

**The Carol and Lawrence Zicklin Center for Business Ethics Research
Research Project**

Topic: The Question of Profit in Microfinance

Principal Investigator: Rosemarie Monge

Time Frame: July – August 2007

Description:

The first microcredit institutions experimented with loans of a size too small to be provided by the traditional banking sector in order to provide access to credit to poor, small-scale entrepreneurs who did not have access to traditional sources of financing. While the concept of microfinance was originally conceived by nongovernmental organizations (NGOs) concerned with development and poverty alleviation, talk of commercializing microfinance is now commonplace. This may signify increased pressures on not-for-profit microfinance institutions (MFIs) to work towards becoming financially self-sustainable, or even profitable, something that critics of commercialization argue could cause a “mission drift,” turning the focus on the financial bottom line, as opposed to poverty alleviation impacts.

In a normative paper written in LGST 920 for Nien-hê Hsieh, I argued that the for-profit/non-profit distinction simply stated is the wrong distinction to make, as it would not even allow one to profit from selling food to the poor. Instead I argued that our concern with individuals’ ability to fully participate in society should drive a concern for the affordability of and access to the means of full participation. Profiting from a transaction to a very poor person is therefore not universally wrong, but only wrong under certain circumstances. Using that paper as a platform, I wish to expand on this idea in two ways (although I will only concentrate on one of these this summer, and the other at a later date).

Firstly, I wish to use it to shed light on theories of exploitation. My previous paper argued that neither Alan Wertheimer nor Ruth Sample’s theories of exploitation adequately captured the idea that there might be something troubling with profiting from a microloan to a poor person. I wish to use the example of microfinance to delve more deeply into theories of exploitation and perhaps build upon or add to them

A second way to expand the question addressed in my previous paper is to examine some ethical considerations in Prahalad’s *Fortune at the Bottom of the Pyramid*. Doing this would help flesh out the idea in my previous paper that we ought to be concerned with the poor’s access to the means of flourishing and full participation in a society. Furthermore, it would help flesh out the difference between microfinance and other products that might be found in the market, such as food and consumer products.