

Microfinance as a New Poverty-combating Instrument: Achievements, Challenges and Prospects (Case of Tunisia)

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Abstract Micro-projects are almost excluded from the funding programs offered by the Tunisian banking sector. This is partly due to the weakness of the amounts requested and, mainly, to the absence of collateral. In a bid to satisfy these small enterprises need for financing, a new financing specialized institution, was created in 1997, namely, the Tunisian Solidarity Bank (BTS). In this respects, the present paper attempts to provide a thorough examination and study of the state of financing needs and employability in Tunisia before and after the BTS establishment.

Keywords: microcredit, microenterprise, microfinance, poverty, unemployment

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1. Introduction

It is worth noting that poverty and unemployment represent actual threats that affect large portions of the world population. The acceleration of globalization along with the technological progress have led to political and socioeconomic upheavals highlighting these dangers. The gap between rich and poor countries and the discrepancy between the different social groups within the same nation are getting and widen. Faced with such a fast-growing situation and globalizing, the poor found themselves under the obligation to use small self-employment activities to improve their situations. However, the lack of financial resources has made it difficult for this type of entrepreneurship to mature. Given the absence of collateral, financial resources and the small amounts required for establishing such projects, these populations are excluded from the financing opportunities offered by bank loans.

Noteworthy, however, several studies have been devoted to the study of the microfinance impact on employment, employability of young professionals and the development of rural areas. In this regard, one can cite the works elaborated by J-P. Cling and al. (2002), J-M. Cour (2002), H. Defoundoux and al. (2003), CERISE (2003), Razafindrakoto M. and Roubaud F. (2003), etc. In fact, very numerous are those studies which have sown and highlighted the positive impact of microfinance on economic development.

Actually, the early microcredit programs have gradually been recognized internationally as an efficient instrument

for combating unemployment, poverty and social exclusion. Nowadays, the world is witnessing a global awareness of the positive impact of microcredits on local economic development and on creating various sources of income in favor of the poor and unemployed.

Mar-André FREDETTE, from the Canadian International Development Agency (CIDA), believes that microfinance is not a panacea for development, which is not its exclusive concern. Indeed, microfinance, on its own, can never solve the problems of the poor. Set, according to the same author, "microfinance can and must contribute to sustainable development." Its effects are not only economic, but it can also introduce qualitative changes at the level of individuals and their communities. This is the reason on which many development agencies, such as the CIDA, rely upon while pressing other strategies such as support for education, developing agriculture the private sector etc. Many organizations have implemented mentoring programs, literacy and vocational training to help young people improve their living conditions. Experience has shown that, despite the considerable support these programs provide young people with, most of them are not sufficient to help these young people improve their situation in a sustainable manner. Indeed, while still training, these young people are in a state of job waiting. The major need of these young people is to take advantage of this training to ensure a stable income likely to improve their lives as well as their families'. Having a job means a response to this need, but formal jobs are scarce, especially in the developing countries. Hence, the only solution available is, often, to establish their own employment in the informal

sector. Some young people have the will and capacity to engage in such a sector and become economic actors, but owing to the lack of access to necessary finding financing, they may eventually fall into inactivity and even horn to crime.

To better meet the youth's needs, the social structures and organization surrounding them, which know them well, have tried to offer them some credits. Nevertheless, managing financial services is very different from managing youth training or mentoring, as it imposes a strict credit management and repayment as well as financial analysis activities. These organizations often fail to provide financial services that are efficient and sustainable enough to meet the youth needs.

Microfinance institutions (MFIs), however, as management and financial service mastering institutions are seeking new customers, such as young trained applicants, for funding. The time and costs required to apply directly to these young people and the possible resultant risk has often been regarded as too high.

The current evolution of the microfinance emphasizes the importance of paying further attention to the professionalization of microfinance and to the MFIs' building capacity to respond to the poor's permanent financing needs.

It is worth recalling that the first World Summit on Microcredit was held in Washington in February, 1997. It adopted a definition of "microcredit" as being "all programs providing for the granting of credits for self-employment and the provision of other financial and business services (including savings and technical assistance) to people living in extreme poverty."

In December of that same year, the UN adopted a resolution entitled "Role of microcredit in the eradication of poverty." The resolution has specifically note that in many countries, while allowing people living in poverty to obtain small loans, microcredit programs are required to create productive self-employment.

It is in this context that present study can be set: it aims at analyzing the socio-economic impacts of microfinance activities in Tunisia (the Solidarity Bank of Tunisia). In the first place, we are interested in the general characteristics of microenterprises and their funding. In the second place, our focus of interest is laid on microcredit as a means of financing. Finally, an attempt has been made to assess the general intervention case of the Tunisian government and above all Solidarity Bank of Tunisia.

Hence, one might well wonder: what are the characteristics of microfinance? What are the available means of financing? And how can the achievements, challenges and opportunities brought about by microfinance in Tunisia be embodied?

2. Characteristics of Micro Tunisia

In Tunisia, 1990s, several studies have been conducted on microfinance notably by Ben Zakour and Kria (1992); Marniesse & Morrisson (2000); Sboui, (2002); and Sidhom (2002) have, shower that micro "localized Tunis, Sfax and cities within the country "focus at the same industries. The 1997 National Survey on micro has shower that 20% of jobs have been held within the industry and

crafts sector (food processing, textiles, footwear, woodworking, etc.), 30% in the service sector (catering, transport, communication, etc.) and nearly 50% in the trade and repair sector [National Institute of Statistics (INS), 1997].

Concerning membership in the formal sector and the micro or informal one, it appears the different studies the absence of border demarcated and sealed between the two sectors. Works on Tunisia elaborated by Sidhom, (2002); and Sboui, (2002) have highlighted the absence of the informal sector and the domination of several segments differentiated by their dynamic evolution or involution.

In Tunisia, a survey conducted on the interior poor urban areas has identified the existence of at least two categories of activities within microenterprises: the first includes involutive activities, mostly performed by women at home as part of self-employment scheme, while the second concerns the scalable activities, very close to the formalizing of some microentrepreneurs (men) covering the potential to create jobs, income and capital accumulation and interested not only in the domestic market but can also have access to the foreign market, Sidhom (2002). Between these two categories, there exists a gradation pattern highlighted by a study dealing with the informal sector in the city of Sfax. It can be stratified into four widely differentiated segments: a primary scaled segment has strong economic dynamics enabling it to compete with formal sector companies, a secondary scaled segment, which is a little less equipped and less remunerative but dynamic, a stagnant artisanal sector based on a traditional system whose evolution is very slow and the marginal informal sector which refers to the involutive labeled activities, Sboui, (2002).

3. Means of Financing Microenterprises

They cover different types and amounts of financing depending on the microenterprises' development stage and are, in most cases, similar to those of larger companies: the business start-up costs the business, purchase of raw materials, payment of charges, payment of employees, etc. Gemini (1992). The difference with large companies lies in the fact that their needs are proportional to their size (mostly reduced) and their access to formal sources of finance is limited. Their financing needs fall into three categories: the need for short-term financing, need of start-up (investment), financing needs in the medium term (growth).

The financing needs of start-up costs vary by sector and type of business activity: it generally includes the initial investment in equipment, local materials and depends on the sophistication degree of the equipment required.

The need for medium-term financing occurs when, at a given stage of their life cycles, some companies must grow to compete, to take advantage of certain opportunities or to meet demand. They must pay additional employees, buy equipment to increase labor productivity and improve product quality. These loans are required in excess by those who finance working capital and require a longer repayment period. This creates a greater risk for banks, thus, reinforcing the reluctance to grant loans to microentrepreneurs which hinders their activity.

Banks justify their reluctance to lend to micro by stressing the unprofitability of small loans because of the high transaction costs, significant risk induced by information asymmetry and lack of collateral. Consequently, credit rationing is but the result of granting rather than just a selection by interest rates.

Thus, the bank intending to lend to the poor, is likely to face two major problems. First, the lack of guarantees (neither current assets, nor any title to the land) constitutes a risk to the banker to the extent that it can not recover its funds in case of bankruptcy. Second, the banker may have very little information (if any) on the client. This lack of information, necessary before concluding the loan agreement, leads to the adverse selection problems. Hence, unable to discriminate between companies, the bank will translate the risk possibility by an increase of interest rate likely to generate an output market made up of the less risky borrowers.

Moreover, the asymmetry of information during the contract course can result in the fact that the bank would have no control over the actual application of the loan. The borrower can use the loan to fund a riskier project, or to invest, more or less, in the good management of the project, thereby reducing their repayment probability.

The bank profit is not a strictly increasing function of the lending rate. Its expected return would grow less rapidly than the interest rate and a certain level would begin to decrease. Indeed, the effects of adverse selection and moral hazard, engendering an increase in the number of delinquent borrowers, significantly reduce the bank's performance Stiglitz and Weiss (1981).

The rise in credit (the free play of supply and demand) would lead to, on the one hand, to an increase in the debtors' interest expenses, which depreciates their performance and appreciates the risk of bankruptcy, and to an increase in the probability of default by the "bad risks" which are further attracted by these rates, on the other.

With respect to Tunisia, and in the early 1990s, some institutions used to provide credits but would not offer them on demand. Short or medium-term loans were usually accompanied by a case preparation, a tax-discharge provision and a registration certificate in the commercial register, in addition to the requirement of a guarantee according to which micro would not be provided in case of asset unavailability.

On analyzing the results of studies conducted in Tunisia in the past decade, it appears that the primary sources microenterprises financing have been personal savings and family support. Indeed, the flow has been widely used by a large majority of microentrepreneurs (60 to 85%). External means of financing have been far behind. Loans to third parties (friends and family), because of their non-monetary character, have been the most used (10 to 70% of microentrepreneurs use them). The resort to the bank has been relatively uncommon. The percentage of microentrepreneurs applying bank loaning used to vary in accordance with the state programs involving the banking sector in funding small businesses, like the FONAPRA Tunisia, for instance.

In Tunisia, the financial structure of a sample of 150 Jendouba-based microenterprises indicates that the volume of working capital has been reduced. In the absence of external financing to cater for the Need in Working Capital, 80% of microentrepreneurs would

reinvest their earnings in a bid to replenish their working capital, thus depriving themselves of income, 24% would use bank credit in its most expensive overdraft form and 75% of the recipients of short-term finance capital applied it at the expense of their capital, thus creating an imbalance in their financial structure [International Labour Office (ILO), 1996].

Owing to the low level of investment in premises and equipment for most microenterprises, the initial investment is generally limited and, most often, financed by proper resources. The major financial constraint is, usually, the funding of working capital and lack of short-term loans.

In such a situation, the microcredit has increasingly been recognized, internationally, as an instrument for financing micro projects and has to contribute in fighting unemployment, poverty and social exclusion. Nowadays, we are witnessing a growing awareness of the from microcredit activities benefits to the local economic development and the creation of income sources in favor of the poor, worldwide.

4. Microcredit

The central role of the state has been highlighted as a solution to address market failures. Some advocated deregulation of financial systems, supposed to allow institutional stakeholders to adapt their practices to the new customer needs. Others wanted the state itself to take control of the resource allocation devoted reserved to this sector of the economy. Still, none of the two approaches provides an adequate answer to the problems.

On the one hand, institutional banks prefer not to cover this market segment because such customers present numerous risks. Allotting them to credit institutions is costly either because of the high information search costs, or hedging, or because the amounts lent do not justify such expenditures, Labie, (1996). On the other hand, there is no reason to think that the state can systematically adapt better than the institutional sector to the micro-credit market characteristics, Stiglitz (1988) and Labie, (1996).

Actually, the problem consists in determining how to establish, some types of micro-credit pertinent institutions likely to promote a cooperative game helping to reduce such problems as moral hazard, adverse selection, lack of information and uncertainty.

In fact, microfinance institutions appear to be the most appropriate institutions eligible to finance microenterprises. Indeed, as part of their organization, there should be included not only the reduction of information asymmetry, but also that of transaction costs for the micro-entrepreneur by providing credit in a short time and simplifying the granting and monitoring procedures, while trying to reduce the likelihood of moral hazard and adverse selection to the minimum. In general, as a mid-way solution between the market approach and the social compensation procedure, this system would constitute a father more efficient and durable form of intervention, thanks to the appearance of some genuine financial institutions better fit to such a category of the public.

These institutions are driven not only by the desire to reach and serve the largest number of customers, but also

to achieve sufficiency, Ryhne & Otero (1994). Some of the newly adopted techniques have been inspired from informal finance practices Berenbach & Guzman (1994), and simultaneously aimed to reduce certain problems risks (lack of collateral and information asymmetry) and to cut cost by applying non-traditional means (bank point of view).

Methodological solidarity groups are typical examples of this approach. They have been inspired by the methodology of tontines, as a highlighted and spread from of informal finance in the developing countries. Lending to groups of people, without collateral, who, vouch for each other, not only the risk of borrower default to be transferred to the group, but also the social interactions resulting from the joint guarantee reduces the likelihood, of failure, Besley & Coates (1995). Members of the control group (peer monitoring) would allow the borrower to circumvent the problems caused by asymmetric information, Stiglitz (1990).

Microenterprise development has been facilitated by a promotional policy adopted by the government in the 1980s in response to the rapid growth of the labor force and the limited hiring capacity of large companies.

The interest in microenterprise can, then, be explained by the fact that it represents an ideal tool serving to encourage the private initiative, entrepreneurial spirit and as a means to achieve the goals of regional development, job creation and income generation.

5. The State Involvement: The Case of Tunisia

In its efforts to encourage the microentrepreneurial sector, the state has taken some measures, among which are: tax incentives, financial and customs exemption, in addition to the provision of specific funding mechanisms to microenterprises.

Since 1990, Tunisia has developed an active socio-economic development policy of the poor, whose major objectives are:

- To give greater care to the poor families and the poor with no family support in a bid to reduce poverty;
- To ensure the integration of the needy who are able to work in the production process, by allowing them access to a stable source of income;
- To ensure an effective management of the social programs and social transfers, for a greater social equity.

To achieve these objectives, the strategy has included three major components, namely:

- Financial assistances to guarantee and ensure an adequate minimum income for all citizens, especially the most disadvantaged;
- Development of specific programs to take advantage of the targeted opportunities to improve the overall dynamics of development and contribute to the general growth;
- Regional action for the promotion and improvement of the socio-economic conditions of people living in areas called "shadow" zones in marginal economic centers.
- As a matter of fact, the policy implemented over the last decade has effectively contributed to the overall

improvement of living standards and poverty reduction.

Surveys on household consumption, conducted every five years by the National Institute of Statistics (INS), have shown that the proportion of the population living below the poverty line fell from 12.9% in 1980 to 7.6% in 1990 and since then, the rate fall has still continued to reach 4.2% in 2000. It is also worth highlighting that more recently, the GDP growth has grown at an average rate of 5.2% per year, accompanied by a significantly higher growth of household consumption (+7.1% per year), especially in the rural areas (10%).

Such a decline in the poverty rate has not only been the result of who the Tunisian economy general growth, but has also been enhanced by members of the civil society, who have developed support efforts to:

- Ensure a balanced and progressive pace of the economic and social life, in an advanced stage of economic reforms with integration into the global economy;
- Focus on specific actions to curb poverty, more persistent in urban areas.

Social transfers are an essential part of the human and social development policy in Tunisia. They now represent 19.2% of the GDP and affect the sectors of education, health, training, compensation of staples, along with assistance and support programs to vulnerable families and development schemes.

Much of these actions are part of the social integration programs targeted to sustain the vulnerable populations with no immediate possibility of work, helping them establish a minimum income, create specific intervention and activity incomes (National Solidarity Fund, Integrated Urban Development Programs, etc.).

6. The social Inclusion of Vulnerable Populations

6.1. Informal Sector Support

The informal sector has always played an important role in mitigating, and sometimes concealing unemployment. The recognition and promotion of the so-called informal activities are based on a specific policy. The government, recognizing its economic and social role, has developed appropriate support mechanisms to these activities in a bid to promote and help them join the other organized sectors of the economy.

6.2. Implementation of Specific Programs

The regional development programs (RDP), first established in 1973 and restructured in 1987, has targeted all segments of the population and disadvantaged areas in any region. They include four components: vocational training, job creation and consolidation, improving living conditions and providing income supplements for regional sites. The funds earmarked from 1997 to 2000, a total of 272 million Dinars, helped provide vocational training to nearly 28,000 young people and sustain 5200 others to set up their projects, develop 400 kms of agricultural roads, provide electricity to 58,000 households and 30,000 others

connected to potable water and offer 18 million working day in the intervention regions.

Integrated Rural-Development Programs (IRDP), established in 1984, aimed at improving the living conditions, have increased production and improved rural incomes in clearly identified geographical areas, including the creation of infrastructure and new income sources. The funds, earmarked from 1993 to 2000, amounted to 200 million Dinars allocated between agricultural productive activities (110.7 million Dinars), non-agricultural productive activities (6.8 million Dinars), basic infrastructure (99 million Dinars), and operation studies (3.5 million Dinars). Indeed, they helped create nearly 36,000 permanent positions in small business and fishing and consolidate 6,352 farms.

The integrated urban development programs (PDUI), created in 1992, involved specifically in the urban areas by strengthening the infrastructure and utilities as well as the creation of permanent jobs. In fact Ninth Development Plan (1997-2001) budget has been reserved in the order of 50 million Dinars for the realization of development projects.

6.3. Assessment Elements of the Poverty-Curbing Strategy

Programs and measures under this strategy have been oriented in three dimensions considered most desirable for the fight against poverty in the country.

Based on a geographical approach, the first dimension has allowed to Tunisia targeted intervention through the classification of urban and rural areas according to multiple indicators for a multivariate analysis. It has encouraged the use of a multi definition of poverty and vulnerability in order to adopt an integrated policy of socio-economic integration. The integration programs based on geographic approach (which will be presented in the political fight against poverty), used to identify the vulnerable areas, have taken into consideration the state of education, health, access to drinking water etc.

As for the second dimension, it is based on the social approach and takes as a background the poverty situation of the family. The National Institute of Statistics (INS) has adopted this method conceived to grasp the essential core of poverty. Based on budget surveys and household consumption administrated (every five years since 1975), it provides a better assessment of trends over time based on the same indicators.

Regarding the third dimension, it is based on a sectoral approach to poverty-exclusion, taking into account the social support restructuring programs and production areas on the one hand (the behavior of the labor market), and the specific treatment of long-term unemployment among vulnerable groups on the other (workers' affiliation to the social security system).

This methodical approach has ensured a kind of geographical coherence between the national strategies and the action pursued to curb poverty in Tunisia. Indeed, since the eighth development plan (1992-1996), a qualitative shift from the logic of assistance to the logic of social integration through economic activity has been clearly witnessed.

7. Development National Solidarity Mechanisms

The Tunisian Bank of Solidarity (BTS) was created in 1997 to strengthen the micro-credit allocation in favor of the non-eligible populations with respect to the traditional banking system, lack of loan guarantees. Two target populations have emerged with the intervention of the bank: first the graduates of higher education who have skills but do not have the means to create projects (with a credit which can reach 20,000 dinars), and second a group formed by the poor who need small amounts of money ranging from 500 to 3000 TND to create projects including small trades and crafts.

As a local bank, the BTS intervenes geographically throughout Tunisia: rural and urban environments, particularly in the intervention areas of the National Solidarity Fund. Microloans granted on short and medium-term bases, with a preferential annual interest rate of 5% at maximum, are used to finance independent small business, and economically viable and income generating enterprises in almost all sectors of the economy (e.g small businesses, services, agricultural activities, and crafts).

It is worth noting that the BTS credit loans particularly finance the acquisition of equipment and facilities necessary for the performance of the activity or the need for working capital. The credit release is usually done to the vendor, with the exception of working capital credits that are served directly to the promoter. The repayment periods generally vary between 6 months and 7 years. The graces periods vary between three months and one year and the arising interest are included in the amortization schedule at the developer's expense.

For a developer with a creative project or an extension of his/her own activity, the BTS credit-eligibility conditions are as follows:

- Be among the target population, namely small developers without adequate safeguards and access to traditional bank loans,
- Have verifiable adequate professional capacities in the proposed project field (a university degree, vocational diploma or an other certificate of professional competence),
- Present a feasible income generation,
- Age 18 to 59 years,
- Be exclusively devoted to the project management.

Thus, these conditions indicate that the bank gives its credits on the basis of simple and transparent criteria, by exclusively taking into account the qualities of the promoter himself (experience, professional qualifications, scientific ability and entrepreneurial spirit of initiative) and those related to the project (a permanent profitable income generation).

In general, the maximum BTS credit is around 10 thousand Dinars, but for the higher education graduates, this amount can amount to 20 thousand Dinars with the opportunity to benefit from incentives granted under the National Fund for the Promotion of Crafts and Small Businesses (FONAPRAM). Thus, a total cost of 33,000 Dinars for the projects can be attained.

In the chart below, we trace the trajectory illustrating the bank's business dealings since the granting of the first credits in March 1998 until the end of 2003 in respect of the expected objectives. Since its inception, the bank has made great efforts to ensure a progressive presence in all the country's regions (24 cells implanted in all the governorates' regional capitals with a branch located at the

bank's head office) to better serve its customers and respond in the best conditions and in the shortest possible deadlines to the credit urgent needs from small developers across the country.

Increasing decision-making powers have been delegated to the different regional of affiliates. They are now empowered to take any decision conforming to the

financing consent or advice of the regional advisory committee composed of representatives from each governorate. In addition, they have been made responsible for monitoring and mentoring developers as well as credit recovery. These powers have significantly improved the regional cells performance and accelerated the processing of applications and the granting of loans.

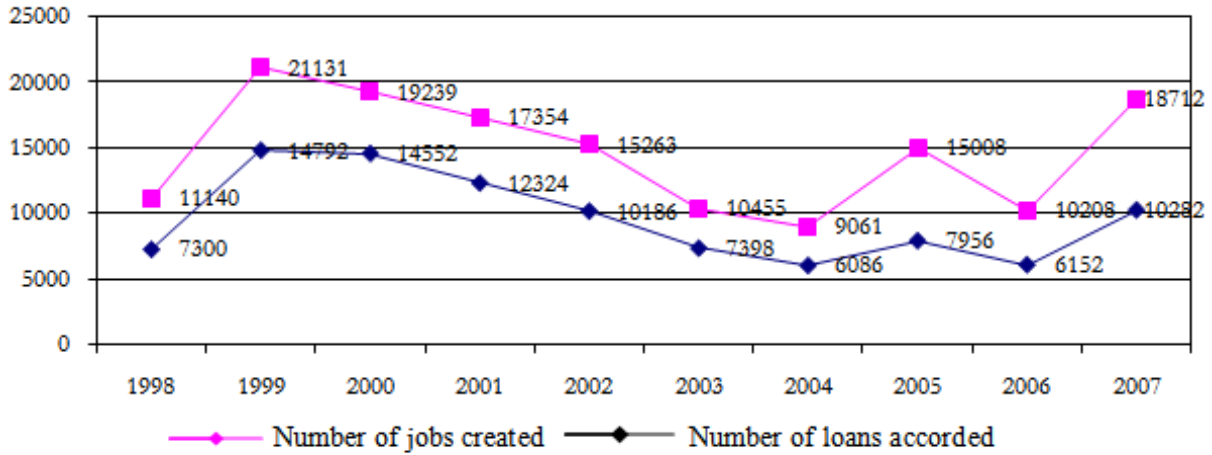


Chart 1. Evolution of the number of credits and jobs created per year

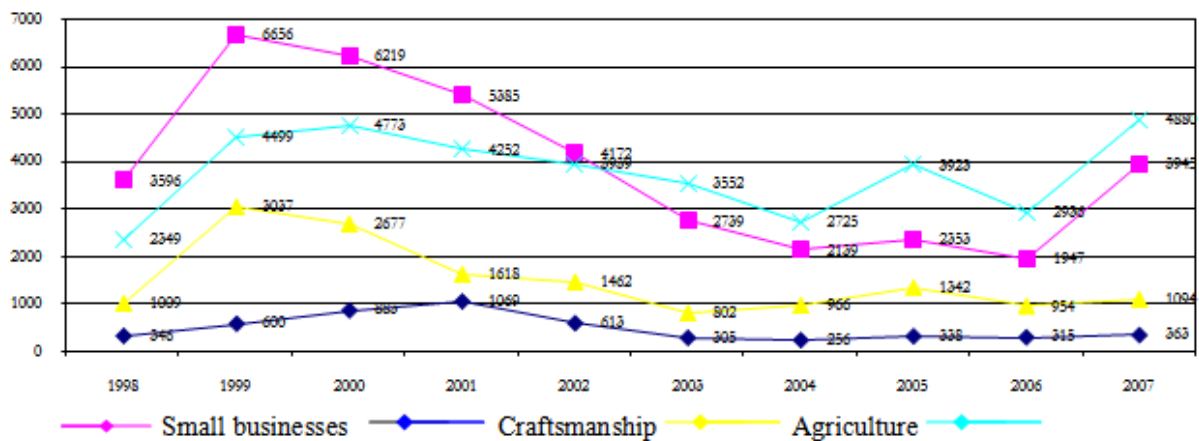


Chart 2. Evolution of the number of credits by sector

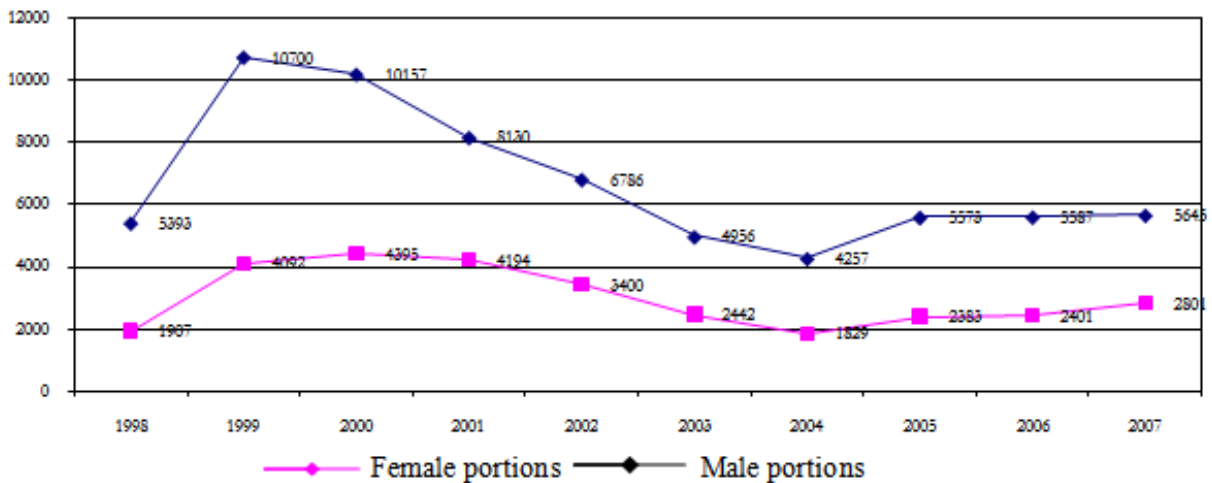


Chart 3. Evolution of the number of credits by gender

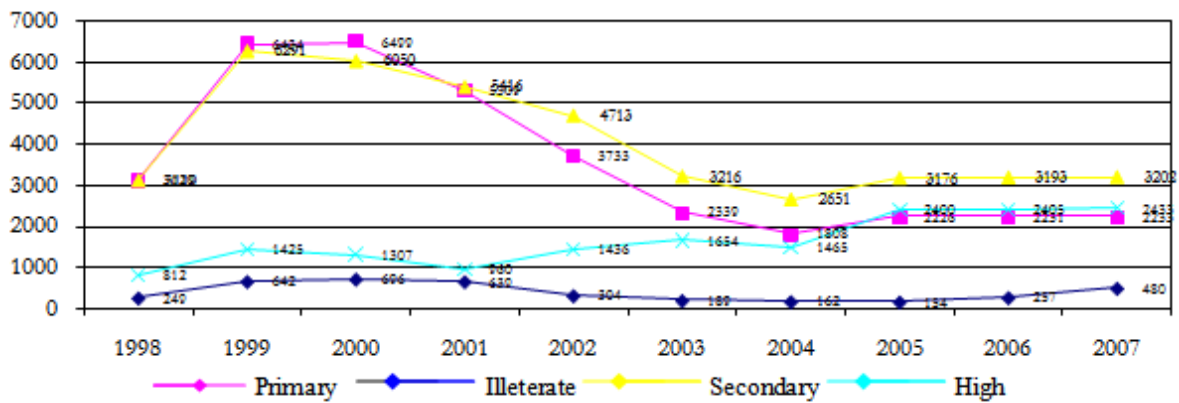


Chart 4. Evolution of the number of credits by level of education

It is worth noting, at this level, that a slight reverse trend towards fewer loans per year, over the period ranging from 1998 to 2007, has been mainly due to the satisfaction of the bygone latent demand for credits earned in part before the start of the bank. In addition, the decline in demand generated by the creation of the latter has been due to the climatic conditions that influenced especially the level of demand for the agricultural sector, etc..

The sectoral distribution of credit, in turn, reflects the importance of the small-businesses and the service sectors compared to agriculture and handicrafts. Within the Tunisian legislation context, the small businesses involve small production activities as well woodworking, metalworking, clothing etc.. As for the craftsmanship, it includes activities related to the country's traditional cultural heritage of such as upholstery, crafts and clay stone, glass crafts, metal work, jewelry etc.

Noteworthy, the new projects creation rate reached the levels of 85.3% (1998, 1999 and 2000), 85.6% for (2001 and 2002) and up to 89.8% compared to the 2007 project extension. Similarly, the social groups with special needs such as the disabled, the blind or other handicaps have found no difficulty in accessing the BTS credit, as they have some entrepreneurial skills and are able to engage in certain types of occupations.

In addition, due to the economic hardship, unemployment, job insecurity and low wages in female occupations, many women have sought to generate income through engaging in self-employment. Harder, but more rewarding in the long term, self-employment provides more flexibility and allows women to earn a living with dignity. Below, is a presentation of the number of credits the evolution by gender.

Furthermore, with regards to the credit agreements analysis, the evolution in the credits number by educational level can be presented as follows:

- An analysis of the sectoral distribution of credit reveals that the service sector recovers its share from 34% in 2001 to 39% in 2007 at the expense of the two sectors of small businesses and handicrafts, which fall, respectively, to 44%; 40% and 6%; 5%. The agricultural sector has, in the meanwhile, remained stable with a proportion of 15% over the same period.
- The proportion of graduates who have benefited from the bank support, showed a significant improvement between 2001 and 2002 from 7.8% to 14.1%, with an

average proportion of 17% over the entire period: 1998 - 2007.

Added to this, the BTS credit financing activity was also marked by an increase in its interventions in the National Employment Fund. Indeed, approvals reached the bank on December 31, 2007, the bank's approvals reached a total of 10,282 loans, totaling 81.7 million Dinars that integrates with a total investment budget of 467 million Dinars. It has been expected that these projects would generate 18,712 new jobs.

Noteworthy, moreover, a large number of loans from which have benefited developers of a special social status (namely, the disabled and visually impaired). In 2007, for instance, the number reached 3,784 credits with a total of 10.085 million Dinars, representing 2.15% of total the bank's intervention.

Face to its success, the BTS denies being a charitable institution. Thanks to its rigorous selection in terms of microprojects and proper guidance microentrepreneurs, it has set a target of 85% in terms of debt-recovery rate. As a result, the payback percentage for a given project is equal to 58.05%, and this rate continues to improve over the years. The table below highlights the recovery rate of overdue credits per year.

Table 1. Evolution of the overdue credits recovery rate per year

	2000	2001	2002	2003	2004	2005	2006	2007
Recovery percentage	63.80%	54.80%	51.13%	52%	54%	57.11%	63.17%	68.40%

Consequently, the BTS continues to permeate the new culture of microcredit and repayment obligation, sparing no effort to accord special attention and care to the difficulties in encountered in the execution of the projects it has funded, by not only providing valuable advice and assistance, but also by taking legal action against recalcitrant debtors.

7.1. Major Challenges and Future Suggestions

It is worth highlighting that the bank's policy implemented over the last decade targeted to achieve the poverty eradication goal, has been considered.

The high level of performance and attained results should, by no means, overshadow the remaining challenges, namely:

- The economic and social integration of disadvantaged groups into the dynamics of development;

- The strengthening of regional action with respect to the disadvantaged areas: promotion of human potential, population integration in the regional economic and social life;
- The multiplication of social, economic and territorial consolidation by strengthening coordination between them.

A special emphasis should be placed on the parallel development of the national and regional mechanisms for reinforcing the socio-economic integration.

- The following up of economic reforms (including the program of structurally upgrading the economy and trade liberalization), by strengthening the workforce productive capacity or output and promoting the reintegration programs: a more significant investment is expected regarding vocational training, social security (extension and generalization now in progress), access to credit, entrepreneurship and private associations, information and guidance;
- The promotion of employment and reduction of unemployment, with a total coverage of the additional demand for jobs;
- Improving the citizens' general welfare and increasing per capita income, maintaining a high rate of economic growth, rising the purchasing power, enhancing health promotion and housing generalization within five years of coverage for the entire population and establishing a new health insurance plan.

8. Conclusion

It is worth highlighting that despite the fact that the Arab states are generally attached to their primary role as the leading economic and social acting bodies, innovative new players have been witnessed nowadays to take part in the game. Their mostly chosen field of microfinance is to opt for ethical solidarity. A good example of this view is the Tunisian economy, which takes pride in being built around the great design of national solidarity. Indeed, its primary aim lies in strengthening the solidarity principle at the national level, encouraging private initiatives and laying the foundation for a society that gradually ventures to take risks. Therefore, the new economic tendency and social organization in this country aims at establishing a remarkably dense banking institution, allowing the diffusion of regional development, planning actions on solid ground level and interacting on the economic situation of all regions and different populations in a context marked by drastic structural changes both nationally and internationally.

It is only in the recent decades that Tunisia has incorporated microfinance in its banking system, an experiment conducted mainly by the Tunisian Solidarity Bank (BTS), which undertakes two types of interventions:

- Direct action via micro-financing: whose targeted public are university or professional degree holders. Since its inception in 1996, and until December 2007, the BTS had accorded a number of 97028 credits that represent 81.25% of the new projects total expenditure, creating 147,571 jobs.
- Indirect financing of microcredit system: launched in April 1999, the law on microcredit has represented a

land-marking event in the Tunisian microfinance system. In fact, the law allows to set aside a budget line for associations (local NGOs) which, therefrom have become authorized to provide microcredits to the poor.

The World Bank Board of Directors is in favor of a new strategy to help Tunisia's initiative, and declared to help the Tunisian government to deal with the pressing socio-economic issues regarding the period ranging from July 2004 to June 2008. It is worth noting that during the second half of the 1990s, the proportion of poor in Tunisia has been greatly reduced from approximately 8% of the total population in 1990 to 3.8% in 2007, with 376,000 people becoming less poor. Similarly, the country has also managed to significantly reduce the disparities between men and women in terms of education, the possibility of integration into the national economy, etc..

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