



## PREFACE

*Dr. Djamchid ASSADI*

Microfinance may have always existed in the history of humanity - at least between friends and family. However, it is the initiative taken by the iconic Mohammad Yunus to lend to a group of women in Bangladesh that has provided an exceptional impetus to modern microfinance. That was in the village of Jobra in 1976.

Since then, the sector has continued to grow especially in the South, but also those in the North. The United Nations has declared 2005 the International Year of Microcredit. In 2006, *Muhammad Yunus* was awarded the *Nobel Peace Prize*, along with Grameen Bank, for their efforts to create economic and social development. Now, there are 3600 microfinance institutions in the world for 190 million people who are having recourse to microfinance services.

To fight against poverty and to give access to capital to would-be entrepreneurs who are otherwise excluded from the banking system by their poverty, two broad categories of solutions, apparently contradictory, are distinguished. Some support the charity or assistance without compensation, while others argue that for microfinance to achieve its mission, it would have to be a sustainable business without relying on the goodwill of charitable agents. One can also distinguish a third category that assigns a mission to microfinance between charity and the profit motive: Using the profit obtained through lending, for the social cause. Mohammad Yunus calls it social business.

Despite its apparent attractiveness and the initial success, microfinance has recently come under greater scrutiny. Critics indicate it may not have as powerful or positive an impact as previously thought, while MFIs have come under fire for the high interest rates they charge to cover the administration required for very small loans.

Under these conditions, research, field studies, debate, interactions and partnership between academic and financial and on-the-field professionals are crucially necessary more than ever. This special issue of the CEREN working papers gathers different contributions on a vast variety of issues in the sector of microfinance.

A good number of these contributions comes from the second international conference ITEM (Institutional and Technological Environment for Microfinance), held in December 2010 in Dijon. This conference is organized yearly by the Microfinance Chair of the Burgundy Business School, alternatively in the North and in the South.

The third ITEM conference was recently held in Delhi, India between January 4 and 7, 2012. A report is already published in *Microfinance Focus*. We also tend to publish the contributions.