally in an effort to provide capital to those who wish to start a small business, therefore stimulating the economy.

The effects of poverty can be felt not only by those who suffer directly from the condition, but by their neighbors as well. Poverty is generally accompanied by lack of education, crime, and sickness, which can have a great effect on the quality of life of surrounding people. Nations that have a largely poor population have less stable and productive economies, limiting their ability to engage in global activities, such as trade, as well as national activities, such as disease control and prevention.

It is possible that, by providing women with financial services, they may become more empowered, thus achieving another of the Millennium Development Goals. Poverty generally affects women and children most harshly, as these groups are traditionally denied the same freedoms and status as males in a community. In many cases, it is more difficult for women to gain employment than it is for men, and it is often the case that women are forced into unsafe or unhappy conditions in order to support themselves. It can be hoped that, with access to funds which would allow them to start small businesses to gain employment, or loans which could allow them to obtain and education, women in these communities would see a general improvement in their conditions and statuses within their communities.