



Is microcredit a real innovation?

Laurence ATTUEL-MENDÈS

Professeur Département Gestion Droit Finance, Groupe ESC Dijon Bourgogne

Abstract

Due to the global crisis and other phenomena, microcredit has become a way out of poverty by creating its own wealth and avoiding recourse to charity. The media has widely reported that microfinance in general and microcredit in particular are the creation of Professor Mohammad Yunus, a Nobel Peace Prize laureate with Grameen Bank in 2005. Despite the fact that the development of microfinance in general is clearly exponential since its theorization in the 1970s, it cannot be traced to this period alone. Microcredit is not an innovation of the late twentieth century. It could be said to have always existed. This paper aims to outline past initiatives which can be compared to contemporary microcredit practice.

Keywords: microcredit, innovation, history

In 2006, almost 2 billion people worldwide were considered to be living below the poverty line, surviving on less than 2 dollars per day (Cazabat, 2007). Three billion people lived in poverty according to a report published by the World Bank in 2005. In addition, there are around nine hundred and fifty million recipients of microfinance (Microcredit Summit Report, 2011), whereas eighty per cent of the population does not have access to credit and other financial services (Rapport de Planet Finance, 2006).

The financial and economic crisis has spread due to globalization and has led to an increase in the number of unemployed worldwide, which has automatically increased the number of people who have chosen to set up their own business (Bacin et al., 2009). Microcredit should lead to a decrease in unemployment (Baudet et al., 2009). On the other hand, Emmanuel de Lutzel (2009) noticed that the microfinance market has stabilized during the last few years, showing a 30% annual growth compared to 36% in 2005, according to the Microcredit Summit Report.

Microfinance has in fact experienced significant development during recent years (Servet, 2006). 2005 was the international year of microfinance according to the United Nations. In 2006 Mohammad Yunus together with Grameen Bank were awarded the Nobel Peace Prize. Microfinance has spread considerably throughout Asia, Africa and Latin America. It is estimated that this phenomenon today represents 25 billion dollars in outstanding loans (Brack, 2009). It is largely presented as the creation of a famous Bangladeshi professor⁴³. Although the development of microfinance in general has expanded without contest since the creation of its fundamental theory in the 1970s, it existed well before this period. Microcredit is not an innovation of the end of the twentieth century. One can say that it has always existed. The uniqueness of this phenomenon is due to its expansion and accessibility to the use of modern innovative techniques such as mobile banking and peer-to-peer lending platforms.

1. Microcredit is not an innovation in itself

Microcredit is not a contemporary invention (Fontaine, 2008) even if it was re-launched in the 1970s by M. Yunus. According to a study carried out by Grameen Bank, microcredit permits the poorest of the poor to have access to credit and to set up a business activity, allowing 50% of its beneficiaries to come out of poverty at the end of three years. It has however appeared in different forms in different continents.

⁴³ See amongst others M. Germain, "Du micro-crédit au *social business*", in *La micro-finance : du micro-crédit au social business : Actes du colloque du Magistère de juriste d'affaires-DJCE et du MBA de droit des affaires et de management-gestion de l'Université Panthéon-Assas, tenu le 11 mai 2010 en Sorbonne*, LexisNexis, coll. Actualités de droit de l'entreprise, n° 28, octobre 2010, p. 1, who presents M. Yunus as the founder of microcredit.