

The Microfinance Tale: Bright and Dark Side of the Narrative

Zehra Mahmutović

International Burch University
Bosnia and Herzegovina
zehra_mahmutovic@outlook.com

Ali Coskun

Fatih University
Turkey
alicoskun@fatih.edu.tr

Abstract: *In the years following the ‘Great Recession’ the microfinance institutions gained great attention and earned various attributes summed up as being a very “attractive” root of financing developing nations’ wide. According to the saying that arriving at an end forces us inevitably to think about the beginning, imposes also the rewind of the ‘Microfinance tale’. The story traces back to the deepest convictions of Muhammad Yunus, a Bangladeshi banker, that the right to get a loan should be classified as one of the basic human rights, and his contribution to the poverty reduction challenge through the establishment of Grameen bank (the bank for poor) in 1976. Today, when we all are witnesses that his idea was pretty sustainable and are tirelessly discussing about the greatest innovation of the last century, there is a necessity to draw a parallel in between the initial idea and its realization, and inspect to what extent are they consistent, and whether they match at all?*

The microcredit as a modest but in comparison to bank loans relatively fast way of obtaining financial support in order to fill the “gaps in your budget” in short-terms, or to start your own small enterprise as a more permanent solution to ample unemployment, flourished in Bosnia and Herzegovina very fast. It seems that Bosnia and Herzegovina was a very fertile ground for implementation of the microfinance project, since it flourished relatively fast and MFIs in Bosnia and Herzegovina in relatively short period of time became quite financially sustainable. Relatively scarce is the list of fields that emphasize simultaneously economic and social performance intensively as the microfinance sector does (Tulchin, 2003); the social performance of a MFI is nothing else than the ‘truth in advertising’ (Hashemi, 2007). As things look nowadays, most of the MFIs ‘turned back’ from their original mission of providing financial support for small entrepreneurs, thus profit goals have overcome the social considerably. This article attempts to draw a parallel and define the reasons why the initial idea of fighting the poverty through providing microcredit brought dark reality of making the poor even poorer.

Keywords: *MFIs/MCOs, microcredit, poverty-debt, developing, SMEs, Bosnia and Herzegovina*

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