International Economics Studies
Vol. 34, No. 1 (New Issue), Spring & Summer 2009
pp. 99-107
Received: 20-02-2008 Accepted: 12-07-2009

Islamic Microfinance, Providing Credit to the Poor: A Case Study of Iran[1]

Sadegh Bakhtiari *
Professor of Economics, Islamic Azad University , Khorasgan, Isfahan

Abstract:

The general perception of Islamic finance is that it prohibits the practice of paying and receiving interest, but Islamic finance is much broader than interest rate prohibition. Islamic financial services can be viewed as a set of financial services which are diversified based on the needs of society.

Since in THE Iranian Economy most of the enterprises are micro and/or small, micro financing seems to be very important. Among different modes of financing which are designed in Iran's Interest Free Banking System, Qard Hasan has been discussed in this paper as a way of micro financing .

With a brief review of Iran's latest Banking Act, a history of Qard Hasan has been presented and due to data availability the performance of the Iran Agricultural Bank (Bank Keshavarzi) has been discussed in this regard.

Keywords: Microfinance, Micro enterprise, Small enterprise, Micro credit, Qard Hasan
JEL Classification: G32, K49, N45

---

[1]- The research for this paper was part of a project supported by a grant from the Iranian National Science Foundation (INSF)
* Correspondent Author: (+98) 7935242, Email: bakhtiari_sadehg@yahoo.com

1-Introduction

Riba or interest is prohibited in Islam as it appears explicitly in the Holy Qur'an. The prohibition is based on engaging in any transactions that have elements of riba. In other words, transactions based on the exchange of a commodity of the same nature but with an augmentation in amount. Money exchanged for more money or wheat for more wheat is given often as examples. This prohibition stems from concerns of Islam regarding justice and fairness and needs to be discussed in more details, however it is out of our present discussion.

After the Islamic revolution in Iran some steps were taken to eliminate interest from banking operations and bring the banking system into accord with the requirements of Islamic Laws. For this purpose the authorities, academic scholars and Islamic jurists prepared the first draft of a banking act to bring the entire operation of the banking system in harmony with the Islamic law. The new law was passed in the parliament, August 1983 and came into effect on the 20th of March 1984.

This paper investigate Islamic micro finance based on Iran's Interest Free Banking Act and argue that Qard Hasn (QH)1 could act as micro credit and QH Fund as a micro finance institution and it be more effective in providing credit for the poor and micro enterprises than conventional ones.

The first part of this paper will give a brief introduction on Iran's Interest Free Banking Law, followed by a short history of QH and QH Funds in Iran. The next Section considers QH as a kind of micro credit and an antipoverty tool. By explaining the importance of micro and small enterprises in the Iranian economy, the role of QH as a way to fight against poverty and the experience of Bank Keshavarzi in offering QH have been also discussed. The paper ends by some concluding remarks.

2- A Breif Review of Iran's Interest Free Banking System[2]

In fact Islamic finance services in Iran have developed products to comply with the prohibition of riba. Islamic finance products emphasize the concern for risk sharing between the user and provider of funds. To illustrate Iran's banking operation for preventing riba. Since most instruments in Iran's Interest Free Banking Act may be used in a micro finance program, we will briefly explain them, however it should be noted that this paper will only focus on Qard Hasan .

1- Mudarabah (trustee Financing or profit sharing)

In Mudaraba the owner of funds (bank), finances the entire project while the entrepreneur devotes her/his labor, time and expertise. Profits are shared between them at a certain pre- determined ratio. The financial partner (bank) does not participate in project management. The liability of the entrepreneur is limited only to his/her time and effort unless it is proved that loses result from negligence or mismanagement on his part.

2- Musharakah(partnership)

The financier enters into an equity participation agreement with other partners to jointly finance an investment project and participate in its management. Profits or losses are shared among partners based on their respective contributions to capital. According to Iran's Trade Law there are two different forms of partnership:

- i- ***Civil Partnership***: The bank may enter into a partnership with individuals or legal entities for a particular project. The partnership will end when the project is completed. The Iran Council of Money and Credit determines the minimum and maximum return for the bank investment. The maximum amount of investment by the bank is %80 of the total capital needed for the project.
- ii- ***Legal Partnership***-in this venture the bank may provide some capital for the new firm or buy some shares from the existing firm. The banks are required to evaluate these firms and make sure that this participation is profitable. The central Bank can determine the extent of this participation by the banks. The bank participation in new firms is a maximum of %49 of the firms total capital and %20 for existing firm.

3- Bai Salaf and Bai Salam

Banks can purchase products from productive enterprises by paying the seller the fully negotiated price that the seller promises to deliver at a future date. The quality and quantity of the products involved in this type of transaction must be capable of being specified at the time of the contract.

4- Ijara Be Sharte Tamlik (Lease Purchase)

In this mode of financing banks buy real property or other assets needed by enterprises and lease the assets to them. The price of the asset is determined on cost-plus basis. The ownership of the properties is transferred to the lessee at the end of the contract. The period of repayment of the assets can not exceed their useful life.

5- Jualah (Transaction Based on Commission)

This is undertaken by the bank or the customer to pay a specific sum in return for a service as specified in the

[1]- In this paper we have referred to Qard Hasan as QH

[2]- Iran Central Bank, (1984), Interest Free Banking Law

contract. Jualah is one of the short term services, which may be guaranteed for the expansion of production commercial and service activities. The service to be performed and the fee to be charged must be determined at the time of the contract

6- Bai Muajjal (Selling Fixed Assets in Installments)

With the request of enterprises, banks may buy machinery and equipment or any fixed asset with a useful life of more than a year and sell those to applicants, accepting deferred payments in installments. The selling price by the bank is based on the cost plus profit pricing method. The Council of Money and Credit sets the profit rate.

7- Muzarah & Musaqat (Share Cropping)

If banks own agricultural land, they may give right to a second party to utilize the land and share the crop or the profit (Muzaraah) . When the bank owns orchards and give the right to a second party for utilizing and harvesting the orchard it is called Musaqat. These kind of contracts are for one year, which may be renewed. In fact Muzaraah and Musaqat may be considered as specific kind of musharakah contracts for agricultural lands and orchards. In These cases the harvest is shared among all the equity partners according to their contributions.

8- Direct Investment

In direct investment banks provide necessary capital to carry out a project. Direct investments are similar to transactions in traditional investing and trust companies. But it is obvious that based on Islamic laws bank can not invest in the production of any goods or services that might even appear contrary to the ethical and moral values of Islam

9- Qard Hasan

Qard Hasan are loans that the Koran encourages Muslims to make to those who need them. QH referred to in the holy Quran as "Qarzan Hssanan', means a legitimate wealth given as a loan, without obligation and getting involved with 'riba'. In other words, QH is a loan, with a good faith, and for God's satisfaction, is loaned without any interest. It should be mentioned that Loan is something which in traditional banking is lent to those requesting it. Article 648 of Iran's Civic Law, defines loan as an agreement based on which one side, gives part of his/her own wealth to the other side, who in return, has to pay it back in the same form, amount and quality. If it is not returned in time, he/she should pay it back based on the day's current price. With regards to 'ethics', loan means to take ownership of someone else's wealth in a way that guarantees its exact or equal payment.

Based on these facts the banking law in Iran uses this institution as a source of financing small projects that are not able to use other source of financing. Banks are allowed to charge a service fee to cover the administrative and transaction costs of these loans as long as such costs are not related to the maturity or amount of the loan.

Although all the aforementioned forms of contracts may be used in Islamic Financial Services for Micro and Medium sized Enterprises (MMEs) but we are trying to elaborate QH financing which are more similar to microcredit in an Iranian Perspective. First, a brief history of QH funds will be presented in Iran.

3-Microfinance Institutions or QH Funds in Iran

QH Funds are a form of MFIs and have a long history in Iran's economy. From ancient times, benevolent people gave some of their money to needy persons. In accordance with Islamic teachings and in line with supporting, the community's poor, it has been shown through the history of Islamic communities including Iran that the majority of Muslims followed this doctrine and by giving QH relieved the financial difficulties of their mankind.

With the advance of time and the expansion of communities, QH progressed as well both in quality and quantity. Let us present a brief history of this evolution.

3-1 Traditional or Informal QH

Later on and up to now QH funds were established among families and people who were living in one region or people with the same job. This was very similar to what is now called Rotating Savings and Credit Association, (ROSCA) in which a group of individuals who come together for example at the first Friday of every month and make regular cyclical contributions to the QH fund which is given as a lump sum based on QH to one member of the group. In fact each member of the group will lend money to other members trough his/her regular monthly contributions. After having received the lump sum amount when it is his/her turn (i.e. borrow from the group) he/she then pays back the amount in regular monthly contributions. Deciding who receives the lump sum is done by consensus based on the needs of the person, by lottery, by bidding or other agreed methods.

Unfortunately there are not any official statistics in this traditional QH fund because there is no need for this kind of fund to be registered anywhere and their establishment is based on the consensus of a group of beneficiaries.

Gradually public QH institutions took shape along side the individual, family and trade oriented ones. These public institutions distributed the sums of money donated to them by charitable individuals among society's poor and needy.

3-2 Formal QH Fund

The new form of QH Fund started at 1967. The first QH fund with the new format was established in a mosque in southern Tehran and was named "Eternal Saving Fund". This fund which was established with the aim of helping the poor and to fight usury, offered assistance without compensation, however after a short time, this aid was given in the form of QH.

Subsequent to this, numerous funds all with the purpose of helping the poor began to take form, and through gaining public trust in the fight with usury, they were able to attract large sums of people's savings.

Table 1- Expansion of QH Funds during the last 3 decades

Year	Number of Q-H Fund	Rate of Growth (percent0
1969-1979	200	
1980	800	300
1983	1400	75
1984	1850	18
1985	2000	21
1986	2250	13
2000	6000	166
2008	7000	14

Source: Hassanzadeh A. and M. Kazemi (2004), p.60 (for 1969 to 2000) and for 2008 Iran's Central Bank cited in: www.majiran.com/npview.asp?id=2061113

The astonishing growth rate of Iran's QH fund can be seen in Table 1.

Although the QH funds to have a legal format, they must be registered as a Non Governmental Organization (NGO's). Based on the law, these QH funds are only allowed to accept deposits, and provide QH servies, without any interest but with an annual service charge fee of 2%. According to the law, the funds are not allowed to receive credit from the banking system, can not purchase intangible assets by customers' deposits, or set any condition such as depositing a sum of money.

As mentioned before, it should be noted that the real numbers of QH funds are much higher than this, since as mentioned before many are local or family related funds which have not been registered anywhere yet.

3-3 QH in Iran's Interest Free Banking Law

The third form of QH was established after the Islamic revolution in Iran. According to Iran's Interest Free Banking Act which came to be effective in 1984, QH was considered as a source of fund and a way to absorb money for the banking system and also a way to finance small project, and cover essential needs.

QH Deposits

Based on the aforementioned law, liabilities incurred by the banks are basically of three kinds and as follows:

a- QH Current Deposit

This kind of deposit is similar to demand deposit in conventional banks except that it can not earn any return. Customers are offered cheque books. They can withdraw their money at any time without notice. This account from the point of view of customers is simply a means of making transactions and payments. Based on article 3 of the above banking act, banks are allowed to give the following privileges to depositors.

1. -prize in cash or in kind but it should not be fixed in advance
2. -reduction or exemption of paying fee or their transactions
3. -privilege in using banking services

The type, amount, minimum and maximum privileges givn by the banks are determined by the council of money and credit.

b- QH Saving Deposit

Based on the Banking Law, the nature of QH wether current or saving is a borrowing contract, so the ownership of deposits transferred to the bank. The bank after deducting required and precautionary reserves can use the remaining part as QH or in any other form of mentioned Islamic contracts to acquire profits. According to the banking law, banks have been duty bound to pay at least ten percent of the total facilities they offer on a yearly basis in the form of QH on the condition that it does not exceed the total amount of QH savings deposits.

The term QH deposits is used for these accounts since the depositors in addition to keeping and preserving their sums also participate in the holy act of QH

c- Investment Time Deposit

Based on the Interest Free Banking Act, the banks are useing term investment deposits as the agent (Vakil) of depositors. These sources are not considered as the property of the bank. Banks are allowed only to use these deposits within the framework of Islamic agreements, mentioned in the banking law and utilize them in such a way, that the majority of resources are assigned for their own clients. The profit resulting from these resources, taking into consideration the bank's share after deduction, expenses and lawyer fees, is divided between the owners of these deposits.

Table 2.Balance of non governmental sector deposits in the banking system 1984-2003

(billions of Rials)

Year	**QH Saving deposit**		**QH Current deposit**		**Time investment Deposit**		**Total Deposit**
	amount	% of total	Amount	% of total	Amount	%of total	
1984	1496.7	2529	2509	42.39	1912.6	32.32	5918.3
1985	903.5	13.24	2747.3	40.25	3175	46.51	6825.8
1986	940.6	11.64	3168.6	39.21	3971	49.14	8080.2
1987	1045.6	10.79	3794.6	39.18	4845.9	50.03	9686.1
1988	1193.9	9.75	4312.5	35.23	6735.6	55.02	12242
1989	1280.6	8.48	5342.4	35.36	8485.5	56.16	15108.5
1990	1392.3	7.39	7075.9	37.54	10382	55.08	18850.2
1991	1868.6	7.77	9060.9	37.68	13119	54.55	24048.5
1992	2441.0	8.00	11009.3	36.09	17056.4	55.91	30506.7
1993	2683.1	6.50	15580.7	37.72	23039.2	55.78	41303
1994	3494.7	6.58	21731.2	40.89	37917.4	52.53	53143.3
1995	4616.3	6.20	30294.3	40.72	39488.6	53.08	74399.2
1996	6039.1	5.84	43055.8	4167	54241.6	52.49	13336.5
1997	8693.2	7.31	47923.5	40.30	62289.4	52.39	118906.1
1998	12420	8.77	56011.3	39.55	73197.1	51.68	141628.4
1999	16296	9.55	64631.7	37.89	89642.2	52.55	170569.9
2000	22014.4	9.83	89262.2	39.86	112675.8	50.31	223952.4
20001	29847.5	10.22	11376.8	38.99	148153.1	50.78	291768.6
2002	38108	9.96	147872.6	38.63	196763.3	51.41	382743.9
2003	45706	9.37	178624.3	36.61	263533.6	54.02	487863.9
2004	69806.2	10.9	208043.1	32.45	263245.9	41.06	641095.2
2005	83230.1	9.5	267243.8	30.7	509869.9	58.58	870343.8
2006	133522.4	10.9	353093.3	28.88	736132.6	60.2	1222748.3
2007	188600.7	12.1	455798.1	29.2	915985	58.7	1560383.8

Source: Central Bank Balance Sheets in different years

QH Financing

Based on article 16 of the banking act allocation of QH resources are allowed in the following three cases:

1- Cooperatives for employment generation

2- productive enterprises to promote production and provide job opportunities

3- covering essential needs of persons

Using the QH fund for essential needs mentioned in the third case are as follows:

1- for marriage expenses
2- for providing trousseau
3- to cure diseases
4- to repair and provide housing
5- educational subsidies
6- subsidies for rural housing
7- other needs

4-QH a Kind of Micro Credit for Poverty Reduction

Microfinance institutions provide financial services—such as credit and savings services—to the entrepreneurial poor that are tailored to their needs and conditions. Good microfinance programs are characterized by:

1. Small, usually short-term loans, and secure savings products.
2. Streamlined, simplified borrower and investment appraisal.
3. Alternative approaches to collateral.
4. High repayment rates.
5. Convenient location and timing of ser-vices (Fruman and Goldberg 1997).

QH and micro credits are both in some way providing finances for the poor and lower class with those groups who can not use other official financial resources as their main clients. In fact, QH Funds are a kind of Micro Finance Institutions (MFI) that offer financial services to their members.

The main difference between micro credit and QH, results from the difference between Islamic economics and traditional economics in relation to loans and credits. Micro credit is a loan with an interest rate that has been determined beforehand, while, QH is a loan without interest.

The other difference between micro credit and QH is in that micro credit can be paid for any purpose, while, QH in Islamic culture, is for gaining God's satisfaction and is given solely to the needy and generally for alleviating their primary requirements. Therefore QH is more efficient than micro credit for alleviating poverty due to the following reasons.

1- If we consider 'Poor' as someone whose basic needs have not been met, then paying attention and putting emphasis on providing these needs, is itself a kind of alleviation of poverty.

2- QH usually takes place between people who are familiar with each other in one family, one area, special group, friend, and so on. The person requesting it never goes to a stranger, and the person offering QH, also never gives a loan to a stranger, or someone whose needs, he is not aware of. Therefore, the information is much more complete and transparent than in micro credits.

3- QH Fund are in fact a kind of Self Helping Group, who work towards solving the difficulties of those group members who are in need, while, micro credit is not like this.

4- QH Fund is a non-governmental organization that by using people's resources and the wealth of those who have more than their needs, offers assistance to its deprived members and in this way, plays a key role in fairer distribution of income and wealth. In addition, by carrying out tasks that the government is responsible for, such as supporting the poor, QH prevents the government from becoming large in size.

In the process of QH and micro credit agreements, two factors can continually be seen. First, the person offering the loan and second, the one receiving it. In both cases it is possible to have the difficulty of non symmetrical or different information for either side.

In the condition of asymmetrical distribution of information among the sides involved, it is obvious that the one with more information can use this knowledge to his/her own befit. Usually the side receiving micro credit has more complete and comprehensive information regarding his own situation and what his true goals are from receiving this credit. In other words, under the condition of non symmetry of information, it is constantly possible for the two hazards mentioned below, to take place:

Adverse selection problem is possible in that the private information for the recipient of the credit in regards to behavior, ethics, and the decision he will make regarding the received credit, is much more than the same information available on the donor. It is possible that the donor has some information on the average behavior of loan recipients and their potential characteristics. But it is obvious that for each client he has considerably less information than himself. Therefore is in danger of the adverse selection problem and there will always be the possibility that the best person requesting credit is not chosen, and the available credit, not used efficiently.

Moral Hazard problem is also another risk that the person offering facilities is faced with. While the adverse selection problem is related to before signing an agreement, the Moral Hazard problem refers to after signing the agreement. In other words, Moral hazards result from the client's behavior and decisions after receiving the credit. For example, a loan recipient, uses the received credit against what was in the agreement or does not abide by his commitments.

By considering the above factors and in comparison between traditional micro credit and QH credit, it should be said that these hazards are considerably less in QH, since based on belief principals, the credit recipient is solid and therefore, has no reason to hide the truth.

5-QH and Micro and Small Enterprises (MSEs)

MSEs play an important role in the economic development of Iran. Micro and small enterprises (MSEs) contribute to the quick and constant development of the economy, while providing jobs and deepening the overall economic reforms of the country. One of the most comprehensive statistics available on Iran's economic enterprises is related to the results of a public census taken in 2003 by Iran's statistical bureau. Based on these statistics, 2, 827, 906 enterprise units were identified across the country in 2003. The relative distribution of these enterprises based on the number of their employees can be seen in the table below.

Table 3- Distribution of Enterprises Based on the Number of Workers in 2003

No. of Workers	No. of enterprises	Relative Share (%)	No. of Workers	No. of enterprises	Relative Share (%)
No worker	36143	1.3	20-29	24789	.9
1	1599338	56.6	30-49	18594	.7
2	612163	21.6	50-99	9259	.3
3	206844	7.3	100-499	5181	.2
4	97366	3.4	500-999	496	.02
5	54657	1.9	> 1000	229	.01
6-9	85193	3	Non stated	7403	.3
10-19	70251	2.5	Total	2827906	100

*Source***:** Iran's Statistical Bureau

As illustrated above, nearly 80% of Iran's enterprises have up to 2 workers, and more than 95% of the country's enterprises have fewer than 10 workers, which may referred to as micro enterprises. Small enterprises which contain 10-50 employees are in the second rank, making up 4% of Iran's total enterprises.

In addition, there are also 'Average' or 'Middle sized' enterprises which generally comprise of 50-250 employees. However Iran's statistical bureau, in its census project, has used a range of 50-500 workers in this category which falls in the next ranking, making up nearly 5% of Iran's enterprises. At last, enterprises with more than 500 people, referred to as large enterprises, make up %03 of the country's total number of enterprises.

In regards to ownership, 88% of the enterprises belong to the private sector while 12% are owned by the public sector and cooperatives.

Statistics demonstrate the 85% ownership share of the country's enterprises by individual and in-formal firms' and only 5% of the enterprises are registered as cooperatives, governmental and private firms.

Table 4– distribution of Iranian Enterprises in terms of Legality in 2003

Forms of Enterprise	Percentage
Individual & Informal Enterprise	85
Public Enterprise	7
Government Enterprise	2
Other Formal Enterprise	2
Non clsified	2
Total	100

Source: Iran's Statistical Bureau

6- The Experience of Iran's Bank Keshavarzi in QH Micro Financing

Bank Keshavarzi, one of the oldest commercial banks in Iran was established in 1930 with the aim of serving the farmers by giving them loans and credits. The main objectives of this bank were to improve the income of rural people by increasing the agricultural products, and to improve the welfare of people who were living in rural areas. For this purpose, Bank kesharzi in addition to its resources, injected a considerable amount of money to the rural poor from government sources through the allocation of annual budgets.

Since Bank Keshavarzi has been working with rural poor and its credits are relatively small, we can observe in some way the effect of micro credit on poverty reduction from its performance. Arabmazar and Khodarahmi (2002) have provided information regarding the bank's loans during the 55 years of its activity before the Islamic Revolution, and found the average amount of loan was about two hundred and seventeen American dollars.

As it can be seen, on average the amount of each loan was about $200. After the revolution and based on the Interest Free Banking Act all banks including bank keshavarzi were obliged to use the contracts mentioned in the first part of this paper.

During the last decade bank Keshavarzi in addition to its usual duties has conducted a number of special projects in support of poor and vulnerable people. The major one are as follows:

1- Hazrate Zeinab Project which started on June 11th 1994' and is only for women who are the head of the family. These women may borrow up to 5 million Rials as QH for their economic activity without any collateral. The debt may be repaid during a period of up to five years depending on the conditions, type of products and time of selling the products.

For his project a total of 105785 millions Rials were given to 55136 woman who were eligible to receive this QH by August 2003. Thus on average each loan was less than 2 million Rials.

2- Iran's project which was designed to support women's participation in economic activities. Women could be a member of this project if they have any kind of current or saving QH or investment account. Members of the project were at privilege for using the bank keshavarzi's different financial services. They could borrow up to 3 million Rials from the bank as QH for their economic activities. These QH do not need collateral and any other female member can be a guarantor of the debt.

3- Bank Keshavarzi has other projects such as the project of "Job creation for Prisoners who become free" or 'Rural Employment Development Fund" which are based on QH as a kind of micro financing tool to assists the vulnerable groups and rural poor.[1]

7-Conclusion

Micro finance is a powerful development tool. It can reach the poor, raise their living standards, create jobs and contribute to economic growth. This paper provide a brief description of the major financing contracts adapted by the interest free banking law in Iran. Among these contracts Qard Hasan has been discussed in more details, in addition to how it has been designed for micro financing and how it is considered as micro credit.

We have also made a comparison between Qard Hasn and traditional micro credit by mentioning that the difference between the two, result from the difference between Islamic Economics and traditional economics in relation to loans and credits. Further we have explained that considering Asymmetric information, moral hazard and adverse selection problems, QH is more efficient than micro credit particularly for poverty reduction purposes.

By referring to Iran's Bank Keshavarzi performance, the paper shows that QH is a powerful tool in supporting micro and small enterprises and it can also be considered as an effective poverty alleviation policy.

[1] - For more elaboration about these Project you can see Arabmazar (2003) and Bakhtiari (2005)

References

1. Arabmazar A. and S. Keighobadi (2006), The Posithion of Qurdulhasanaeh in Iran's Islamic Banking, *Eghtesade Islami*, Vol. 6, No. 22, pp. 13-46.
2. Arabmazar, A. and A. Farzin Moatamed (2004), Bank Keshavarzi"s Role in Capacity Building of Rural People with Microfinanace Approach, *Bank & Keshavrzi*, Vol. 1 No. 2 PP.73-115.
3. Arabmazar A. and R. Khodarahmi (2002), The Major Features of Rural Financial Market , *Eghtesade Keshavarzi Va Touseah*, Vol. 7, No. 26, pp. 26-43.
4. Bakhshudeh, M. and H. Salami (2005), Bank Keshavarzi's Role in Poverty Reduction with Emphasis on Micro Credit, Paper Presented at Micro Credit Rural Development & Poverty Alleviation Conference, Tehran, December 10-11, 2005.
5. Bakhtiari, S. " The Concepts, Definitions and History of Micro Credit", Paper Presented at Micro Credit Rural Development & Poverty Alleviation Conference, Tehran, December 10-11, 2005.
6. Bakhtiari, S. "Microfinance and Poverty Reduction: Some International Evidence", *International Business and Economic Research Journal*, Vol. 5, No. 12, December 2006, pp.65-71.
7. Bouman, F. J. A. (1993), *Small, Short and Unsecured, Informal Rural Finance in India*, Oxford, Oxford University Press.
8. Chabokrou G. , Mokhtari M. and A. Abdshahi (2005), Analysis of the Micro Credit Effects on the Value Added of Iran's Agricultural Sector, Paper Presented at Micro Credit Rural Development & Poverty Alleviation Conference, Tehran, December 10-11 2005.
9. Eftakhari R. and A. Abdoli (2003), Evaluation of Bank Keshavarzi's Micro Credit in Rural Development, *Pazhuheshnamah Bazargani,* Vol. 9. No 34, pp. 179-202.
10. European Commission (2003), *Microcredit for Small Businesses and Business Creation*, Report by European Commission, Enterprise Publication..

11. Fruman, C. and M. Goldberg (1997), *Microfinance Practice Guide for World Bank Staff,* World Bank, Sustainable Banking with the Poor and Consultative Group to Assist the Poorest, Washington. D.C. Garson, Jose. *Microfinance and Anti-Poverty Strategies. A Donor Perspective. UNCDF.* http://www.undp.org/uncdf/pubs/mf/mf-chap1.htm#a
12. Hasanzadeh. H. & M. Kazemi (2005), The Evaluation of Qarzalhasana Funds' Performance in Money and Credit Market of the Country, *Eghtesade Islami*, Vol.4, No. 16. pp.57-76.
13. Ledgerwood (1999), *Microfinance Hand Book*, Washington D.C., The World Bank.
14. Rahman, Aminur. 1999. Micro-credit Initiatives for Equitable and Sustainable Development: Who Pays? *World Development*, 27 (1) p. 67-82.
15. Saadi H. & A. Arabmazar(2005), Role of Micro Credit in Empowerment of Women's in Rural Area: The Experience of Bank Kesharzi, Paper Presented at Micro Credit rural Development & Poverty Alleviation Conference, Tehran, December 10-11 2005.
16. Sadr, K.(2005), Islamic Banking and Microfinance, Paper Presented at Micro Credit Rural Development & Poverty Alleviation Conference, Tehran, December 10-11 2005.
17. United Nations (2003), Implementation of the First United Nations Decade for the Eradication of Poverty (1997-2006) and Draft Program of Action for the International Year of Microcredit, 2005, 03-43699(E) 260803.
18. World Bank (2003), *Global Economic Prospects and the Developing Countries,* Washington D.C., World Bank. Poverty Reduction in Fiscal 1998. Strategy and Implementationhttp://www.worldbank.org/poverty/library/progr/.
19. Yaaghoubi J.(2003), Analysis of the Micro Credits Impact on Women's Employment in Rural Zanjan Province. *Pazhouheshe Zanan*, Vol. 3, No.11, pp.125-146.
20. Zaman, Hassan. 2000. *Assessing the Poverty and Vulnerability Impact of Micro-Credit in Bangladesh: A case study of BRAC.* World Bank. www.worldbank.org/html/dec/Publications/Workpapers/wps2000series/wps2145/wps214 5.pdf