



Micro-credit and religions: comparative perspectives

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Abstract

The growing criticism against traditional finance raises ethical questions and requires a search for overlooked fundamentals. In this research, we examine whether the various religious traditions of humanity offer a contribution to building responsible finance. It raises a new question: can the religious commitment be combined with the alternative economy?

This paper presents briefly Hinduism, Judaism, Christianity and Islam. It details specific and particularly their divergent views on money and credit in particular and business in general. Emphasis is then focused on the practical questions of interest rate tolerated by each of these religions.

Based on this historical perspective, we then analyze how the tradition corresponds with a renewed relevance to contemporary concerns in the economic field by presenting concrete examples of support to social finance and studying the considerable interest of different religions in their commitment to alternative finance.

Keywords: Microfinance, Money, Interest rates, Religion, Alternative Finance.

Introduction

The growing criticism against the traditional finance raises ethical questions, and requires re-examining basic fundamentals, too often overlooked. In this research, we examine whether the various religious traditions of humanity offer an original contribution to building responsible finance. The Nobel Laureate, Muhammad Yunus (2011) has expounded a concept of "social business", a close relative of responsible finance, with the aim of seeking to change the world without giving charity. Charity is a great idea, but the problem with charity is money goes out and never comes back. In a social business the money becomes endless. Recycling profits, you can continue expanding to reach more people. That is the strength of the social business. This definition takes force in the current economic climate.

Today, 2.6 billion people live below the poverty line²². Meanwhile, the world has about 950 million beneficiaries of microfinance²³. With the crisis, the situation could deteriorate and increase the vulnerability so it is necessary to facilitate self-employment. But to start an enterprise, funds are needed, but 80% of the population lacks access to credit and financial services²⁴. Today, more than half the world's population does not use the banking channel and operates merely on cash transactions²⁵. The use of microcredit is therefore an alternative tool of social financing. Microcredit is the lending of small sums of money to micro-entrepreneurs - mostly

²²Chen, S. et Ravallion, M. (2008), "The developing world is poorer than we thought, but no less successful in the fight against poverty", World Bank.

²³ Microcredit Summit Report 2011, p. 3, based on information volunteered by 3589 IMF for 2009 indicating 190 million clients of microfinance, of which 128 million are among the poorest. With a family size of five, this means about 950 million beneficiaries, of which about 640 million are among the poorest.

²⁴ Planet Finance, (2006), *Rapport*.

²⁵ Report for VRL Financial News presented to 2nd Annual Prepaid Summit of Dubai (22-23 March 2011) in Microfinance Focus (23 March 2011)