Corporate Responsibility Versus Social Performance and Financial Inclusion

Jean-Michel Servet
Graduate Institute (IHEID), Geneva
Institut de Recherche pour le Développement-UMR 201 and CERMi

For many stakeholders and observers, the inclusion of microfinance[1] in the social and solidarity-based economic sector has been obvious since a long time. Its main objective was to "combat poverty". During a discussion with Muhammed Yunus, organized by the World Microfinance Forum Geneva in 2008, Michael Chu, the former president of Accion International, and head of microfinance investment funds in Latin America, excluded half of the billion or so poor families living on the planet who, according to him, are not able to take advantage of the available financial services.[2] Even so, microcredit can still be considered as an instrument contributing to the Millenium Development Goal of reducing world poverty by half by 2015, in particular through national strategic plans.

However, from an analysis of the clientele, especially with regard to their social composition, it does not seem as if they belong to the poorest sections of the population. Microfinance activities are conducted in areas with a high percentage of low-income and often marginalized groups (peri-urban

[1]The institutions considered here as "microfinancial" can have various statuses: they are private or public financial establishments, with or without banking status, such as non-governmental organisations whose activity is in fact primarily, or even exclusively, financial (Servet, 2006).

[2]"It does not take stretching the definition of poverty too much to think that 4 billion people of the 6.5 billion in the world live in unsatisfactory conditions. If you assume an average family of four, that means 1 billion families. If you assume that half of them would benefit from microcredit (because not everyone benefits from financial services), that leaves 500 million families". (M. Chu, in: *World Microfinance 2008*).

and, to a lesser extent, rural). Mostly it is the groups with the highest capacity in these zones that constitute the clientele, as they have the most potential for making profit. Let us also mention that impact studies do not conclusively prove the globally positive role of credit on income,[3] so great is the fungibility of the financial resources of households. Microcredit funds are often used to better manage resources and expenditure over a period of time rather than to increase investment significantly for productivity purposes.[4] As a result, over-indebtedness appears to be a recurrent problem.

Gradually, the objectives of offering microfinance services to the masses (mostly short-term microcredit) and the marketing conditions of their distribution have positioned this sector under new terms (Guérin, Lapenu, Doligez, 2009). Over and above the issue of the war against poverty, the question of a generalized financial inclusion is increasingly cropping up.

1 Microfinance Subject to a Twofold Ambiguous Movement

A dual movement has come about.

Firstly, in their dealings with clients, a subsidy-free risk cover was sought. Barring exceptional circumstances (related, for instance, to population density), this is only possible when interest rates are high. The other option is that often cooperative or mutual-type organizations harness low-yielding savings. But this financial equilibrium is more a strategy imposed by donor agencies than an objective that has been really and fully achieved. Public or private funds at preferential interest rates make it possible to meet this constraint of financial sustainability. External support in the main finances research, innovation and training activities. It should be noted that the transformation of non-governmental organizations or unregulated financial institutions into fully-fledged financial organizations has often been linked to their desire to consolidate their projects, thus enabling them to harness savings for re-lending. On the basis of this initial transformation, the conditions for their mutation into profit-making organizations were set up.

Secondly, microfinance institutions have become centres of profit-making investment. With regard to international funding, the search for

[3] Armendariz and Morduch, 2005; Roodman and Morduch 2009; Servet, 2006.

[4] The critique of a comprehension of the working of artisanal and peasant units (unsalaried) using economic categories by Chayanov (1925, trans. 1966) is still extraordinarily relevent.

diversification of portfolios has led to a growing interest in them. It is recommended that these investments not exceed 5 percent of the portfolio and that they be of mixed composition in order to reduce risk. International investments in microfinance in the form of loans or equity infusion into microfinance institutions tripled between 2004 and 2006 and continued to grow until 2008 at a rate higher than 25 percent per year. Assets increased from 4 billion dollars in 2006 to 7 billion in 2008 split between 104 funds (Lutzel, 2009), to which should be added the contributions of major commercial banks and institutional investors.

This quest for profitability of microfinance, offering its facilities to the public at large, and the development of financial investments in the sector are linked. Evolution implies the professionalisation of the major non-governmental organizations. Many of them have gone beyond their field of action and their various statuses and switched to consultancy and brokerage development. To this end, they considered the provision of microfinance services as an opportunity. This enabled non-governmental organizations and development projects specializing in microfinance to become banks. Bancosol Bolivia, Equity in Kenya, ACLEDA in Cambodia, SKS Microfinance in India, and Financiera Independencia and Compartamos in Mexico are frequently cited. The last example of the commercialization of a microfinance institution is often contested. In 2007, the public issue of 30 percent of the Banco Compartamos shares, which then went on to lend to its 600,000 customers at an effective interest rate of approximately 100 percent per annum, and the sharp rise in its share prices (over 20 percent in one day) was staggering. This triggered a global shock in view of the ongoing transformations and especially with regard to the future of some prominent microfinance institutions. Many players in this sector wondered how an organization which was an NGO until 2000, and as such had benefited from public subsidies and foundation funds for its development, could permit a small number of shareholders (including the founders) to amass so much wealth and in such a short time.

More and more stakeholders and researchers have questioned the compatibility between the simultaneous large-scale growth of financial performance and social performance. There is no consensus of opinion on this compatibility (Balkenhol, 2007). The situation is further confused by the fact that profitability is not only the due of profit-making organizations and that in the allegedly private investments of the microfinance sector, public institutions are very much present (especially with the support of German Development Aid).

2 Recognition of Social Responsibility

In the UNDP and the World Bank Reports of the last five years, "social responsibility" is a quasi new term, which since then is increasingly being used.[5] Donor agencies supporting private and public funds as well as civil society organizations that invest in microfinance expect more and more information on the outcome of their assistance (Audran, 2008; Lutzel, 2009).

In fact, private investments in microcredit institutions are at the mercy of the negative information that is being circulated, which is in direct contradiction to the microcredit mania of recent years in the press (France 24; Kholiquzzaman, 2007; Fouillet, 2006; France 2, 2009; Fubini, 2009). An economic downturn also leads to a decrease in the reimbursement rate of borrowers, and therefore of profitability. The overall collapse of the various stock exchanges and the fall in the share price of some microcredit institutions (such as Compartamos) have led to a loss of interest in such issues. Compartamos shares that were quoted at US $6.5 in June 2007 fell to US $1.5 in March 2009. The share price of the Equity Bank (Kenya) moved up from 5 in autumn 2006 to 30 plus in July 2008, only to drop to 9 in early March 2009, then climb up to 18 in early April 2009. That of BRI (Bank Rakyat Indonesia) quoted on the Jakarta Stock Exchange, from 2000 in 2004 moved up to 8000 in autumn 2007, then fell to 2,800 in December 2008 and settled at 5,000 in early April 2009. However, we can point out that the share price of the principal microfinance banks fell relatively less than that of the major international banks, or even of the stock exchanges of these countries... As a result, there were still investment opportunities in this field.

Some reservations against the supposedly *always* positive effects of microfinance (especially microcredit) have led to an increasing sensitivity towards social responsibility in the microfinance sector, both with regard to multilateral and bilateral cooperation as well as international finance. The NGO ActionAid Bangladesh and Bangladesh Unayan Parishad, for example, have backed the report prepared under the guidance of Professor Ahmad Qazi Kholiquzzaman, which gives an accurate picture of the impact of microcredit on the country both from a scientific perspective and because of its severity (Kholiquzzaman, 2007). As for the economic effect, it is limited: "*Micro-borrowing does not usually provide the borrowers with an economic base to break out of income poverty and move on to significantly higher levels of income and living standard. Moreover, many get caught up in an increasing*

[5] Cf. Benedict XVI, 2009.

debt-syndrome and slide further into poverty". The reasons for this low impact and negative effect are due to the considerable weight of funded activities, which are not productive but commercial in nature (37 percent of the loans taken by the borrowers). The trap of economic underdevelopment is precisely because of the importance of margins and the many unproductive intermediations. Land rents account for 13 percent, rickshaw transport activities for 8 percent and cattle breeding for only 7 percent. One also has to take into account the cost of education and the marriage of children (7 percent). In addition, previous loans have to be repaid (6.4 percent). One should also note that the actual cost of microcredit is much higher for the borrowers than that posted by the institutions. This leads to a significant reduction in the family's income: the interest rate is actually 30.5 percent instead of the 10 percent quoted by the Grameen Bank, 44.8 percent instead of 15 percent quoted by BRAC and also ASA and 42.3 percent instead of 14 percent by PROSHIKA. The report emphasises: "*The respondents taking micro-credit have generally remained tied to rudimentary economic activities, many of which do not have much prospect of expanding into sustainable growth either because of market saturation (most of the products and services are directed to local markets) and/or limited scope of productivity improvement*...."

If one goes beyond these dimensions linked to production and exchange systems, to focus on dimensions that are considered non-economic, the findings are also negative. Among the clients (essentially women), microcredit counts for only 16 percent as one of the factors leading to an increase in school enrollment; similarly three-fourths of those who have improved their lot in life attribute it to causes other than microcredit. Apparently, it is public policies and the effort put in by civil society organizations that have made all the difference in the field of education and health. Let us just add that only one borrower in ten says that microcredit has enabled her to undertake an activity independently. What is more disturbing, 82 percent of the women interviewed said that the dowry amount has increased and 60 percent of those subjected to moral and physical violence within the family (27.8 percent of the respondents) said as far as they were concerned, violence had increased since they had become recipients of a microcredit. This stems from their new economic and financial status in the family. Only 27.3 percent of the women said that the violence against them had decreased. However, one of the positive results has been that only 28 percent of the women stated that the recognition of their viewpoint in the management of the microcredit had not changed.

It took 10 years to set up a financial rating for financial organizations. Social rating is much more recent, but it has grown very rapidly over the last two to three years (Guérin, Lapenu, Doligez, 2009; Lutzel, 2009). Some experts, who before were shocked when people doubted the positive effects of microfinance on poverty levels and on the rise in the income level of clients, as well as on the capacity of the alleged beneficiaries, and who refused all public discussion on the matter, unashamedly and adeptly adapted themselves very quickly and offered their services for this kind of evaluation. It turned out to be a juicy affair for them. It also illustrates their effectiveness as development brokers. It is difficult to separate their positive contributions from their parasitism in a context where the financial flows in the South-North sense henceforth prevail over the reverse flows (Gutner, 2007).

However, it is necessary for a reflection on the social responsibility of institutions not to confuse it with ethics. The task of the latter is to establish the norms that determine the choices and hierarchies among the objectives that those in charge of the institutions have set for themselves. Ethics or ideology can commission a study on a particular type of performance by an institution: the choice can be in the social or environmental field, in work relations or the internal governance of an organization, on the impact on clients and local communities in particular. On the one hand, ethics is based on moral norms (Labie, 2007; Some, 2008; Marek in this Handbook), for example, limiting the interest rate, and even replacing it by integrating the risk pertaining to a self-financed activity, as in the case of Islamic finance. This includes a ban on financing certain activities such as piggeries or alcoholic beverages for Muslim associations, arms, pornography, tobacco for some and genetically-altered organisms for others). On the other hand, ethics implies consistency between the goals pursued (both local and global) and the means employed to achieve them. Social responsibility can therefore be addressed differently.

These approaches in terms of ethics or social responsibility overlap partially. This overlapping creates confusion, which we propose to clarify here while emphasizing the ideological and practical implications.

The first viewpoint takes into account various performances whose common feature is that they are not immediately financial. These performances could be social, primarily the war against poverty and against discrimination towards specific categories of the population in view of a socially sustainable development. They can also focus on the environment by supporting an environmentally sustainable growth. The SIPEM in Madagascar,

for example, refuses to fund activities that use charcoal, as this would lead to the deforestation of the *Grande Ile.*

The second viewpoint places the social and moral responsibility of institutions at the centre of their particular field of activity. Therefore, the social responsibility of a financial institution should be to promote the financial inclusion of all groups. More precisely, financial services should be tailored to meet the needs of the target groups and their cost should be such as to enable them to avail the services being offered.

Let us note that there are different types of investors: individuals, foundations, denominational organizations, public institutions operating mainly under market modalities. Hence, one can find different types of investment motivations, ethical, moral, social, etc. Different indicators should correspond to these various motivations. A fresh assessment on the basis of social and environmental performance, sharing or strictly ethical behavior (these four can overlap and be the subject of a synthetic index) are ways of attracting investors who want to make meaningful investments, but at the same time would like a certain level of remuneration. Fortunately, there is also a market for such investments and some players are involved in developing new types of products and quotations. M. Yunus (2007), for example, proposed the creation of a stock market in order to facilitate social business investments and the listing of such enterprises. Similarly, companies are subjected to stock price valuations and positive or negative media images that influence certain clients who may or may not go in for hiring new employees. Much of the aid given to microfinance is based on such procedures.

3 Civic Responsibility as the Benchmark for Social and Environmental Performance

Diversification of investments of an individual's capital can assume a civic dimension by making social investments or investing in sustainable development. The same goes for certain corporate activities, directly or through foundations which they create and sustain. While drawing up a list of the sponsors of microfinance institutions, we realize that behind such foundations are companies whose activities are very far removed from finance. A commercial group such as Carrefour supports microfinance. Such an involvement can make sense for a distribution company if the support is specific to areas where hypermarkets are established; for example, it would

mean promoting the growth of small service providers in the vicinity or encouraging the professional advancement of certain employees who would hence become micro-entrepreneurs. The social responsibility of hypermarkets can be fully justified and effective, for example, in the sectors of fair trade, public health and environment. Similarly, an automobile insurance group can encourage its customers not to use their cars by subsidizing the purchase of season tickets for public transport. There are many other instances when support to microcredit projects has no connection with the sponsor's own activity. Thus we have Accor Hotels, the Italian brand Benetton, the cement manufacturer Lafarge, agrofood groups such as Nestlé and Danone, a consultant in management and information technology Capgemini Sogetis or an automobile manufacturer like Ford. Among the many sponsors of the best known French microfinance organization, PlanetFinance, we find financial groups (Axa, Citigroup, Credit Agricole Private Equity) and a large number of firms whose links with microfinance can be quite surprising: Microsoft, Peugeot, Orange, SFR, Suez, Accor Hotels, the travel agency Directours, a glass manufacturer Glaverbel, Bombardier Transportation, and even Damas, The Art of Beauty...

The Netherlands Development Finance Company (FMO) has published, for example, under the title *Social and Environmental Field Guide for Micro Finance Institutions*, a guide to good practice in microfinance with a view to applying the standards set by the International Labor Organization. This document has been translated into French with the support of a bank, the Société Générale. The search for non-financial performances is one of the specificities of microfinance, in the sense that it has been defined, as we have seen, on the basis of the criterion of poverty or the alleged marginality of the target audience. We note the client's objectives with regard to the percentage of women (considered to be poorer than the men), refugees, those living in remote areas, etc. In order to understand poverty, simple criteria can be defined for surveys on the basis of the active assets owned by the person, housing, travel and mobility (empowerment), the consumption of certain food items, utilization of medical facilities, and access to education. The problem is that categorizing the poor and women from their capacity to access a particular good or service does not necessarily improve their well-being. On each occasion, it is necessary to contextualize the representativeness of the various criteria and not think that there exists a universal definition of poverty. The MDGs, the Millennium Development Goals, are only one symbol out of a multitude of hierarchies of possible values.

Providing microcredit to a particular group considered economically disadvantaged does not necessarily produce a positive effect. The causes for the deterioration in their well-being could be:

- Over-indebtedness, understood not by the failure to pay off a debt but first and foremost as being impoverished by a credit and the payments arising from it,[6]
- Heavy workload (involving mainly women; apart from purely productive work, it could be other duties that are their lot in life ranging from forms of forced participation to regular meetings),
- Deteriorating working conditions (hazardous, unhealthy and injurious to health, child labor and deschooling),
- Monetary outflows (and therefore of income) from the production systems and local trade which ultimately lead to the impoverishment rather than the enrichment of communities, because of the financial charges levied as opposed to the returns on funded activities (Morvant-Roux, 2009). This question is even more relevant at the macro-level. As a public and private development aid tool, microfinance should be subject to the same scrutiny as other external support interventions. These seem to be highly useful in post-natural catastrophe and post-conflict humanitarian emergencies.[7] As a permanent structural support however, over half a century of development aid has failed to prove their worth as a dynamic in effective and permanent autonomous growth. There is rapid considerable dependence on aid, and the effect of projects and programmes supported in this way are exceptionally long-lasting when they subsequently become autonomous, unless, as demonstrated by the policies of a number of South East Asian countries, there is a strong will on the part of the state to control and manage these external supports. Worldwide, the greatest limitation of the negative impact of external aid is due to changes in modes of consumption and dependence on imports and external businesses. Moreover, historically we can see that countries begin to truly develop not when capital compensates for insufficient internal

[6]This is notably the consequence of resorting to several sources of debt at the same time, some of which are informal (see the article by Guérin, Morvant–Roux and Servet in this Handbook).

[7]See the bibliographic review by Agbodjan (2007).

saving, but when the countries themselves become net exporters of capital.[8]

There could also be a problem with regard to the compatibility of the chosen objectives. This raises the issue of arbitration. Can one, for example, aim at both job creation and income-generating activities and ensure, in any place and at any time, that they are not responsible for pollution or over-exploitation of land, which would result in the destruction of the environment (often the case with tanneries)? They can also help companies whose employment conditions do not meet the standards set by international organizations for "decent work" (in their fight against child labor and debt bondage)?

Moreover, some forms of microcredit can augment the average income of a section of the population, while income disparities, vulnerability and insecurity of the majority continue to grow. An increase in average income is only beneficial for all if the growth in the income of the rich automatically leads to an improvement in the condition of the poor.

It is not enough to record the presence of microfinance activities and an improvement in the situation on the basis of certain criteria and attribute it to the former. Direct interventions in health, education, and for ending isolation may be the real reason. Bangladesh's example is a case in point.

Lastly, it is not enough to set noble objectives for oneself; one has to also have the necessary wherewithal for verifying that they have more or less been achieved. Good intentions are not to be confused with the good itself. The moral responsibility of institutions is not only to defend positive goals, but also to provide the means to monitor the impact and effects of their financing activities.

[8]Mende (1973; pp. 13–14, 170–171, 182–183) reveals the damaging impact of external aid. For more on this matter, see also Myrdal (1968), Robinson (1962) and Amin (1970). Keith Griffin has done much work on this topic using the example of Latin America; see Griffin (1969) and Griffin (1970).

At the same time, these arguments refute Nurske's theory (1953) regarding the positive role of external aid to compensate for a weakness in internal savings. For more critiques of external aid, see also Ayres (1962), which draws heavily on Gordon's (1961) historical study. Along the same lines, see especially Bairoch (1996).

4 Social Responsibility in Microfinance at the Centre of the Business of Financial Institutions

Civic responsibility strategies of companies, which we have just briefly described, induce them to favor a particular need of the society in general or a specific performance by the projects they support. But this approach carries the risk of the privatization of the collective's organization, whereas the basic needs are neglected. The risk is that of a plutocratic regime where those who can contribute decide the happiness of the others, without involving the alleged beneficiaries in the definition of these objectives. Civic responsibility can be the cause of a dangerous drift that democratic societies can take (Servet, 2007a; Servet, 2010).

From a financial perspective, we define *social responsibility* in microfinance through its direct contribution to the financial inclusion of people. It must be understood as the available financial services that effectively and efficiently meet the needs of the different categories of the population at a price that is compatible with their ability to meet it and in forms that are culturally accessible. From this point of view, social responsibility does not cover all of the multiple social engagements an organization may fix for itself. As previously discussed, this can be in relation to its clients, employees, communities in which its activities are undertaken and in various fields, which include tackling poverty, bringing about empowerment through notably the involvement of a particular population category in decision-making, and the preservation of the environment. These multiple engagements can make possible cobweb diagrams (see Figure 13.1) which allow one to visualize the relative weight of a given possible engagement. It is possible, as in the case of Symbiotics SA, to propose a synthetic indicator for the totality of the engagements, allowing investors to hedge their choice of investment and the risk undertaken (which more classically gives a synthetic financial indicator).

Taking into account the degree of banking inclusion is essential, for inequalities are rife across the globe. Depending on the country, access to formal financial services ranges from 1 percent to almost 100 percent of households.[9] There are huge disparities between continents, as well as between regions and localities. In Latin America, the national rates vary

[9] Claessens (2006), Demirgüç–Kunt (2007), Morvant-Roux (2007).

from 5 percent in Nicaragua to 60 percent in Chile, while generally fluctuating between 25 percent and 40 percent. In Africa, the inclusion rate is usually below 20 percent, particularly in East Africa. In South Asia, Pakistan and Bhutan access ranges from 12 percent to 16 percent respectively, while in India and China the rates are above 40 percent. We are talking about national averages. However, the latter mask the massive regional disparities found in the country. Thus, in most so-called "developing" countries, people with an average income, who therefore cannot be classified as "poor" and certainly not "very poor", have no access to basic financial services (Demirgüç–Kunt, 2007). This limited access is not only due to legal restrictions or regulatory barriers, but also because of the physical absence of institutions in certain areas. It is also due to the high level of financial illiteracy which renders the use of certain financial services virtually impossible as they are inappropriate.

It is therefore necessary to define, in different financial contexts, the relevant factors which help us to understand this responsibility which is specific to institutions whose principal activity is to create and offer microfinance

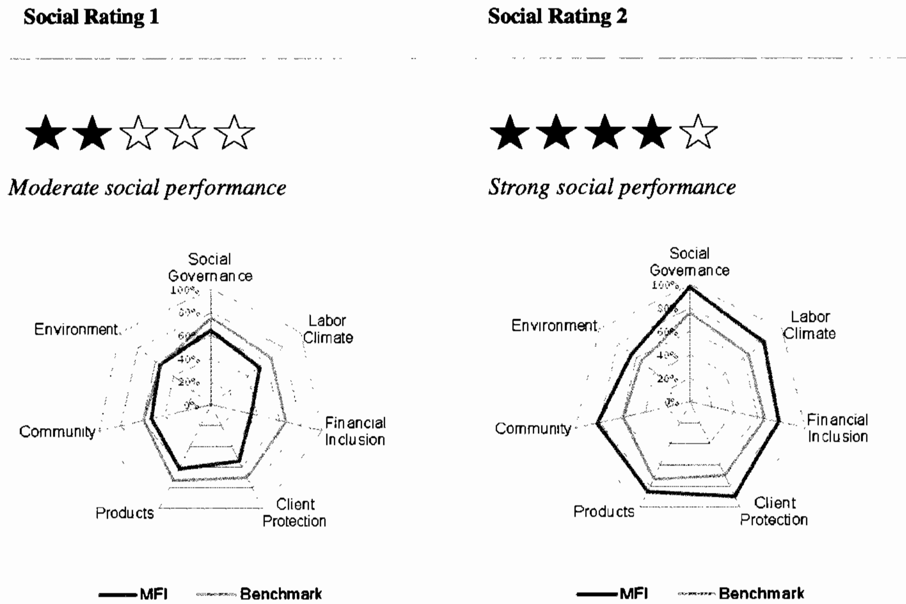

Figure 13.1: Cobweb diagrams to visualize the relative weights of a given possible engagement.

Dimensions	MFI	Bench.	Comments / Rationals
SOCIAL RATING			Higher/same/lower score than the benchmark; Main strengths and weaknesses.
OVERALL GRADE	..%	..%	Very strong/ strong/ satisfactory/ moderate/ weak in: Social governance; Labor climate; Financial inclusion; Client protection; Product design; SR to Community; Environment.
Social Governance	..%	..%	Social orientation of shareholders; Social commitment of the board of directors; Institutionalization of the social mission.
Labor Climate	..%	..%	Employment conditions; Labor/ management relations; Diversity and equal opportunity; Training and education; Occupational health and safety.
Financial Inclusion	..%	..%	Proactive and innovative financial inclusion strategy; Target of financially-excluded people; Removal of barriers to financial inclusion.
Client Protection	..%	..%	Avoidance of over-indebtedness; Transparency on investments terms; Ethical staff behavior; Quality of client relationship; Compliance with regulations & voluntary codes.
Products	..%	..%	Market research and segmentation strategy; Diversity, cost and adaptation of Credit products, Savings products, Insurance products, Money transfer services and Non-financial services.
Community	..%	..%	Impact on employment creation; Social screening of activities financed; Integration into local and international communities.
Environment	..%	..%	Environmental policy directed at the MFI (Use of electricity, fuels, water & paper); Environmental policy directed at financed clients (environmental screening).

Source: Symbiotics SA, Genève (2009).

Figure 13.1: (*Continued*)

services. This responsibility applies not only to the result but also to the processes (inclusive and not exclusive) by which these institutions produce and distribute financial services to their customers or users. This responsibility is to their customers and users. It also applies to their relations with other players in the microfinance sector with whom they compete or cooperate.

To assess the degree of financial inclusion, it is not enough to know about the distribution of services (number of loans and bank accounts in a population) in order to pronounce financial inclusion successful or not. It

is also necessary to assess the degree of adaptation and quality of services (mainly via the non-monetary costs of obtaining credit).

Many discussions have recently focused on the interest rate levels, particularly in view of the Compartamos example in Mexico, whose rates approximate to 100 percent per annum. A study released by the CGAP (Rosenberg, 2009) can be understood as projecting the viewpoint of the lenders, in the sense that the question of the profitability of operations and the use to which funds have been put (whether revenue has been generated or not) is not seen as central to the deliberations, no matter how useful and well documented they are. It is assumed that the returns obtained from the activities are higher than the interest rates paid and that there is greater investment in the micro-enterprises. This still remains to be proved. A 100 percent level may suggest that microcredit providers have become a new brand of usurers. Moreover, a high interest level does not exist by itself. If we lend 100 percent for an activity that brings us 150, then it leaves a margin of about 50 percent for the borrower. If the effective interest rate on the loan is only 30 percent, but the activity leaves a lower overall margin of 20 percent for example, the borrower is impoverished by the loan, whatever the good intentions of the lender. It is a delusion to believe that the borrower can always refuse the loan. If he is waiting for money to come in, in a pre-harvest period for instance, he is forced to borrow in the interim. In countries where competition among institutions based on interest rates is slight, it leads to deductions by the formal financial sector on the wealth created through loans, or worse, in the daily intertemporal management of income and expenditure. One might think that before the development of microcredit institutions, similar charges were levied by private lenders or "loan sharks". However, in this case, in view of their local origins and involvement in the local communities that enable them to make a proper estimation of the risks involved and the pressure they can exert on debtors, we have strong reasons to believe that consequently there was an "endogenisation" of expenses. This is not the case with capital borrowed from external sources. A movement has emerged in microfinance which refuses to take at face value the rates posted by organizations and instead computes the actual cost of loans. This includes non-remunerative or low-yielding deposits, locked-in contributions, the calculation of interest not on the remaining capital balance but on the originally borrowed sum, etc. It is advisable that in-depth studies on profitability comparisons between activities, and interest rates be conducted in order to determine whether the interest rate level is sustainable or not for the borrower.

To determine whether needs are being met, one has to consult with clients (especially in order to identify the gap between demand and needs).[10] The straitened circumstances in which many sections of the population find themselves with regard to access to financial services, forces them to resort to them even when it is not their most pressing need. For example, a funding offer is often chosen whereas savings, insurance and remittances would be more useful to deal with insecurity and vulnerability. We thus note that productive funding possibilities are encouraged whereas a loan leads to over-borrowing due to poor returns from the little diversified activities; the need is for swingline credits at specific periods of the year or in case of illness (to avoid decapitalization which would shrink future incomings).

As it happens, despite very limited financial inclusion across the planet, no global indicator of access and use[11] of financial services figures among the indicators adopted under the Millennium Development Goals.[12] The same applies to the human development criteria fixed by the United Nations Development Program, and more surprisingly still, to the World Development Report released by the World Bank. The omission of financial indicators among the ones retained to gauge human development, contrasts more and more with the increasing exposure received by microcredit in the media since the first Microcredit Summit in 1997 and up to 2006, when the Nobel Peace Prize was awarded to Muhammad Yunus and the Grameen Bank. However, the indicators proposed by the various multilateral organizations in the field of development are diversified, and go beyond the strict economic level. One can find references to health, education, environment, women's participation in community life and housing conditions. These indicators primarily highlight people's capacity to be more productive in the accelerated process of privatisation and commodification of human activity (Appadurai, 1986; Servet, 2007b). It results in companies expanding and intensifying their financialization. Admittedly, all human societies follow highly varied financial practices and through institutions that are very

[10]To have a better understanding of the needs of borrowers, it is useful to concentrate not on success stories but to analyze the reasons for dropping out and failing to pay off their debts.

[11]For an in-depth analysis of this difference and their advanced definition in the *Rapports Exclusion et liens financiers* (Trans: Exclusion relations and financial links) (Paris, Economica), First Report (1997), Eighth report (2009), see the thesis of Gloukoviezoff (published in 2010).

[12]See the targets and objectives at http://millenniumindicators.un.org/unsd/mifre/mi_goals.asp.

different in nature.[13] But because of the increasing rate of dependency on these financial operations and the use of monetary instruments for improving the daily lot of a vast majority of the population, we can affirm that human societies have, from this point of view, experienced a qualitative change during the second half of the twentieth century. These changes in dependency through finance have brought about changes in the organization of societies due to finance (Servet, 2006).

In the present context of a more and more pressing, and even oppressive, financialization of such limited formal financial inclusion across the planet, how can one interpret this omission of the capacity to operate in the financial domain? This inattention results in the international community not feeling obligated to act quickly and universally in order to fight for financial inclusion. Although we can see the expansion and intensification of financialization that has occurred in all modern societies, including among low-income groups, access to financial services is not (yet) generally deemed a fundamental human right. The use of monetary and financial instruments is not considered a factor of identification of groups and individuals. However, the ability to cope with the risks of existence, seize opportunities to achieve a higher income and manage resources and expenses over time, is increasingly centred around the use of financial instruments. Access to financial services is vital in contemporary societies. It is simply essential in our day to day activities.[14]

Financial services are seen as a means of action, but are not in themselves really a need or a factor of identity of individuals and groups. They are more in the nature of a vehicle. Microcredit, by far the most recognized among microfinance services, is generally seen as a tool to promote the emergence of income-generating activities, especially programmes aimed at the facilitation of the MDGs. In developing countries, unlike the microcredit which is built into the labor policies of countries with a high average per capita income, it is exceptional for microcredit to finance new businesses. While microcredit is seen primarily as an economic means of action, its income multiplier effects are not clearly identified and especially not quantified with a high degree of accuracy, except for some case studies, to enable us to generalize at the macroeconomic level. It is not considered a requisite for managing vital social resources and expenditure flows in the long

[13] Cf. the example of payments by mobile phone in Servet (2009).

[14] On this approach to monetary and financial relations and bonds, see Aglietta and Orlean (1998), Servet (1998), Théret (2008) and Zeliser (1994).

run. As a result, the reflection on the social responsibility of the different stakeholders in a society for a generalized financial inclusion, and the political commitments that it entails, is more exceptional than the thinking on other needs such as food, access to water, health, education, housing and environment. These requirements are considered fundamental in themselves for the survival of human beings in an intendedly democratic society (by extending it to an equitable political representation, including in gender terms). Finance is not so yet.

5 Conclusion

We started from investors. Our analysis then focused mainly on the social responsibility of microfinance institutions operating in the field. The social responsibility of investors is not only dependent downstream of the sum total of the immediate and indirect consequences of the choices made by the service providing institutions, which they support. A part of the responsibility lies with the lenders and investors of the institutions. In a non-limitative sense, we can cite certain options:

- The option of loaning in the local currency rather than in a foreign currency;
- The option of mobilizing local financial resources (for example through a guarantee fund) in order to steer clear of a potent exogenous effects;
- The option of targeting those sectors which employ a large section of the poor who, in some countries, have no access to financial services: agriculture rather than trade, even though the rate of returns on investment in the latter is usually much higher and quicker, but the effect on the economic take-off is practically nil;
- The option of geographical zones deemed difficult and largely cut off from international funding (mainly sub-Saharan Africa);
- The option of supporting newly emerging organizations in the microfinance sector in order to further their development (a higher risk as compared to supporting well documented institutions);
- The option of taking into account all the contextual factors when posting results considered as positive. This should help to prevent creating damaging illusions vis-à-vis competitors and set goals for them only within the context of their field of action (population density, insecurity, average income, etc.), which would otherwise be impossible for them to achieve;

- The option of helping in the dissemination of information through participation in networks, seminars, group discussions, etc., in order to contribute via participative competition towards general improvement in the performance and innovation of the microfinance sector.

In so doing, the issue of social responsibility does not only involve institutions and stakeholders, with diverse statuses and levels of intervention, who either procure funds or provide financial services to the people. This issue also involves technical outsourcers (experts and evaluators), public authorities (at the local, national and international levels), non-governmental organizations (which are very active in the sector), and researchers (Wampfler, 2006). Experts have their specific social responsibility. The current crisis has highlighted the dangers of conformism. This shows that it is difficult to make oneself heard if we take a heterodox stand with respect to common beliefs.

Not only financial institutions, but also players in the production and delivery of microfinance services are involved through the issue of social responsibility in a particular field of activity. Indeed there arises the question of the capacity of access and use by groups that are currently facing social exclusion and financial marginalization. It also applies to the conditions of production and delivery of these services and their overall impact. Such services can be exploited for the sole benefit of the suppliers and thus jeopardise the socially sustainable development of societies.[15]

It is naive to believe that there exist in the microfinance services field, categories of stakeholders who, because of their position, would be the good players, while others (e.g. financial intermediaries or a particular category among them such as commercial banks) would be harmful or would corrupt the good intentions of others. Microcredit is not in itself a good or bad form of intervention. It is a financing technique which could, if used in a particular context and aimed at a specific public, improve or, on the contrary, embrittle or even weaken (sometimes rather drastically) the situation of a particular section of the population (Fernando, 2006; Kholiquzzaman, 2007; Servet, 2006). A particular form of intervention through microfinance might, depending on the context, turn out to be positive, neutral or detrimental for certain sections of the population and encourage, or on the contrary, slow down (or hinder) the progress of the developmental dynamics of these

[15]See the use of mobile phones to make payments in Servet (2009).

activities at a macroeconomic level. A clarification of the effective role of various stakeholders in the financial operations, over and above their particular status, is therefore necessary.

Reflection as to the social responsibility of the various microfinance actors indicates that the sector is increasingly mature. In the past, questions were raised as to what positive aspects microfinance, in general, could bring to its clients and local communities, or more generally for development. If today it is recognized as neither a bad or good thing in itself, but according to the context of its use and the actors involved, it is on this question that the investigation should focus.

From this point of view, a final remark is to emphasize that it would be wrong to simplistically oppose financial performance to other performances (social and environmental). It is not systematically a matter of additional cost. This approach can, for example, improve the repayment rate of loans, build customer loyalty through greater involvement, reduce the cost of certain transactions, etc. An organization which espouses the line of social responsibility has, in general, a clearer vision of the future and is therefore in a better position to cope with possible external as well as internal shocks. This applies to preventing over-borrowing, which can eventually lead to a sharp reduction in reimbursements. But also to the establishment of micro-insurance systems that can enhance clients' well-being. The promotion of the social responsibility of organizations is not a new form of compassion. It can be a medium or long-term contribution to their financial performance. An initial approach to interpreting corporate social responsibility is to think of it as a cost to be made good and a loss to be sustained. A second approach sees it in the light of a risk to be assumed as part of a healthy long-term organization. Placing the social responsibility of an enterprise within its line of activity can help to anticipate possible legal proceedings, or public bashing by civil society organizations, local communities, activist groups, foreign governments, etc. This happens when an activity is found to negatively affect a section of the population in a particular place, in the aftermath of a sectoral crisis or a deterioration of the physical and cultural environment. In financial matters, this risk is much more contained than in others. However, it provides a general framework for the development of social responsibility actions in the overall business activity. A third approach considers social responsibility as an investment due to the positive image of the business which is thereby reinforced or created. The first two interpretations deal with the risk to be assumed. They are defensive in nature. The third approach is positive. We are even tempted

to label it as offensive. It turns social responsibility into an opportunity for institutions who have decided to adhere to it. Thus, it mobilises particular interests in the search for a common good.

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