

The history of micro financing can be traced back as long to the middle of the 1800s when the theorist Lysander Spooner was writing over the benefits from small credits to entrepreneurs and farmers as a way getting the people out of poverty. But it was at the end of World War II with the Marshall plan the concept had an big impact.

The today use of the expression micro financing has it roots in the 1970s when organizations, such as Grameen Bank of Bangladesh with the microfinance pioneer Mohammad Yunus, where starting and shaping the modern industry of micro financing. Another pioneer in this sector is Akhtar Hameed Khan. At that time a new wave of microfinance initiatives introduced many new innovations into the sector. Many pioneering enterprises began experimenting with loaning to the underserved people. The main reason why microfinance is dated to the 1970s is that the programs could show that people can be relied on to repay their loans and that it's possible to provide financial services to poor people through market based enterprises without subsidy. Shorebank was the first microfinance and community development bank founded 1974 in Chicago .

An economical historian at Yale named Timothy Guinnane has been doing some research on Friedrich Wilhelm Raiffeisen's village bank movement in Germany which started in 1864 an by the year 1901 the bank had reached 2million rural farmers. Timothy Guinnane means that already then it was proved that microcredit could pass the two tests concerning peoples payback moral and the possibility to provide the financial service to poor people.

Another organization, The caisse populaire movement grounded by Alphone and Dorimène Desjardins in Quebec , was also concerned about the poverty, and passed those two tests. Between 1900 to 1906 when they founded the first caisse, they passed a law governing them in the Quebec assembly , they risked their private assets and must have been very sure about the idea about microcredit.

Today the World Bank estimates that more than 16 million people are served by some 7000 microfinance institutions all over the world. CGAP experts means that about 500 million families benefits from these small loans making new business possible. In a gathering at a Microcredit Summit in Washington DC the goal was reaching 100 million of the world's poorest people by credits from the world leaders and major financial institutions.

The year 2005 was proclaimed as the International year of Microcredit by The Economic and Social Council of the United Nations in a call for the financial and building sector to "fuel" the strong entrepreneurial spirit of the poor people around the world.

The International year of Microcredit consists of five goals:

- Assess and promote the contribution of microfinance to the MFIs

- Make microfinance more visible for public awareness and understanding as a very important part of the development situation
- The promotion should be inclusive of the financial sector
- Make a supporting system for sustainable access to financial services
- Support strategic partnerships by encouraging new partnerships and innovation to build and expand the outreach and success of microfinance for all

The economics professor Mohammad Yunus and the founder of Grameen Bank were awarded the Nobel Prize 2006 for his efforts. The press release from [nobelprize.org](http://nobelprize.org) states:

“The Norwegian Nobel Committee has decided to award the Nobel Peace Prize for 2006, divided into two equal parts, to Muhammad Yunus and Grameen Bank for their efforts to create economic and social development from below. Lasting peace can not be achieved unless large population groups find ways in which to break out of poverty. Micro-credit is one such means. Development from below also serves to advance democracy and human rights. Muhammad Yunus has shown himself to be a leader who has managed to translate visions into practical action for the benefit of millions of people, not only in Bangladesh, but also in many other countries. Loans to poor people without any financial security had appeared to be an impossible idea. From modest beginnings three decades ago, Yunus has, first and foremost through Grameen Bank, developed micro-credit into an ever more important instrument in the struggle against poverty. Grameen Bank has been a source of ideas and models for the many institutions in the field of micro-credit that have sprung up around the world. Every single individual on earth has both the potential and the right to live a decent life. Across cultures and civilizations, Yunus and Grameen Bank have shown that even the poorest of the poor can work to bring about their own development. Micro-credit has proved to be an important liberating force in societies where women in particular have to struggle against repressive social and economic conditions. Economic growth and political democracy can not achieve their full potential unless the female half of humanity participates on an equal footing with the male. Yunus’s long-term vision is to eliminate poverty in the world. That vision can not be realised by means of micro-credit alone. But Muhammad Yunus and Grameen Bank have shown that, in the continuing efforts to achieve it, micro-credit must play a major part.”