

## **Preface to the Cahier Spécial du CEREN for the Conference on Microfinance March 18, 2010, Dijon**

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The conference was opened by Sophie Reboud, director of the Center for Research Enterprise (CEREN) and Marek Hudon, director for the European Centre for Research in Microfinance (CERMI).

Jacques Bongolomba Isoketsu of the University of Panthéon-Sorbonne presented the Impact of Microfinance on taxation of economy of the urban poor in Congo Democratic Republic. During the 7 years of War, how did people live? They managed on the economy of food sector. These are commune based economies. People are very poor. In these economies, there is no credit, no tax, and the state tolerates this since it cannot create employment nor provide services. So these economies are excluded. Moreover, the firms in these economies maintain fraudulent books and therefore do not pay taxes. The tax offices are patient with them. These included 538,000 small artisans. The question for the taxman is how to get some tax revenue from these economies. All these microenterprises need microcredit and only MFIs can give them credit. Can the tax authorities contact MFIs to get information for taxation purposes? In theory, the tax authorities have the power to go to MFIs and investigate. If they do, there would be an increase of the tax base. There will be a civic participation for tax. Today, there are no public services because there are no tax receipts.

Laurence Attuel-Mendes of the Burgundy School of Business (ESC Dijon, CEREN) spoke on religion and microcredit: are they complementary or opposed? 80% of people do not have access to credit. The financial crisis had increased unemployment and, so, increased entrepreneurship which needs microcredit. Microcredit has been developed with 2005 as the year of microcredit and 2006 with a Noble Peace prize. At the same time there is an increase of religious phenomena. In Islam, at least, there is a critique of interest rates and in Microfinance, of high interest rates. In fact, sometimes, religious people have been associated with MFIs. The early MFIs were based on collateral and high operating costs. Slowly, they diversified and evolved into banks. According to Rosenberg, very few MFIs charged more than consumer credit and in any case much less than moneylenders. In the religion, in Judaism there was a prohibition to charge interest, especially to people of their own religion. But with poor people even have to charge negative interest. In Christians, even in New Testament, we find some prohibitions against interest rates. Money is a unit of change and should not be used as a means of production. St Thomas even said no interest rate. Calvin makes a distinction between loans for production or business, which legitimately allowed for the payment of interest, and loans for the purposes of consumption or meeting necessity, which should be free. In Islam (Sunnism), the prohibition is in Koran and is on riba. The riba is an illegal advantage by taking an excess on what you give. Different authors have different justifications: avoid exploitation, share risks, and refuse production based on money. In short, all the three monotheist religions have a prohibition. Jean-Michel Servet feels that all the scriptures are open to interpretation.

Bernadette Groshemy (of the Lycée Saint Joseph of Mulhouse) reviewed the literature on Microfinance and Territorial Anchoring. A good example is the Community Reinvestment Act of 1977 in USA, which was a financial innovation and created wealth for that region. It created links between the bank and the beneficiary. The MFIs have a role to play in this proximity between MFIS and its beneficiaries in order to create solidarity. There are two