

Chapter 8

Examining the Viability of Social Responsibility of Microfinance by the Bank Compartamos, Mexico

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ABSTRACT

Microfinance achieves financial inclusion to the poor population stimulating the creation of sources of income and employment. Banco Compartamos is an institution that has more market share and has more than 20 years providing financial services to their specific sector of the population. The chapter analyzes the viability of social responsibility of microfinancing by the Compartamos banco of Mexico for the period 2002-2015. The results show that microfinance working on social responsibility by the Compartamos Banco is not viable as there are the results of inverse correlation results. However, the banco served some social responsibility by means of pulling people out of poverty. It further concludes that these organizations fulfill their main objective, which is to benefit the people of the base of the pyramid in Mexico.

INTRODUCTION

Civil society has driven some forms of social organization and responsible participation to reverse the deterioration of the living conditions of the population. The social, economic and political model of Mexico for more than 60 years had shown the flexibility to incorporate and involve the entire popula-

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tion in an efficient and productive capacity. There is a problem within Mexican companies regarding the adoption of social responsibility practices, which is not exclusive to the country, as this is a pattern that is repeated in developing countries (Azmat & Ha, 2013), a category to which Mexico still belongs, since it meets certain characteristics which makes it to be within this group. The main characteristics of this group are that they are countries with faster economies of expansion, as well as growing markets making them profitable to do business on the part of companies.

In addition, it is usually where the social environment and its crises are usually more sensitive than in other countries. For this environment of sensitivity is where factors such as globalization, economic growth, investment and business have greater impact either negative or positive. For this reason, it can be considered that this type of economy handles with different treatment the issue of social responsibility as opposed to the developed economies (Visser, 2008). According to Schmidheiny (2006), Latin American countries tend to be more concerned with social problems than with other problems regarding social responsibility, such as ethics, environment and stakeholders.

So the objective of this chapter is to publicize the importance of the use of these practices in Mexican companies, the benefits they have both in the community where they are executed, the social benefits, the reputation that is obtained and that can attract investment by interest groups and what is more important, in increasing their profits, since it is the main reason why companies start to take this type of measures (Lizarzaburu & Del Brio, 2016). Thus encourage the development of strategies that help implement social responsibility within firms. It is a question of further clarifying the weight of social responsibility through a case study, a Mexican micro finance company called Banco Compartamos, then presenting the results that are arrived at through the case study analysis and finally presenting the conclusions and recommendations that are made about the work developed.

This chapter hopes to demonstrate social responsibility that has had the financial institution “Banco Compartamos” with viability to execute the purpose to eradicate financial exclusion through microfinance, especially credit, savings, insurance, financial education and means of payment. Throughout its history with the civil society, it has been creating value for its customers, suppliers, shareholders, employees.

In this chapter it is first exposed the origin of microfinance, which is Banco Compartamos, its history, major products, and the reason for choosing such case. Second it is exposed the social responsibility actions of Compartamos Banco with feasibility of operations.

ORIGIN OF MICROFINANCE

Microcredit emerged as a mechanism to facilitate access to monetary resources at a lower cost and charges set by usurers and moneylenders. Microcredit occurs when groups of people establish funds and savings and loan cycles. Most microfinance arise from a solidarity work so unfolded as nongovernmental organizations (NGOs), which, in attempting to meet the needs of disadvantaged communities in the country, eventually became involved in the activities of credit unions.

The financial activity of NGOs involved the receipt of funds from savings of the general public is restricted and is necessarily subject to official supervision activity. At that time was not regulated. Microfinance is seen as an alternative financial inclusion or as a mechanism to provide the “seed capital” to carry out a productive initiative or as a mechanism for governmental financial support to low-income population. But not necessarily all the microcredits help to support and encourage micro business duly

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