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Assessing societal performance of microfinance from the angle of shared value co-creation

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Based on Ph.D. Research Proposal: "Rethinking Corporate Social Responsibility: Applying The Principles Of Value Co-creation and Creating Shared Value for Rating Business Societal Performance"

Abstract

Today's business models are getting more and more criticized for prospering at the expense of the society. Addressing such weaknesses in the capitalist world, new terms appeared and attracted an increasing interest in the last years like corporate social responsibility, social business, socially responsible investments, and social performance. Besides the overlaps between such terms related to social concerns of business, many researchers have proved recently the weaknesses of following such polices in order to connect business and society in an optimal or just a good way. Although there is increasing research focus and growing literature on assessing social performance and responsibilities of business, the matter of considering economic value creation by business in the assessment was narrowed and much less focused on. It was indicated in the literature that value creation has been conceived narrowly, and that company-centric view should be escaped to enable more innovations for value creation opportunities in which company and society collaborate.

The mentioned issues get even exacerbated when it comes to discussing microfinance business. Though microfinance is perceived, in general, as social business, or more accurately, as business driven by social cause, the increasing interest of investors in microfinance field and the remarkable growth in the industry shed the light on serious "ethical" obstacles that this business is facing nowadays. That reality has led to a hot and usual debate of social embeddedness, responsibly, and performance of microfinance institutions in an attempt to narrow, explain or even justify the gap between the notion and actual application of microfinance.

This paper, through a case study discussion, contributes to the notion of assessing business responsibilities to the society of the MFI through the measurement of shared value creation and co-creation between the different stakeholders of the MFI in the age of information technology. We discuss the role of the new tools that information technologies provided recently in empowering microfinance for creating more value that can compensate the MFIs as financial institutions enabling at the same time the poor and the excluded for finding a way out of the circle of poverty or exclusion.

Our results would highlight interesting points concerning measuring the role of the microfinance institution as a value generator business. Describing value co-creation and sharing enabled by the new technologies and combined with the traditional principles of microfinance can add an additional dimension of societal assessment of microfinance besides the current social assessment polices and schemes.

Keywords: microfinance institution, value co-creation, creating shared value, social performance, social responsibility, new technologies

Presentation of the topic:

The capitalist system is suffering from serious problems related to causing harm to society, and companies are more and more considered to be prospering along with affecting negatively the broader community (Porter, 2011). "Even worse, the more business has begun to embrace corporate responsibility, the more it has been blamed for society's failures" (Porter, 2011). Shareholder-value creation in the capitalist system has failed to produce sustainability and stability for business and to deliver best value to its shareholders as well; and that highlights the need to focus more on creating value for customers (Martin, 2010).