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MICROCREDITS AND THEIR PRECURSORS IN THE AGE OF MODERNITY

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Abstract

Clerical and secular charitable loans have existed within the western cultures for millennia, and they gradually became a major starting point for the evolution of the savings bank in Europe and the developing world. The author discusses the increasing differentiation of charitable money funds in the modern period, and he also analyses their dynamical rise reflected in both the growing demand on the part of the clients and the prominent bids on the part of various governmental and non-governmental organisations. Microcredits, or the provision of petty loans to encourage entrepreneurial activities, constitute a viable, well-recognised and widely practised form of charity worldwide. Even though this province on the boundary between finance and philanthropy is not entirely devoid of controversy, it can be considered beneficial and indispensable, as documented by is long and diversified history.

Keywords: charitable loans, interest, microcredit

1. Introduction

When, in the latter half of the 18th century, Adam Smith first described market economy, he also pointed out the significance of interest within an economic system. In the given context, ensuring good availability of cheap credit even to the poorest of the poor was regarded as vital. In his central work, *The Wealth of Nations*, Smith praised the state-owned pawn bank in Hamburg, where the citizens were lent money against pawn at the interest rate of 6% per annum [1]. The thinker also pointed out certain positive consequences of moderate regulation of the credit market. As he knew very well that 'the evil of usury' would never be eradicated by the prohibition of interest, Smith emphasised instead the benefits of a legal, variable upper limit for applicable interest rates. To illustrate the philosopher's opinion, let us directly quote from his *opus magnum*: "The legal rate, it is to be observed, though it ought to be somewhat above, ought not to be much above the lowest market rate...", because "...the greater part of the money which was to be lent, would be lent to prodigals and projectors, who alone would be willing to give this high interest..." Moreover, in this connection, it is also important to notice the author's stress on

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the relationship between such supervisory measures and general responsibility: "...where the legal rate of interest, on the contrary, is fixed but a very little above the lowest market rate, sober people are universally preferred, as borrowers, to prodigals and projectors... A great part of the capital of the country is thus thrown into the hands in which it is most likely to be employed with advantage" [1, p. 292]. In a nutshell, Smith then further summarised the discussion of interest conducted during the previous 500 years, wittily remarking that "The lowest ordinary rate of interest must, in the same manner, be something more than sufficient to compensate the occasional losses to which lending, even with tolerable prudence, is exposed. Were it not, *mere charity or friendship could be the only motives for lending*." [1, p. 84]

These arguments aptly define two common types of motivation behind money lending, namely profit and charity, and they also specify two institutions characteristic of the actual mechanism of charitable loans within the modern era: the fund to provide credit at low interest rates, and the charitable pawnshop.

Petty loans to support entrepreneurial activities constituted an important novelty in the economic system, a trend appearing mainly in England from the late 15th century on and progressively gaining strength and popularity [2]. The funds which effectively backed this dynamical financial instrument usually arose from bequests by tradesmen and members of the higher social strata. Concurrently, and especially in Romance countries, there still operated the more universally based *montes* or charitable pawnbrokers granting interest-free loans against small pawn. Unlike the England-born funds mentioned above, the *montes* were supported predominantly via deposits made by clients from within the middle and lower classes, and the entire system was not purpose-oriented, because the pawned object functioned as security [3]. Both of the discussed institutions, in their specific ways, opened new horizons for credit in the modern age, rendering the instrument accessible for an ever wider range of applicants in a steadily increasing number of countries.

2. Charitable pawnshops in the modern era

In the fates of the Italian *monte di pietà* we can vividly perceive the rebirth of a notable money provider that readily responded to changed economic and social conditions. Being a charitable organisation, the pawn bank assisted a wide variety of social strata, democratising the overall structure of fiscal services and making loans accessible to almost everyone at modest interest rates. Importantly, the *monte* also always officially operated on a non-profit basis, with its expenditures limited and any possible revenue transferred to other institutions of charity or employed to enhance the pawnbroker's branch network and fundamental capital reserves. This conservative strategy later bolstered the expansion and wide acceptance of the *monte* as a trustworthy, respectable player in its business sector.

Over the past six centuries, fragmentary but multifaceted information has been preserved to portray the existence of the pawn bank in various countries. Most descendants of the *monte* came to be recognised as very reliable, risk-averse financial brokers able to offer secured deposits and to open banking services indiscriminately to all members of the population. It is therefore no coincidence that the world's oldest active bank is apparently the Monte dei Paschi di Siena, currently the third largest banking institution in Italy [http://english.mps.it/La+Banca/Storia/IlPrimoMontePio.htm, accessed 17 April 2014]. Originally founded as the *Monte di Pieta* in 1472, the organisation shares many aspects with the similarly conceived Banca Monte Parma, especially as regards the corporate history. The latter pawnbroker dates back to 1488, when it was founded by Saint Bernardino da Feltre as the "*mons pietatis almae civitatis Parmae*" [http://www.provincia.parma.it/stampabile.asp?IDCategoria=11&IDSezione=205&ID=46078].

In Malta, the local *monte* came into existence in 1597 and granted loans at the interest of 6% [4]. The Spain-based Monte de Piedad de Madrid began to operate in 1702 and continued to provide interest-free credits until 1836; interestingly, the bank was later transformed to constitute the CAJA Madrid, the fourth largest financial group in the country, and in 2010 it merged to form the current Bankia group [http://www.bankia.com/en/who-we-are/about-us/origin/]. The Mexican Monte de Piedad originated in 1775 through the efforts of Pedro Romero de Terreros, a private donor, and remains in the business to this day as the oldest institutional keeper of social care in America [5].

Similarly, the Mont-de-Piete of Brussels is renowned for being the most traditional banking house in Belgium. The circumstances of its birth are directly related to Wenceslas Cobergher, an eminent Flemish architect. Upon returning from one of his many study trips to Italy in 1618, Cobergher managed to convince Archduke Albert and his wife Isabel to found a charitable company conforming to the already advanced Italian model. The *monte* was opened on 28 September 1618 and has remained operative ever since. Taking full advantage of its position, the enterprise exercises monopoly over the Belgian pawnbroking sector, in which private pawnshops are not allowed to compete. Eleven years after the broker in Brussels had been established. Another *monte* entered the European the money market, this time in the town of Berque (currently located in France). The representative building to accommodate the institution was designed by Wenceslas Cobergher himself in 1629 as a distinctive embodiment of Italian Baroque architecture erected in the specific conditions of north-western Europe [6].

In France, too, pawnbroking was excluded from private commercial transactions and fell within the jurisdiction of local authorities, which acted as founders of the individual Monts de Pieté (the name of the broker later inspired the title of André Breton's first book of poems). The pawn banks thus became tightly connected with the city councils and hospitals. Certain sources from the late 19th century inform us that while some of the French *montes* (Montpelier, Grenoble) regularly granted interest-free loans, others could apply interest rates as high as 12% p.a. This extraordinary-looking number (given the usual policy and practices of the organisation) nevertheless aroused the interest of English investors: in England of the time, the lowest rate in the business, with pawn shops entirely in the hands of private owners, amounted to 25% p.a. [New York Times, 16 September 1894].

In light of this fact, we indeed need not wonder why England stands out as probably the only country where the concept of the *monte* eventually did not fall on fertile soil. The year 1707, however, marks the foundation of a company observing the well-known Italian pattern. The name of the new broker, clearly reflecting the literary usage of the period, pregnantly defined the intended mission: *Charitable Corporation for the relief of the industrious poor by assisting them with small sums upon pledges at legal interest*. In 1719, the institution published a brief treatise titled *A narrative or account of the Charitable Corporation for the relief of the industrious poor by assisting them with small sums upon pledges at legal interest*, where its activities and mode of operation were introduced [https://books.google.cz/books?id= dXpbAAAAQAAJ&pg=PT11&lpg=PT11&dq=A+narrative+or+account+of+the +Charitable+Corporation+for+the+relief+of+the+industrious+poor+by+assistin g+them+with+small+sums+upon+pledges+at+legal+interest&source=bl&ots=U xFfaaJny4&sig=t-1nPDeNYv5jo5So_ec7_dVtnw4&hl=cs&sa=X&ved= 0ahUKEwjrhuCQ3e_JAhXHECwKHf7CD7sQ6AEIIjAA#v=onepage&q=A%2 0narrative%20or%20account%20of%20the%20Charitable%20Corporation%20f or%20the%20relief%20of%20the%20industrious%20poor%20by%20assisting% 20them%20with%20small%20sums%20upon%20pledges%20at%20legal%20int erest&f=false]. But after the initial capital of £ 30,000 of 1707 had increased to £600,000 in 1730, the bank suffered a rapid decline and bankruptcy during 1731 in consequence of massive embezzlement and overall negligence. The representatives of the *monte* fled to France, and no other charitable pawn bank was established at a later time.

In the 19th century, Henry John Porter reported to the Statistical Society of London [7, 8] on the operation of the *monte* in Italy and France, finally recommending that an identical institution should be established in London. Although this proposition did not bring the desired result, the report as such comprised significant data to help us gather at least a general idea of how certain European pawnbrokers worked in 1839.

The first target of Porter's detailed analysis was the *monte di pietà* of Rome. Founded in 1539, this enterprise gradually promoted certain innovative procedures: for example, a cheque worth 130 scudi was issued in 1788 as likely the oldest paper money printed on Italian soil [9]. As regards the credit provider's funds, in 1839 (three hundred years into their existence) they amounted to 455,391 scudi, namely 98,668 pounds, of which 83,182 pounds was out on loan. The overheads and net profit for the same year were expressed in the sums of £6,081 and £4, 506, respectively. Any revenue gained within the period was employed towards capital increase, and hence the assets of the pawn bank included also municipal bonds and land valued altogether at 1 million scudi, or 217,000 pounds. Organisationally, the Roman *monte* consisted of three offices. The first and second branches concentrated on interest-free loans up to one scudo (the total sum out on loan in the discussed year of 1839 was 17,337 pounds) and accepted three items as collateral at the maximum, while the third department would grant higher credits for more valuable articles, imposing interest charges (during the same period, this division held over 800,000 pawned objects). As can be inferred from this distribution of roles, the services offered had some appeal to affluent, upper class clients too, and the records of pawned objects clearly testify to such wide customer stratification. The set of these items comprised, for instance, a diamond ring worth 1,733 pounds, a diamond tiara, and a pearl necklace valued at 541 pounds. The highest single loan debt reached 12,000 scudi, namely £2,600 [7].

By comparison, the Livornian *monte* strictly classified its deposits into interest-bearing (16,090 pounds) and interest-free ones (15,105 pounds); the former group yielded the benefit of 4%, and any money saved within the latter category was normally redeemable upon request. A portion of the broker‘s proceeds was always submitted to a hospital and a poorhouse. The pawn bank of Turin applied the interest rate of 5% to all loans provided; however, in Genoa, a traditional centre of business and trade, the local *monte* collected a 10% surcharge on a regular basis. The charitable corporation of Paris maintained the interest at 9%, but the entire profit was, without exception, gratuitously transferred to the city's hospitals. Finally, then, let us note again that H.J. Porter's report containing first-hand experience with the European *montes* is concluded by the observation that a similar broker, if established in Britain, could eventually underpin the country's prosperity because "the evils of [commercial] pawnbroking will be greatly diminished, and the poor materially benefited" [7]. Yet some 55 years later an article published in the New York Times still informed the readers that while the interest imposed by the French *montes* generally oscillated between 0 and 12%, the lowest rate available in English pawnshops remained at 25% [New York Times, 16 September 1894]. This fact then appears especially paradoxical in light of the assumption (adopted and developed by several authors) that, considering the Christian world, the earliest corporation of the discussed type originated in England in 1361, namely when bishop Michael Notburg donated 1,000 silver marks to create the basic capital reserves for a bank which was to provide interest-free loans against collateral, aiming exclusively at the poor. The testament contained the stipulation that the pawnbroker's operating costs would be deducted from the guarantee capital; consequently, the initial deposit was consumed, and the bank had to close down.

3. Microcredits in the modern era

Turning our attention to the more recent one of the two above-outlined embodiments of charitable loan, we can accentuate both its exclusive orientation towards the support of entrepreneurial activities and the predominantly English (or Irish) roots. In the late 15th century, petty loan providers gradually began to appear, and their number showed good potential for growth. These financial funds (governed by city councils or trade organisations) usually offered minor credits, and their assets were mostly traceable to bequests from rich patrons. As regards the gain, two thirds of the institutions granted loans at zero rates, while the remaining one third collected an interest to be used for the benefit of other charitable societies. The gradual development of the banking system nevertheless caused the volume of donations to shrink considerably, thus changing the structure of the business [10].

An example of such trend can be seen in the will of Samuel Wilson, who bequeathed in 1766 the sum of £20,000 to the Corporation of London and required that the society should lend money to "young men who have been set up one year, or not more than two years, in some trade or manufacture, in the city of London, or within three miles thereof" [10]. A typical loan could be rather high (oscillating between £100 and £300), payable within five years, and bearing the interest of 1% in the first year and 2% in the following period. In England, however, the system of taking collateral as security was replaced with a scheme of guarantors. In the case of Wilson's foundation, two guarantors were initially demanded, but this number later increased to three and then four persons. Even though the interest earned surpassed the loss during the first 20 years of the bank, in the following decades the balance slowly declined to reach the bottom by the early 1820s. After 1821, the institution had to be closed down due to the accumulated loss. Generally, it was a very problematic task for young entrepreneurs without a name in business to provide such a high number of guarantors, and therefore loans came to be routinely (and increasingly more so) granted to the managers' friends. Foundations established upon their donors' testaments were administered by people who did not share the founders' initial visions, thus corrupting the intended mission of the societies: for instance, the practice of lending money to affluent city counsellors was very far from uncommon. Besides clientelism, which invariably resulted in financial breakdown of the corporation, a very frequent problem consisted in excessive total costs. Aidan Hollis points out the example of Nottingham, where members of the local committee for the provision of charitable loans billed the institution for 144 bottles of wine (£33) consumed at a meeting. As a rule, the donated funds were comparatively small, and this made the cost of a loan rather high [10].

The emergence of donor-funded societies was also witnessed in Ireland of the 19th century. However, contrary to their British counterparts, the Irish corporations not only provided loans at low interest rates but also accepted deposits, which would earn modest profit. The capital available for charitable loans thus grew substantially, albeit at the same time there appeared the necessity to protect the savers. For this reason, a commission was established in Dublin in 1836 to monitor the behaviour of the independent foundations. The operational costs incurred by this supervisory body were covered via a small fee paid by each of the corporations. In 1843, approximately 300 corporations of the described type operated on the Irish market; the number of loans granted by these organisations oscillated around 500,000 per year, with the average sum on loan amounting to £3.3 and the stipulated repayment period not exceeding 20 weeks [10].

The successful progress of the societies became a major part of the content of annually published internal reports, mainly because its vivid description effectively demonstrated how the loans helped small peasants to reach independence. One of the documents illustrated the situation as follows: "[One borrower] holds a small mountain farm; got a loan, and laid out W.[pounds] on flax, which enabled him to set his four girls at work, spinning; with their help, he paid the instalments, and was 41. better at the end; bought a cow for that sum, which is now worth 61.; has at present three cows, and says he is so well off that he may give up borrowing" [11].

The famine which ravaged Ireland in the 1840s also had significant impact on the charitable banks, whose number had dropped by the beginning of the following decade to a mere half of the original count. The surviving companies nevertheless experienced a resurgence of loan applications, and then approximately 200,000 loans per year were provided around the middle of the 1850s. But the third quarter of the century brought a new challenge: the burgeoning commercial banks introduced their own credit programmes, and in confrontation with these the popularity of the charitable corporations began to wane. Moreover, they were increasingly more encumbered with the consequences of the embezzlement and fraud frequently committed by their managers or employees. The imperfect legislation, together with a lack of the ability to curb such unethical practices, resulted in progressive downfall of the foundations. The last bank of this type in Ireland then ceased to exist as late as the 1950s. Yet, in spite of the dark shadows smearing the history of Irish brokering, the corporations can be evaluated as a successful instrument that administered loans to almost 20% of households in an economically weak country and showed enough strength to survive economic turbulence, famine, and large-scale emigration. Their decline started only with the deviation from the intended mission, especially when the societies introduced extra charges and hard-line approach toward the debtors while simultaneously paying high salaries to their employees. These managing practices were further nourished by trading provisions adopted by the societies; in the given system, the debtor put up their property against a loan, but the bank did not assume any liability for the money deposited by its clients. Indeed, we are only left to wonder why Irish pawnbroking of the 19th century utterly lacked the principles which had prevented the occurrence of moral hazard and secured safe operation of the Italian *montes* of four centuries before.

In the transalpine area, especially in the lands belonging to the Holy Roman Empire, low- interest-bearing loans began to be provided no later than the 17th century, from chantry sources. More concretely, the loans were then funded out of the property of a church, namely the related special reserves to facilitate the maintenance of the church building. Chantry as such could be embodied in a monetary fund enabling the provision of minor, yet also low-interest-bearing, loans to residents of the parish or affiliated villages. The finance was jointly managed by secular and clerical administrators assisted by the parish benefactor, but all decision-making processes pertaining to the loans remained within the sole responsibility of the secular branch; later, at the end of the 17th century, these procedures gradually came to be controlled by the church benefactors. The cleric or clerics in charge of the chantry annually presented the accounts to their bishop, as stipulated by the Council of Trent. The scarce studies [11, 12] introducing hitherto almost unknown facts about these local sources of credit within the transalpine area generally point to the unrivalled significance of the above-shown fiscal tools for the economic development of provincial regions. In the given context, the latter study [12] discusses the accounts of the village of Bozkov, a destination of pilgrimage, where "the money collected at the small pilgrimage chapel is used to create a reserve alleviating the land-poor farmers' plight…. At a time when the officially allowed interest may amount to as much as 25%, the Bozkov reserve lends money at a mere 5%. In 1696, the parishioners borrowed 297 threescores of Meissen groschen, and the ground-rent equalled 112 threescores of Meissen groschen" (414 florins and 59 kreutzers in total).

The interest on loan evolved through time; while, for example, its value commonly dropped to near zero during wars, in periods of peace it could embody a substantial part of the budget of the institution in question. For the church in the village of Dolní Slověnice (southern Bohemia), interest-related revenue represented less than one tenth of its income after the Thirty Years War (according to the data recorded between 1667 and 1671). In 1730, however, such revenue had already constituted over one half of the proceeds total. Thus, it is clearly illustrated that the function of church money in the transalpine area was very similar to that assumed by the *monte* in Romance countries. And the importance of this source of credit did not escape the attention of the farmers themselves, who ensured that loans taken out of the funds were interest-bearing and granted only within the community [12, p. 353]. Minor credit based on church money then remained in wide use until the later 19th century, a period when the funds' value began to be progressively ameliorated via the purchase of government bonds or through savings bank deposits.

The second half of the 19th century witnessed the advent and gradual expansion of credit unions. The *Genossenschaftsbanken* in Germany (Raiffeisen) or the Italian *Casse rurali* were instrumental in opening the access to loans even for the poor: characterised by their community-oriented approach, the credit cooperatives administered the deposits in such a manner that the savings of a member behaved as an active resource loanable to another member. During the late 19th century, in the developed world, the emergence of microcredits had been spurred by the evolving savings banks, which, similarly as the above-mentioned unions, originated from the effort to assist the poorest people. However, such institutions experienced merely a modest entry into developing markets, where their formation process was slow and went through a major change only as late as the end of the 20th century. In the given environment, the savings banks thus expanded predominantly upon the model of the onward microfinance organizations like Opportunity International (1971) or Grameen bank (1976), whose motivation or methods are parallel to the European concept and find wide reception in the developing world.

When Muhammad Yunus, founder of the latter enterprise and the Nobel Prize laureate in economics of 2006, reflects on the institution's underlying idea [13], the first aspect mentioned is the effort to help poor people to free themselves from the bonds of usury. Thus, albeit the concrete form of assistance was almost entirely embodied in supporting individual investment plans, its basic design strongly refers to policies adopted by the Franciscans in the Middle Ages.

The story of the Grameen bank opened in 1976, the year in which Muhammad Yunus, a professor of Economics at Chittagong University, began to think about how to bring relief to the poor in a nearby village facing a famine. Being an economist, he noticed that the reason behind the plight of the poorest strata within the community consisted in that their members were generally unable to raise even the smallest sums of money to facilitate subsistence activities. Loans could be obtained only from usurers, who – through severe provision and repayment conditions – would readily enslave their debtors, making them serfs *de facto*. According to Yunus's calculations, however, only $27 were required to redeem 42 borrowers, and the academician therefore did not hesitate to pay the sum out of his own pocket. The regained independence made the villagers so happy that Yunus decided to negotiate credits with the bank servicing the local university campus. Although the money would have been granted under terms substantially more favourable than those offered by the loan sharks, the bank was initially denied the requests due to the presumed lack of creditworthiness in the applicants. The situation nevertheless changed after the management of the bank had reluctantly agreed to professor Yunus's proposal to act as the surety, and the first loans were provided. In the years to follow, the project proved to be very effective, progressing so smoothly that in 1983 it was established as an independent banking institution - the Grameen (in Bengali, the word *gram* carries the meaning of 'rural' or 'village'). As in the previous centuries, the results of such an attitude to socio-economic problems showed that wherever the poor are given access to even small volumes of capital, the positive material impact on both the individual and the society becomes an indispensable asset for the future.

A major characteristic attribute of the Grameen bank lies in its similarity to European credit cooperatives. Within this framework, as much as 93% of its stock is owned by less affluent debtors, each of whom has the exclusive right to buy a share in the company at $3; the remaining volume of 7% is held by the government. The loans are open solely to the first group of shareholders, and the profit is redistributed via dividends. From the perspective of law, the concept of legally enforceable contract is not applied; the loans, however, are granted only to groups, not individuals. This procedure comprises the advantage of wider social pressure as a factor to ensure proper repayment, but it also may lead to disharmony, friction, and the suppression of individuality within a group.

In general, three types of credit are available: *business*, bearing the interest of 20% (the high interest rate is substantiated by the administrative expenses, which, due to the small amount loaned, may reach as high as a third of the sum owed); *housing*, where the interest rate stands at 8%; and *student*, which is offered at the rate of 5% and enables the stockholders to finance the higher education of their children. Since 2002, the Grameen's services have been individualised, and therefore the terms of a loan can be effectively adapted to the conditions of the debtor [13]. The basic assumption is then the belief that the applicants will always meet their obligations. Indeed, the position of the client may worsen (with the instalments delayed) in consequence of external circumstances, but the debt is fully repaid in a vast majority of cases. As of 2003, the debtors had been lent 4 milliard USD, of which 3.6 milliard were eventually paid off. Thus, the unrepaid portion equals approximately one tenth of the original volume, a ratio comparable to the share of unredeemed pawns recorded by the *montes* of both the 16^{th} and the 20^{th} centuries.

Another specialty of the bank can be identified in its focus on women, who make up 98% of the borrowers; such a policy is justified through the argument that to lend money to the woman will benefit the family more than a loan obtained by the man. And the trend is supported with a development program referred to as *Sixteen Decisions*, the title reflecting the fact that, when provided with the loans, the women are requested to make the sixteen decisions. In addition to the practical principles, including the commitments of avoiding life in run down houses, sending children to school, and growing vegetables, the list also contains obligations which regulate some of the key family practices. In this context, we could point to the emphasis placed on reasonable size of the family and rejection of dowry.

The mission of the Grameen bank has been structured and conducted to satisfy the needs of the poor in developing countries, namely people palpably handicapped or even utterly ignored within the system of finance and banking. Importantly, too, the institution's activities are based on the premise that the poor are equally clever as their rich counterparts, an assumption reminiscent of Adam Smith's appraisal of even a small loan as a tool which can help the less fortunate to escape poverty. Thus, it is further possible to note that while traditional banks follow the principle of direct proportionality between the wealth of the client and the volume of money to be lent, the Grameen's approach interprets this relation from the opposing point of view: *the poorer the applicant, the higher his or her priority.*

The microcredit model soon gained in popularity and became a solution among other non-profit organisations promoting development aid. In general, there exist two types of institutions that grant microcredits: those where services for petty savers are provided and those supported by donors of from government subsidies. The first of these two groups is of a more lasting character and exhibits less sensitivity to unstable economic conditions, as proposed by [11], but still it is not always practised successfully. Similar microcredit patterns are currently practised by a large number of other non-commercial enterprises, albeit with different results [14]. Criticism of the discussed loan programme relates mainly to the lack of availability to the poorest social strata, low profit, incorrect distribution or use, and excessive accentuation of instalments [15].

4. Conclusion

The idea of employing commercial companies to help the poorest of the poor took deep roots in the European tradition and became a starting point for the evolution of the savings bank in Europe and, subsequently, the developing world. Charitable loans generally constitute one of the pillars of social policy, an element which, by further extension, behaves as an alternative to other welfare instruments where the emphasis on the activity of the creditor is significantly weakened. And this focus on the self-reliance and action of the recipients constitutes the greatest benefit brought by the discussed type of charity: a loan (whether interest-free or low-interest-bearing), though not entirely devoid of risk for the recipient, encourages the activity of a human being and does not compromise their liberty. The overall success of the Grameen Corporation or Opportunity International has clearly indicated that, even in the world of today, microcredits for the less fortunate strata are a tool of exceptional importance – and this is an assertion vividly confirmed also by the Nobel Peace Prize in the year 2006. In this context, we can openly assume that the future of charitable loans will be as long and diversified and their past.

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