

The Microcredit Sector in Bosnia and Herzegovina 1996-2005

The microcredit sector in Bosnia and Herzegovina had a significant role during the post-war period in poverty reduction and support to the small and medium entrepreneurship development among socially endangered population that does not have a possibility to get financial resources from traditional banks. In general, microfinance is a new a field in finance sector in the world and is being considered as one of the greatest innovations that emerged at the end of the last century. Since 1996, our country has been lucky to encounter the development of this type of poverty combat and entrepreneurship development based on market principles through the state Local Initiatives Project (LIP) supported by the World Bank and through the support of the international non-governmental organizations.

The results achieved in the past nine years included Bosnia and Herzegovina among the countries with the highest development level in this domain of financial offer, which is often being mixed up with traditional banking. The main difference is that the banks serve the wealthiest clients with credit history and collateral, while the microfinance i.e. microcredit organizations serve the clients who do not have collateral and have low income or no income whatsoever.

In the period from 1996 until today a respectable number of microcredit organizations (12-14) operating in line with the best world experience in financial institutions management was established. Nine partner organizations within LIP have disbursed BAM 1.240 million as micro credits, with average loan amount of BAM 3.200, and in this way the number of disbursed loans up to June 30, 2005 was 380.000. However, the current situation with microcredit organizations is that they are serving app 130.000 active clients and are managing credit potential in the amount of BAM 300 millions. The latest research showed that each microcredit is directly or indirectly supporting 2.15 employees, and this is an enormous impact on the social security in terms of income generation by socially endangered population.

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