

Abstract

This study explores the relationship between microfinance institutions and microfinance banks, examining their historical development and assessing their role in reducing unemployment. The findings indicate that both entities are instrumental in fostering self-employment across diverse sectors of the economy, transcending geographic and social divisions. By providing microfinance loans, these institutions empower individuals in both rural and urban areas, enabling them to establish and expand businesses. The study highlights how microfinance plays a crucial role in economic development by facilitating entrepreneurship and job creation. Access to microfinance loans allows small business owners to diversify their operations, leading to increased production, innovation, and service provision. This expansion benefits the broader population by generating employment opportunities and promoting economic stability. Furthermore, the research underscores the transformative impact of microfinance in Pakistan, where limited access to traditional banking services often hampers entrepreneurial growth. Microfinance institutions bridge this gap by offering financial support to underserved communities, particularly women and low-income individuals, fostering inclusive economic participation. The ability of microfinance to stimulate business expansion and job creation reinforces its importance as a tool for sustainable development. The findings suggest that strengthening the microfinance sector can further enhance self-employment and economic resilience. Policymakers and financial institutions should focus on expanding microfinance programs, improving access to credit, and implementing supportive regulatory frameworks to maximize its impact. This study contributes to the growing literature on microfinance by demonstrating its pivotal role in employment generation and economic empowerment in developing economies.

Keywords: Microfinance, Self-employment, Unemployment

JEL Codes: D14, J64

1. INTRODUCTION

Microfinance is a service through which people provide small loans, and savings insurance to eliminate poverty (Bakhtiari, 2006; Ali & Rehman, 2015). In developing countries, microfinance gives opportunity to people establish their condition and it is a maintainable solution to eliminate global poverty (Yunus, 1999). It gives small loans to start or expand their business. Microfinance organization gives importance to a woman. As a global survey, 70 percent of females living in extreme poverty, and 80 % of women get loans and get an opportunity from these organizations (Halder and Mosley 2004). The World Bank says 500 million people living in poverty get opportunities from these organizations. Microfinance bank gives small loans and saving accounts to a person to run up their business (Rhyne, 2008; Mehmood et al., 2013; Siddiqi et al., 2014; Shahid & Ali, 2015). Many microfinance bank works in Pakistan are named tamer bank, Khushali bank, Kashaf microfinance bank, and Rozgar microfinance bank. They all help to eliminate poverty by giving loans and charging a nominal interest on these amounts (Ledgerwood, 1999). These banks regulate under the state bank of Pakistan. The state bank of Pakistan gives him the license and the state bank of Pakistan places distinct monitoring and organizing framework from the microfinance bank. The State Bank of Pakistan supports microfinance banks (Armendáriz & Morduch, 2005; Marc & Ali, 2017). The role of microfinance institutions is an essential part of developing countries (Barr, 2004; Haider & Ali, 2015; Marc & Ali, 2016). Many governments of developing countries support and give benefits to these institutions because they help in developing the economic condition of the country. The ruler support program of microfinance institutions is to develop the ruler area conditions, vanish poverty from these areas and increase the income of the poor people and of those people who are not able to work and empower the women of ruler areas who work in their homes and try to improve the lives of poor peoples and increase their living standard (Robinson, 2001; Arshad & Ali, 2016; Marc & Ali, 2018).

Pakistan is a developing country. Its economic growth rate is 7% and the population is about 160 million which of 65% are living in rural areas and the rests of 35% in unbar areas. The per capita income of Pakistan is \$840. The concept of microfinance was introduced in Pakistan in 1982. The 1st microfinance institution was AGA KHAN RURAL SUPPORT PROGRAM. In 1990 this program expands all over Pakistan with the establishment of NRSP (National Rural Support Program) and the SRSP (Sarhad Rural Support Program). These institutions are provided two types of services, FINANCIAL SERVICES, and SOCIAL SERVICES. In financial services, they provide small loans to eligible persons as well as some other social services. In 1996 another microfinance institution is established with the name of KASHAF MICRO FINANCE BANK, and later on, these institutions (AGA KHAN RURAL SUPPORT PROGRAM and KASHAF MICRO FINANCE BANK) are supported by PML (N) in 1998, and in 2000 some other facilities are formed as PPAF (Pakistan Poverty Alleviation Fund), and State Bank Of Pakistan also opened a MICRO FINANCE UNIT for the betterment of these institutions and as well as Pakistan.

1.1. LEASING COMPANIES IN MICROFINANCE

Leasing companies also provide microfinance two leasing companies provide microfinance in Pakistan

- ORIX leasing
- Network leasing corporation

These are only two companies that are listed on the stock exchange. ORIX is the largest corporation with an operating cash flow of 143.6 million and a profit is 112.6 million in the year 2005. The organization also held a mediums size of business. Network leasing corporation is smaller than ORIX and its focus is only on the micro market with a net cash flow of 5.1 million and a net profit of 7 million in 2005. This corporation also provides a very minimum 10% dividend to its shareholder.

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1.2. NGOS IN MICROFINANCE

Ngo sector microfinance can be divided into three sectors.

- Large regional ruler program
- The second group consists of NGOs in several districts of the same province.
- Little knowledge of microfinance

1.3. ADVANTAGES OF MICROFINANCE

1.3.1. TO REDUCE POVERTY

With the help of microfinance institutions, we can reduce poverty in developing countries, and establish new SMC companies.

1.3.2. TO INCREASE THE LIVING STANDARD OF PEOPLE

To give small loans to people they produce their small businesses so the standard of people is high by giving them loans.

1.3.3. EMPOWERING WOMEN IN RURAL AREAS

The loan is given to the women at a very small interest rate so it gives opportunity to women to enhance their business.

1.3.4. PROVIDE FUNDS

They provide the fund to poor people so they establish their small businesses.

1.3.5. ENCOURAGE SELF SUFFICIENCY

They encourage people to get a loan from their organization. They market their organization and motivate the people by sending ladies to village homes which educate the village ladies about the organization and how they get to benefit from these organization.

1.3.6. MANAGE RISK

They manage their risk by getting security from the public. This security is not too big such as provided to banks. They get security against loans to manage the organization's risk. If in case of anybody does not give a loan then they sell their security and recover their loss.

1.3.7. FACILITY FOR POOR PEOPLE

They get loans against minor security on a very small interest rate so in villages the farmer gets very much benefit from these organizations.

1.4. MICROFINANCE AND FARMERS

The farmers are poor people and do have not too much money for cultivation. So it is a better opportunity for the farmers to get a loan from these organizations. And these organizations also prefer the farmers to give a loan from us.

1.4.1. THE TRANSFORMATION OF THE UNDERLYING CAUSES BEHIND

Is a significant shift from microfinance institutions MFB, and social motivation of non-profit organizations and donors, profit-oriented, self-reliance, and supervision of financial institutions, involving cultural transformation, organizational, operational, and financial? Usually one or both of the shift's following objectives decides:

- a) The commercial capital
- b) The growth of the portfolio
- c) Product diversification

1.4.2. MOVING COSTS AND THE ONGOING SHIFT FROM

Transition involves a lot of costs, including the costs of renewal before, regulatory requirements, tax costs, and vulnerability to external shocks, and therefore, must be evaluated carefully, I decided to convert, to view all related costs and expected benefits. International experience shows that successful conversion occurs in a gradual process, including the following key events:

- a) Enough experience and microfinance institutions, to achieve a reasonable range of the process and the size of credit portfolio and network services delivery, and reliable accounting information system, and the establishment of the internal audit function, to review the external auditors the accounting books
- b) Through professional, working methods, such as microfinance institutions, business and management, and the provision of demand for the product/service on a cost-recovery basis
- c) To achieve sustainable development and achievements of the whole business to achieve financial self-sufficiency
- d) Access to venture capital and private market-based sustainable growth funds. Ready to operate profit-oriented financial institutions subject to prudential supervision/control Six.
- e) Buy / software development can be relied upon to support the current business.
- f) Best classified as a leading credit rating agency.
- g) MFB process MFIs ready to switch should evaluate their positions, and so decided to go ahead.

1.4.3. ADMINISTRATIVE STRUCTURE

Must auditors/consultants to review the structure of management standards microfinance institutions and qualifications, and the formation of the election managers Board of Directors / Board / MFIs set the mission and objectives of the ability MF vital and understanding the commitment of the members of the Council's capital the new entity and its willingness and ability to provide resources/funds (Rock, Otero, & Saltzman, 1998). And also re-examine the role and effectiveness of the Board of Directors of microfinance institutions in the decision-making process, such as the environment and cultural development in the MFI of professional people and the business community (Labie & Mersland, 2011). In addition, should the adviser reference / suggest changes, if any, to the target in microfinance institutions, which will determine whether the MFB remains in the composition of the Board of Directors and skills? The proposals also take into account the legal and regulatory requirements (Hartarska, 2005; Mersland & Strøm, 2009; Ledgerwood & White, 2006).

1.4.4. RECOMMENDATIONS FOR TURNING

In addition, the MF sector institutions assess the results of auditor/consultant exercise objective analysis of macroeconomic conditions, the legal and regulatory environment, and prospects for this sector.

1.4.5. DECISION TO SWITCH

Should the Board of Directors of microfinance institutions in receipt of the evaluation report Audit / CG system audit reports and recommendations, and transfer or otherwise make a decision (Ledgerwood & White, 2006)? In the case decided in favor of the changes, the Board authorized the license MFIs, microfinance banks recommended law, and submitted to the State Bank of Pakistan for the preparation of an application for a grant (Rock & Otero, 1998). It should also be submitted to the Board of Directors resolved, SBP, and another file with microfinance institutions in the preparation of proposals, on the need to revisit the provisions of the conditions contained in the first (Hartarska & Nadolnyak, 2007). The main purpose of this research is to determine the challenges of microfinance organization and wants to know, how microfinance organization helps to reduce poverty in ruler areas (Yunus, 1999; Robinson, 2001).

2. LITERATURE REVIEW

Naeem (2006) examines the analysis of micro-credit as not a new concept, but Pakistan by the success story of the learning of others, as well as her own experience in this area, in this area there is a long way to go. Small borrowers of the Bank's SME microfinance institutions survey results are based on the previous chapters. Careful analysis of these results led to the following concluding observations. During the investigation, it is important to policies of microfinance in Pakistan. This is because of a lot of reasons. Most people are not aware of, especially in rural areas, micro-credit schemes, and inefficient marketing activities, from a certain extent, banks provide small loans. Borrowers apply for a micro-credit and the qualifications of the bank of small and medium-sized companies. Most people are the only standard. Since this factor cannot keep track of their records. SME banking, microcredit borrowers, the loan amount and interest are high. The loan amount issued, however, the exchange is a fast, large loan in a single batch. Although microfinance institutions presented their work conditions aimed at improving small-scale entrepreneurs to reach their customers is very obvious

Nawaz (2006) examines that no single intervention can defeat poverty in general and urban poverty. Particularly for the poor in need of employment, education, and health care. Access to financial services constitute depends on the fundamental basis of many other necessary interventions. And can continue to improve health care, education nutritional advice profit increase families, and better control of their financial resources. Financial services reduce poverty and its effects. Microfinance beauty, but also to solve the financial sustainability programs, far beyond the limitations of the scarce resources of the donors, can be achieved.

Meier and Dan (2006) examine clear targets for emerging credit risk assessment functions, which can be used to help in the decision-making process of the credit that has not yet been reached. Get some light on the factors that may affect the arrears (Armendáriz & Morduch, 2005). To find a variable, which is the other significant transactions, seems to play important role in repayment behavior for non-business income and expenses (Ghatak & Guinnane, 1999). As expected, the arrears due to the lack of income earned outside analysis (either income or household income) increase the risk of falls. Establish business analysis, results show that the highest proportion of debt to equity, and the high risk of delayed payment. The business sector also seems to be influential (Godquin, 2004). Although do not get to conduct a comprehensive assessment of the risks associated with the various departments, results showed a significantly increased risk for companies operating in the areas of production and trade. In addition, the old customers are important, the analysis confirmed that I believe that knowledge of the risk of default is reduced grow older (Zeller, 1998). This analysis is perhaps the most puzzling fact is that a large number of the staff of the possibility of delays. It is a little difficult to establish a logical explanation for this, which may be due to some kind of artifact, and should be used with caution (Morduch, 1999). In short, we believe, should not be considered at this stage of the development of the credit assessment model hot plasma Microfinance Development Bank in the registration form 15credit Azerbaijan. Due to the low capacity of non-performing loans such an attempt would be useless. We recommend, rather than the basis for the development, the results of this analysis, and cooperation with bank credit. Registered based on expert/performance cards and such a model, at this stage, help to unify the decision-making process in the West, and therefore allow reducing the credit transaction and time costs, while relying on the expert knowledge of bank loan officers.

Khan (2005) examines that the micro-financial sector development can make a significant contribution to the reduction of poverty and economic growth. This is likely to be true, especially in developing countries financial sectors are likely to be not particularly sophisticated, and without it, economic development may be limited, even if the necessary conditions are met other. However, the poor in developing countries often do not have access to formal financial services ongoing and are forced to rely instead on a narrow range of services, often risky and expensive informal. This limits their ability to participate fully in the market to increase their incomes and contribute to economic growth. Microfinance is not a solution, but it is a more promising approach that might have for development in some time. I suggest that by thinking about the development of the financial sector from the point of view of funding a Micro. We may increase the likelihood that the development of the financial sector on a larger scale can contribute to poverty alleviation.

Khan (2004) determines that poverty is a global problem, especially in third-world countries. People fall into the definition of the poor, including those who either lack sufficient sources of revenue to meet the need of the social and economic family. Poverty in different forms, such as the lack of resources who visit health facilities, education, and a decent life along with the high rate of illiteracy, high dropout rates, children and child labor, and forced labor of the whole family, where he attempted to carry out the people who provide they fixed amount assigned the task of exchanging work to complete the assigned work. All of the above in the form of poverty is clear, in our society, especially in village communities and semi-urban areas. Processing time of long-term

Journal of Business and Economic Options

JBEO, Vol. 1(1), 15-22

strategic long-term poverty reduction takes a long time to produce the desired effect, and therefore short-term strategy can be very effective and achieve the desired results in the shortest time possible success evidenced from Bangladesh, which has been realized, mainly due to the subsidy system part of the bold innovation launched (Grameen Bank).

Husain (2003) examines the main factors that inhibit the growth of the microfinance industry in Pakistan as the lack of adequate human and institutional shortages, and poor coordination ability between local expertise and different stakeholders. Swiss Agency for Development and Cooperation (SDC) and other donors to help Pakistan, overcome these limitations, and the development of the microfinance industry in Pakistan. It is expected that once the financial institutions Upgrading Scheme (FSSP) Pakistan is successfully developed, there will be more need for shelter from external donors. Ramanaish examines the micro-finance institutions and their role in poverty reduction and how women enhance these institutions. The analyses that, a few years ago there is no importance of microfinance institutions. When the success rate of micro-finance institutions increases in devolving countries then it expands all over the world. Especially Bangladesh makes more policies and efforts in microfinance. So, after Bangladesh, it started almost in all third-world countries.

The need for microfinance is that the bank does not reach the poorest people of the country and in more villages, there is no bank so these institutions make help the poor people of the country. As it is the era of technology but most countries suffer from hunger so it is a need for a microfinance institutions in these countries. As the bank's purpose is to make a high profit. Many private and government bank is to make an only profit and make many restrictions on the poor from getting loans. So in the 21st-century micro finance is an effective institution to eliminate world poverty. As per the report of the World Bank, there are no women which are poor and live in villages and make farming activities. These institutions make proper guidelines for increasing the living standard of people by giving loans, and credit and charging a nominal interest. From these activities, they can manage a small business. The researchers conclude that microfinance institutions uplift the standard of poor people and there is a need to make awareness to people about these programmers so most people can get benefit from this institution and make programmers about how to save money these institutions are opened in ruler areas at small interest and priority given to poor people.

Pareek (2012) analyses the boom in microfinance institutions in India and the policies of the govt. by these institutions. He studied that in 1976, Jobra (a village in Bangladesh) establish a microfinance institution. The work is started from Bangladesh most from India. Later he studied in 1983, a German bank make a loan to poor people. He makes a special cell that gives a load to the needy and gradually developed a microfinance institution that gives a small load to the needy. In 1990 microfinance institutions are held in India and opened the door for the new private sector. These institutions open as non-profit organizations but soon they transfer into profitability. These institutions 80% expand in 2010 and give their facilities to poor people and meet 27 million borrowers in India. The Andhra parade is the capital of microfinance. The government invests money in these cities. Technological city Hyderabad government also invests to eliminate ruler poverty through microfinance institutions. Bank loans and low interest provide a high sander of living for people in India. The author concludes the microfinance industry gives financial services to low-income people from millions of people who have a household and also increases saving and money transfer services that use for household finance more efficiently.

Kashaf (2008) examines microfinance in Pakistan. At the time of 2008, the microfinance organizations workable to grow at an average rate of 40 to 50 % annually, and the economic collapse in 2008 rapidly inflation had a major reducing down of the working out rich. More over 2008 the sector of microfinance was stacked by fading economic and conservative political situations. In the second half of 2008 the economy of Pakistan shorts the rendered down of the global financial system. This affected the whole economy the households are at the bottom of the pyramid, the whole inflation had a regressive effect on small-income households, for example, the increase in food prices worn their purchasing powers, there for it is forced to spend a grad proportion of income on the basic consumption needs. The research of the Kashaf foundation in august 2008 on food security shows that 70% of income is spent on monthly food requirements. In addition, has damaged users of small loans in their loan based upon their ability to pay due to business failures and a decline in economic activity, and reduced the quality of the portfolio of microfinance in Pakistan. At the same time, the increased demand for small loans multiple times, and a reduction in inflation and the exchange rate, means that people need to further the establishment of small business loans results. Along with high default rates, business failures, and economic recession, including users of microfinance providers of microfinance liquidity and refinancing risks, whether he was able to raise additional funds to meet the existing debt. A report recently issued by Citigroup, CGAP that the credit risk of the global microfinance industry as a whole is a new and emerging issue, and the cost for the implementation of the sustainable development of microfinance business has had a negative impact, many of the institutions. In addition, the economic turmoil has added a multi-level social and political instability, microfinance providers facing a highly ordered state increased political risk declining and deteriorating security situation there is a perception. In addition, a nationwide mobilization increased the risk of political interference in the microfinance sector and different levels of government, the precedent is not clear microcredit has a certain role in the largely pro-poor growth. There is also a growing trend, of governments and political parties providing income support to an unsustainable populist, suffering from the typical symptoms of positioning and rent-seeking, and contrary to the spirit of sustainable financial services. Therefore, it may affect the political uncertainty, and the negative impact on the economy, especially micro-credit providers to establish.

Baksh (2009) examines the role of the private sector MF as innovation and change are very important, as transparency, and to ensure the sustainable development of the industry. The catalytic function of the practitioners in the past few years by the Pakistan Microfinance Network is very active. In fact, in 1997, the industry achieved the understanding and application of best practices in microfinance by leaps and bounds. There are many challenges facing the industry today. The truth is that even the best microfinance institutions need to improve their credit management and arrears management approach. Should have a wider application industry for customer satisfaction index and the mature client may need more flexibility provided with the loan. In

addition, it can be a fair competitive environment and the government's role in the problem of retail microfinance has a very strong performance in this sector. And last but not least, the small loans, the international community should be aware of the potential of microfinance in the region, and the government how to support international investors to create the best of many other Asian markets.

Nawaz (2010) determines that microcredit led to a modest decrease in the poverty of the borrower, the various social and economic indicators as a measure, but did not reach many of the poorest people in the village. It should make microfinance a more effective way to reduce the poverty of other services, such as skills training and technical support, education and health strategies related, including micro-credit, and the families of the borrower are more likely to report says, to increase their income from non-borrowers and households increase their financial assets. But nearly half of MF customers are still in the village below the poverty line in Bangladesh. It may be the ability of MF to alleviate poverty criticism, but in the low-income for many families, small loans, and that would be unrealistic MF for all families, and poor families in poverty are about 3 years, many people borrowers was Results encouraging, which was higher than the household income of more than five years, no longer exist in the program MF with organic shorter. The biggest improvement report that, social and economic indicators in a specific area of the percentage of households in the form of loans of longer duration. These facts of the existence of a positive relationship between the members of the social and economic benefits and the length of those found a negative correlation. Therefore, we can conclude that the MF will take some time to have a significant impact on poverty, and it is important to ensure that customers' borrowers are still successful. These changes, such as programs to help make the MF already contribute to the fight against poverty are significantly more efficient.

3. RESEARCH METHODOLOGY

The research of my topic is secondary. As the secondary data is easily assessable to me and is a more reliable source of data because there is more data available on this source. We can easily rely on this data source. The secondary data source is the cheapest to assess and we get a variety of knowledge with the limited research budget. I will collect the data through different resources for my research more solid. Web sites, Articles, Books, Journals.

4. FINDING AND ANALYSIS

Table 1

	2008	2009	2010	2011	2012
Credit to NBFCs	98,459	113,141	105,253	108,350	110,624
Investment in NBFIs	30,427	45,999	44,009	45,335	47,631
Loans to NBFIs	68,032	67,142	61,244	63,015	62,993

Figure 1

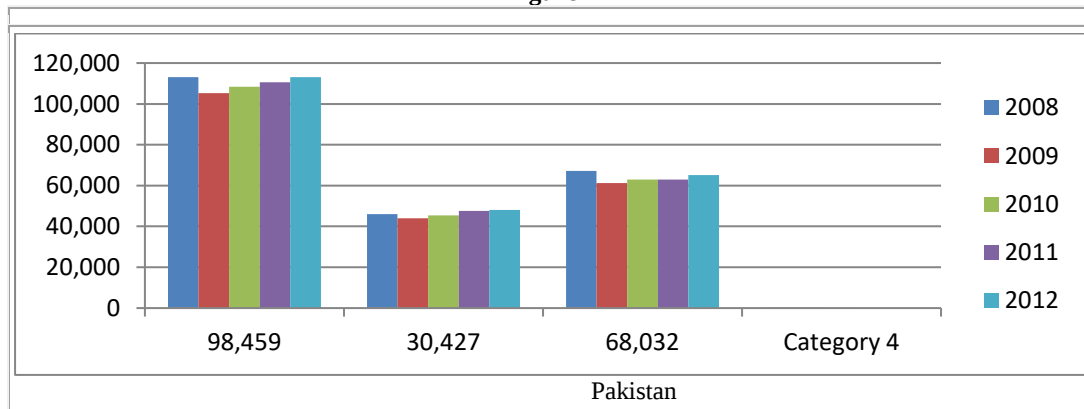


Table 1 presents data on microfinance activity in Pakistan from 2008 to 2012, focusing specifically on credit to non-banking financial companies (NBFCs), investment in non-bank financial institutions (NBFIs), and loans provided to NBFIs. The figures reflect the financial linkages between traditional banking institutions and microfinance-related non-bank intermediaries, revealing trends in financial support and investment across the five-year period. Credit to NBFCs has shown a generally increasing trend, rising from PKR 98,459 million in 2008 to PKR 110,624 million by 2012. Although there was a slight dip in 2010, where the credit fell to PKR 105,253 million from PKR 113,141 million in 2009, the overall direction indicates a recovery and subsequent stability. This upward trend demonstrates an ongoing commitment by financial stakeholders to support the role of NBFCs in facilitating access to financial services for underserved populations, a core tenet of inclusive financial systems (Rauf & Mahmood, 2009). Investment in NBFIs has increased steadily throughout the period, from PKR 30,427 million in 2008 to PKR 47,631 million in 2012. The consistent rise reflects growing confidence in the institutional viability and profitability of NBFIs. It also suggests that policymakers and financial actors have recognized the instrumental role these institutions play in channeling funds to marginalized sectors, including low-income households and micro-entrepreneurs (ADB, 2012). In contrast, loans to NBFIs show a

Journal of Business and Economic Options

JBEO, Vol. 1(1), 15-22

declining pattern, decreasing from PKR 68,032 million in 2008 to PKR 62,993 million in 2012. This moderate decline indicates a possible shift in funding mechanisms, with a preference for equity-based investments over traditional debt instruments. Alternatively, the reduction in loans may reflect tightening credit standards post-2008 global financial crisis or regulatory shifts favoring alternative support frameworks such as donor grants, micro-loan guarantees, or blended finance schemes (State Bank of Pakistan, 2011). Taken together, the data suggests that while the total credit flow to microfinance-related NBFCs has been relatively stable or increasing, the composition of this support has evolved. A transition appears to be underway from a debt-dominated model toward a more investment-based or equity-oriented model. This structural shift is aligned with global trends in microfinance, where sustainability and institutional strengthening have become paramount (Ledgerwood, 2013).

4.1. SET UP OF MICRO FINANCE BANKS

4.1.1. AGENCY

- a. The proven success of microfinance experience in microfinance institutions in a range of local or global institutions. Can MFIs have smaller local MF converters in MFB (details of which are set in part II-)? II. Has a huge sales network and/or technical resources agencies.
- b. The person or group of persons should be any individual or group of people, Pakistani citizens or foreign with the necessary financial capacity and management and a commitment to financial institutions, and the establishment of the first MFI to at least three years to become eligible license MFB. However, in very special circumstances, and long exposure to individual sponsors / Micro / Agriculture/finance small and medium-sized enterprises and/or other relevant field experience, you might consider an SBP banking license issued by the MF.

In all these cases, the recommendations of the Business Plan MFB clearly show that the target market and the financing are committed to comprehensive financial services offered by the group of growth funds/deposits.

Note: you must give the team a license to create more than MFB.

4.1.2. SUSPENDED

Any person (s) has any disqualification, not be eligible to become a sponsor of MFB:

- a. Has been convicted by a court in a criminal offense or Pakistan foreign;
- b. Any illegal activities, especially banks and companies in violation of the law.
- c. Does not meet his / her obligations to banks and other financial institutions. Should the sponsor/manager provide banks/development financial institutions and their branches had to deal with them, from banks/development financial institutions in the name of the report?
- d. Should be in the payment of tax arrears, and directors, sponsor and indicate his / her national tax number.
- e. To the director/executive director of the company records, corporate tax, including customs duties, excise duty, and central sales tax is not satisfactory. It should be named, said the body corporate, bankers, and disclosure of the number determines taxes and record profits. Organizations will need to show their career / technical / trade and highlight their achievements.
- f. Member / any political party or a member of the Senate, the Director-General, national/regional associations/components
- g. In the opinion of the approval authority, to keep the negative reputation for safety and performance.

4.1.3. MINIMUM CAPITAL REQUIREMENTS

MFB conduct business, but if you have a minimum capital of microfinance banks, as follows:

- a. Used widely in the country in the paid-up capital of at least Rs MFB, 0 million
- b. applies to the paid-up capital of province-wide minimum lakh MFB
- c. Region viable and widely to MFB: minimum paid-up capital of Rs. 400000000
- d. Widely in the area of the MFB paid capital of at least Rs.300 billion

And the need to maintain at all times at least the paid-up capital (or loss) of the preceding paragraph.

4.1.4. CAPITAL ADEQUACY RATIO

MFB must remain equal to risk-weighted assets of at least 15% of the capital adequacy ratio (CAR). To maintain minimum capital adequacy, which applies to the MFB can also raise subordinated debt may be in local currency, subject to the prior written approval of the SBP. Illustrates calculate capital adequacy based on risk-weighted assets, and in 2008, BSD Circular No. 7, and the terms and conditions, as amended from time to time to improve the coordination of debt.

4.1.5. MINIMUM CONTRIBUTION BY THE SPONSOR

Will promoters or sponsors IPO subscribe by the sponsor must remain at least 51% of the minimum capital in the custody of the CDC, may not be transferred without prior approval, or create any case writing SBP? Remain deposited shares under the auspices of (shares promoters to pay 5% or more of the shares of MFB) in the company of government securities from the deposit Trust Ltd. Pakistan (CDC) BP ARD Circular No. 9 of 2009, is frozen account, time, as amended by time to time.

4.1.6. NET SPONSORS LEADERS

Managers must distinct statements of the personal net worth of not less than the amount subscribed personally. A wealth statement submitted to the IRS, and a copy of the official certification, the need to support net assets. The director is not required distinct from the wealth statement submitted to the country of residence by law, and personal net worth international reputation, and the reputation of the bank issuing a certificate will be acceptable. Will this plant is also due to Pakistan during the first six months of the submission of the application for a grant to the applicant? In addition to the decision of the Governing Council, the organizers also provide the latest audited financial statements with the auditor's belief that the reputation of the financial and institutional capacity ensures that the plans' investment in MFBS.

Journal of Business and Economic Options

JBEO, Vol. 1(1), 15-22

4.1.7. LISTED EQUITY FUNDRAISING

If interested sponsor some capital through the inclusion of the company's capital subscription commitment subscribed IPO companies to apply for a grant of a license, rating of 'A'.

4.1.8. FOREIGN INVESTMENT

Each year in cooperation with local investors, foreign investors can set up microfinance banks. You must be foreign investments and follow the jurisdiction of the Pakistani government's policy of foreign investment.

4.1.9. APPROPRIATE AND CORRECT STANDARDS OF THE GOVERNING COUNCIL

MFB must meet all the requirements, of its directors and executive director, in the standards for fit and appropriate, from time to time and the provisions of the SBP. MFB must also comply with all other provisions of the above-mentioned conditions. And should provide information/documents with the application

The application must be submitted in the format outlined in SBP and contained in the annex. Promoters must provide the following information/documents with the application:

- a. Care commitment to participate in executions.
- b. a detailed CV and pro forma information is correct and appropriate standards, issued by the Board of Directors elected Executive SBP according to the head of Prudential Regulation No. 26
- c. Organizational structure recommended MFB
- d. Sponsor / Director, Chief Executive Officer, and a member of senior management commit up a team of capital and services in each of these position's commitment letter
- e. The senior management team of the job description and detailed notes on the CV
- f. Detailed feasibility study, according to a survey of the actual target market. The results of the survey should highlight the MF Bank recommendations, the feasibility study for the design of products and services, and channels.
- g. Detailed action plan funding (core deposits and private) to support loan growth.
- h. Financial projections for 5 years are based on assumptions, a true reflection of the ability of the sponsor, and the development of the industry and future expectations.
- i. Short-term and long-term action plans to support the financial projections. The plan should highlight the business model of the proposed development strategy, and the use of technology options, MIS, and human resource development of the salient features.
- j. Memorandum and Articles of Association of the project name MFB and recommendations of the Assembly;
- k. Application fee: The applicant must deposit Rs. 1000000 / = (Rs million) or it's equivalent in U.S. dollars of the application processing fee. These must be fees are non-refundable. Does not accept incomplete applications, and never return. In this case, it should be a non-refundable processing fee. Fee by money order or pay for storage.

Other needs of microfinance institutions in the MFB played MFIs smaller (NGO and RSP) plays an important role, especially in the initial development of the microfinance industry. The legal framework for the recognition of their contribution to the sector and to encourage microfinance institutions can, turns into a microfinance bank (MFB). Licensing standards establish microfinance banks, allowing the potential and the capacity of microfinance institutions to provide up to 50% of the required capital in the form of credit and another review of a group of Chartered Accountants SBP between the two teams. To strengthen microfinance institutions in the process of transformation, this section highlights the various aspects of the transition and the transition from the provisions of the basic requirements. However, full details can be referred to in this connection that the interim guidelines. Can apply for MFIs' additional procedures, to assess their ability to transfer, to ensure a smooth transition from the non-profit and unregulated profit-oriented financial institutions and controlled for the poor.

5. CONCLUSION

To analyze the relationship between microfinance institutions and microfinance banks, we have studied the history of these factors and their impact and reducing unemployment in the economy. After studying these factors in detail we will conclude that microfinance institutions and microfinance banks play a vital role in creating self-employment in every sector of the economy regardless of the sectional divisions in the economy. Microfinance institutions and microfinance banks support the people of any country by offering microfinance loans to the rural and urban populations in creating self-employment and support their activities in expanding their businesses to other areas of the economy by the expansion of the business people will be facilitated by offering new goods and services at their door steps which make it easier to approach and to utilize the real fruit of micro-financing institution in creating self-employment in Pakistan.

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Journal of Business and Economic Options

JBEO, Vol. 1(1), 15-22

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