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# **A Socially Responsible Model of Micro-Credit Delivery to Support Sustainable Community Development in Emerging Economies**

Associate Professor Carol Dalglish  
School of Management, QUT Business School  
Queensland University of Technology  
GPO Box 2434 Brisbane 4001  
Australia.  
[c.dalglish@qut.edu.au](mailto:c.dalglish@qut.edu.au)

Dr Marcello Tonelli \* (corresponding author)  
School of Management, QUT Business School  
Queensland University of Technology  
GPO Box 2434 Brisbane 4001  
Australia.  
[m.tonelli@qut.edu.au](mailto:m.tonelli@qut.edu.au)

## **SUMMARY**

Micro-finance, which includes micro-credit as one of its core services, has become an important component of a range of business models – from those that operate on a strictly economic basis to those that come from a philanthropic base, through Non Government Organisations (NGOs). Its success is often measured by the number of loans issued, their size, and the repayment rates. This paper has a dual purpose: to identify whether the models currently used to deliver micro-credit services to the poor are socially responsible and to suggest a new model of delivery that addresses some of the social responsibility issues, while supporting community development.

The proposed model is currently being implemented in Beira, the second largest city in Mozambique. Mozambique exhibits many of the characteristics found in other African countries so the model, if successful, may have implications for other poor African nations as well as other developing economies.

## **INTRODUCTION**

The last decade has witnessed a dramatic rise in interest by the international community in corporate social responsibility. Stakeholders around the world are increasingly interested in the role of business in society and whether organisations meet their social as well as financial responsibilities. Many NGOs today engage in large scale activities that resemble corporate bodies in a number of ways, and therefore are also subject to scrutiny where social responsibility is concerned. Corporate social responsibility has been conceptualized as constituting four kinds of responsibility: economic, legal, ethical and philanthropic (Trevino & Nelson, 1999). In an increasingly globalised world the question arises as to whether the work of corporations and NGOs leads to an overall elevation of people's wellbeing and whether organisations are designed

and their products/services delivered with this concept in mind (Fisher & Lovell, 2003). With NGOs operating in the developing world, it might be thought that social responsibility is what they are all about. Much recent research evidence, presented later in the paper, suggests otherwise where the means used to meet their socially responsible services are concerned.

In particular, we look at micro-credit to micro-enterprises as a poverty alleviation strategy. The term micro-credit in this paper refers to the loaning of small sums of money to the poor for the establishment or growth of their micro-enterprises, without traditional collateral (Charitonenko and Campion 2003, Mwenda & Muuka 2004). Micro-enterprises are typically defined as very small, informally run businesses, involved in other than crop production. These enterprises employ ten or less people, including the owner (USAID 1995). There is much debate in the literature over a definition of entrepreneurship. In this paper the definition by Hisrich & Peters is used which describes entrepreneurship as: *“the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic and social risks and receiving the resulting rewards of money and personal satisfaction and independence”* (1998:9).

Micro-enterprises in developing economies fulfil many functions. They provide an income stream for poor entrepreneurs and their families; they create employment; they recycle and repair goods that might otherwise become waste; they provide cheap food, clothing and transportation to poor people, who would otherwise not be able to survive on their wages. Micro-entrepreneurs contribute to all of this despite severe obstacles, above all a lack of education and training, and no access to credit and other financial services. They do, however, have strong survival skills, shrewd business sense, a willingness to work hard and extensive informal support and communication networks (Robinson, 2001).

Hudon (2008) raises a number of issues that negatively affect the poor and makes a compelling argument for their right to credit. His claim is supported by other proponents in the field such as Mohammed Yunus, who argues that the poor can help themselves if they have access to resources (PBS, 2007 cited in Hudon, 2008). However, as emphasized by Hudon, the means by which credit is provided is also important. This has recently been demonstrated on a global scale by the international financial crisis of 2008/2009 that was triggered by 'sub-prime' mortgages and by the consequences that arose from the inability on the part of the poor to repay loans that arguably they should never have received in the first place. The first purpose of this paper is to identify whether the existing models used to deliver micro-credit services to the poor are socially responsible, while the second aim is to suggest a new model of delivery that addresses some of the most pressing social responsibility issues.

## **LITERATURE REVIEW**

As early as 1947, micro-enterprise development programs have been a popular poverty alleviation strategy in developing nations (McPherson, 1996). Micro-credit institutions, following the example of the Grameen Bank founded in 1983 in Bangladesh, have attempted to overcome some of the financial hurdles faced by the micro-entrepreneur (Mwenda and Muuka, 2004; Rutherford, 2000), but a number of issues remain uncertain and open to discussion. The literature has in fact identified five major themes concerning the delivery and outcomes of micro-credit: the impact on enterprise development; the different lending models used; the development of commercial frameworks and their impact on over-indebtedness; the involvement of local community networks and social capital; the measurement of outcomes.

### ***Impact on enterprise development***

There is little evidence in the literature to suggest that micro-credit, as a strategy in its own right, assists entrepreneurs. Vast sums of money are now made available through a variety of micro-credit schemes, yet there appears to be little empirical evidence of the positive impact of this form of financing for micro-business growth or the factors that might influence the growth and sustainability of those enterprises that start out as ‘survival’ enterprises (Brett, 2006; Mayouz, 1999; Sievers and Vandenberg, 2007).

Some of the conflicting findings concerning the impact of micro-credit may reflect not a weakness in the idea, but in the delivery mode. Given that micro-enterprises have been identified as playing a significant role in the reduction of poverty when developed in conjunction with other strategies (Cuong, 2008; Quadir, 2003; Rugimbana and Spring, 2009; Weber, 2002), the question raised is whether micro-credit shouldn’t be used without combining it with other strategies to assist poor entrepreneurs to make the transition from hand-to-mouth economic activities to a sustainable business (Chamlee-Wright, 2005; Cross, 1998). The basic argument is that access to financial resources may not in itself address the challenges facing the very poor entrepreneur, who also faces limited access to education and training making the success and growth of the enterprise difficult (Danida, 2002; Naude et al., 2008; Sachs, 2005; Van Stel et al., 2005).

### ***Different lending models***

Many of the existing micro-credit schemes lend money on a group basis, that is, the group is liable for the debts of each member (Brett, 2006; Cuong, 2008; Karim, 2008; Weber, 2002). Other members cannot access credit if a member of their group defaults. “*Shame*” is the collateral, as Karim puts it (2008). As an example, Mali’s Freedom from Hunger Project works

with women groups (Charitonenko and Campion 2003) and the group is jointly liable to repay the loan over a period of sixteen weeks. In Zambia a project, funded by USAID, and managed by The Cooperative League of the United States of America (CLUSA) provides small scale farmers with access to credit where there is a lack of commercial lenders willing to issue credit to this particular group (Parker 2003). In summary, although different, all the investigated models of micro-credit appear largely to target rural areas and villages and operate a group model where social capital is the collateral.

### ***Commercial frameworks and their impact on over-indebtedness***

NGOs most frequently operate in countries where the State has failed to deliver services for the welfare of its citizens, shifting responsibility increasingly to private charities or the private sector (Karim, 2008). Micro-credit was developed as a tool for poverty alleviation, alongside a range of other tools largely used by NGOs, such as health care and schooling. However, micro-credit differs significantly from other targeted poverty reduction strategies in that it has become embedded in a commercial framework (Weber, 2002).

The entry into the micro-credit market of fully licensed commercial financial institutions is relatively recent. Their charged out interest rates are often very high because the majority of them seek long-term viability as commercial organisations and because of the out of control inflation rates (e.g. 19% in Mozambique). In different locations across the world organisations, that have poverty alleviation as one of their missions, are charging the poor anything between 20% and 60% interest per annum (Brett, 2006; Byiers et al., 2009; Maimbo, 2002; Rugimbana and Spring, 2009; Yunus, 1994). The justifications for this are that the rates are less than traditional money lenders, where those exist, and they cover the cost of servicing small loans

across long distances (Maimbo, 2002). However, this judgement is made in the philosophy that finance provided to the poor should fit within the prevailing banking framework. The appropriateness of charging such high rates to the poorest people in the world must be a questionable one from a social responsibility perspective.

The cost of micro-credit and the related risk of over-indebtedness are real dangers (Chamlee-Wright, 2005; Hudon, 2008) for the very poor, who have limited ability to assume risk and may become worse off as a result of business failure. Ethical micro-credit should not lead to a person's financial situation being made worse, as this would not be socially responsible. If the poor are not to be excluded from the opportunity to improve their lives, the key challenge appears to be the design of efficient mechanisms to bring financial resources to them (Hudon, 2008).

### ***Involvement of local community networks and social capital***

Local community involvement and the development of local social capital are identified as significant elements of success in a model that is aiming to reduce poverty in a sustainable way (Cross, 1998; Rugimbana and Spring, 2009; Sievers and Vandenberg, 2007). Any proposed project of humanitarian intervention needs to align with local needs and cultural traditions as well as promote local participations by encouraging shared ownership (Chamlee-Wright, 2005; Hudon, 2008; Pless and Maak, 2009; Wilburn, 2009). Understanding a particular cultural context is critically important (Independent Evaluation Group, 2008). Chamlee-Wright (2005) recognises that tapping into the knowledge embedded within local social institutions lowers transaction costs, saves time, and helps anticipate and avoid pitfalls. Embedded within the local system is a wealth of local knowledge regarding an individual's savings capacity, credit worthiness, business



history and insurability (Yunus, 1994). Soros (2007) has identified this as a key factor in the success of his foundations around the world.

It is likely that the networks of local expertise among the poor are initially insufficient to support the growth of entrepreneurs. This is where building capacity becomes important. It is critically important that foreign supporters involve local people in the decision-making processes and that a problem solving attitude is built (Yunus, 1994). This may require tapping into extended, even international, knowledge networks to work with local people to develop necessary skills and improve existing practices (Chamlee-Wright, 2005). Experience with local entrepreneurs in Mozambique is that education and training are as critical as access to financial resources to the success of micro-enterprises and the reduction of the negative outcomes of credit (Dalglish, 2007).

### ***Measurement of outcomes***

The providers of a supportive system themselves, the NGOs, become sources of employment in countries that have few opportunities. This puts pressure on the local staff to deliver against the criteria that will secure their jobs: large numbers of borrowers and high repayment rates. Delays with repayments have led in some circumstances to ill treatment of borrowers and high levels of competition between the organisations that are supposedly there to help the poor. The issue becomes the sustainability of the NGO rather than that of the micro-enterprises.

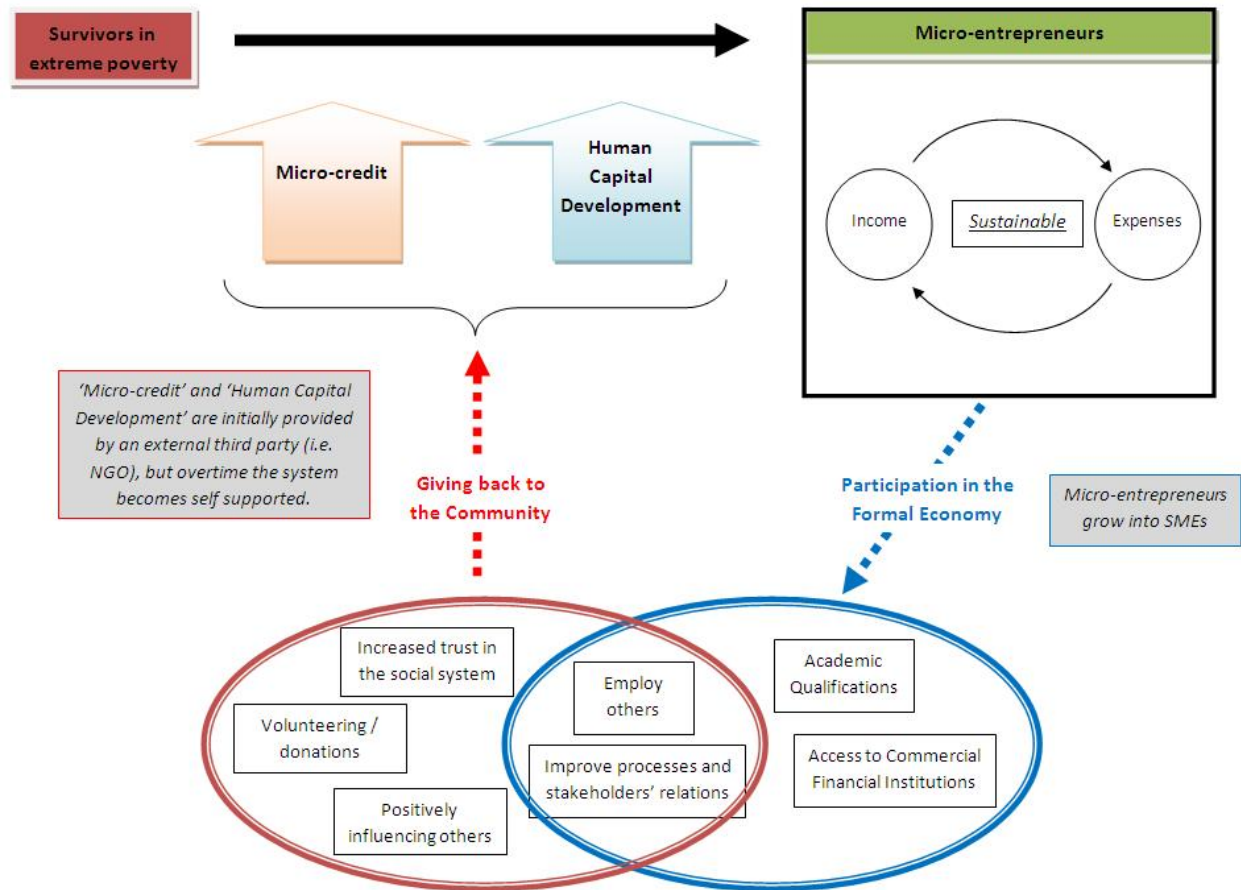
Commercial financial institutions show excellent results with regard to micro-credit. How? Generally they measure two things: the number of people served, and the repayment rate (Buckley, 1997; Karim, 2008; Weber, 2002). On both counts the results are impressive. What is largely unmeasured are outcomes – the growth of businesses or the elevation of borrowers from

poverty. Financial performance is perhaps the easiest indicator for measuring success, and therefore it is the one that is reported most. While it is clearly important, for accountability purposes, that adequate records are kept to outline appropriate pricing policy, number of clients, value of any portfolio, demographic make-up of borrowers, and administrative costs per loan (The Human Sciences Research Council, 2002; Independent Evaluation Group, 2008), it is the generation of sustainable income by borrowers that is the required outcome. Measuring this is both complex and expensive and does not fit comfortably in a commercial model.

Micro-credit has become a global strategy despite warnings from the World Bank (Pless and Maak, 2009) and the Asian Development Bank that its implementation alone may not result in poverty reduction, as well as the lack of evidence that it promotes entrepreneurship. The sceptics might suggest that the reason micro-finance has become so successful at the institutional level is because it fits within an internationally adopted economic philosophy and transfers most of the risk and transaction costs to the borrowers and away from the institution (Brett, 2006; Karim, 2008). This may be a familiar approach, but again, it seems hardly socially responsible.

Generally the literature does not relate to borrowers of micro-credit as entrepreneurs with business ideas, but poor people who strive to survive. Yet even in this context, research into the impact of micro-credit is lacking (Buckley, 1997; Mayoux, 1999; Sievers and Vandenberg, 2007; Wilburn, 2009). Should micro-credit be such a major poverty alleviation strategy if it leaves its borrowers less well off? A different model that is being trialled in Mozambique is described in the rest of this paper illustrating how an attempt is being made to use socially responsible mechanisms to deliver micro-credit to the very poor (figure 1). If successful this model may provide an example for elsewhere in Africa where micro-credit has not been adopted to the same extent as for example in Asia.

**FIGURE 1**  
**A Theoretical Model for Poverty Alleviation in Developing Countries**



## MOZAMBIQUE

The design of a programme that carries the solutions to some of the difficulties outlined in the literature was undertaken in Beira, the second largest city of Mozambique, with a group of local micro-entrepreneurs and self-appointed community workers, often pastors. The scheme is designed to suit the needs of peri-urban populations who wish to develop businesses in the absence of employment opportunities.

Mozambique lies along the Indian Ocean sea border of Southern Africa and is among the poorest countries in the world (World Bank, 2006). This is largely attributable to a history of both human and natural destruction. The Portuguese colonised Mozambique in the 15<sup>th</sup> century. At the time there was already a flourishing trade in gold, ivory and slaves conducted by the Arabs. There was very little social investment in Mozambique. The independence movement that began in the 1960s led to autonomy in 1975. The Portuguese pulled out virtually overnight, leaving the country lacking skilled professionals and infrastructure. Frelimo (The Mozambique Liberation Front) turned to the governments of the Soviet Union and East Germany for help. This instability was compounded by the disapproval of (then) Rhodesia and South Africa, who supported and trained rebels in Mozambique (Renamo) leading to civil war. Renamo's aim was the complete destruction of Mozambique's infrastructure and the eventual overthrow of the government. Whilst they did not succeed with the second aim, they did destroy most of Mozambique's infrastructure, including roads and railways (Dana, 1996).

The civil war lasted for over 15 years, with first democratic elections held in 1994. The economy was crippled by debt with annual repayments almost twice the public health budget of the government. The country, apart from Maputo, as of late 2004 was still largely in ruins. Good road and rail services are almost non-existent, as are power, communication and sanitation infrastructure (Dalglish, 2007). The country had an estimated population of just over 19 million in 2006. Life expectancy is around 42 years. Death is mostly through diseases such as malaria, tuberculosis, cholera, leprosy and more recently, HIV. The illiteracy rate in the adult population is high at about 60% and the majority of the population (80%) still live on livestock farming production.

Because of the undeniable humanitarian crisis faced by the nation, by 2001 there were 145 foreign NGOs and 465 national NGOs operating in the country, but many of these withdrew

in 2008/2009 because of financial difficulties although poverty remained extreme. At the same time another social movement started to grow: Pentecostals, the Pentecostal-influenced Zionist, and Apostolic African Independent Churches moved in to offer social support. The popularity of the church movements and their nearly complete dissociation from the world of foreign aid suggest shortcomings in NGO models in gaining the confidence of poor communities (Pfeiffer, 2004). Pentecostal-influenced independent churches have seen a growth in membership from around 10% to nearly 50% of the poor peri-urban populations. Churches appear to be one of the few sources of assistance for those who are alienated from the world of commerce and foreign aid. Participant observation in numerous church activities has revealed a profound and sustained commitment to collective wellbeing (Dalglish, 2008; Pfeiffer, 2004).

Beira, in the province of Sofala, where the qualitative research was undertaken and the NGO established, suffered greatly during the brutal civil war that wreaked havoc upon Mozambique. While significant construction works began in 2006, indicating that economic activity is moving north from the capital (Dalglish, 2007), today Beira has the dubious reputation of being Mozambique's poorest province (Republic of Mozambique, 2003). Whilst Beira offers a unique research context, many of the problems faced there are found elsewhere in Africa and therefore workable solutions could be replicated in other peri-urban contexts.

## **METHODS**

To understand the true nature of the situation, qualitative research was undertaken among micro-entrepreneurs in Beira. Semi-structured interviews and participant observation were used to provide an insight into the difficulties for micro-entrepreneurs as seen by them. This approach brings together the specific insights of local people with the more generalised conclusions of the

literature and is important, as often, there is limited awareness of the reality of the local culture and environment.

The circumstances under which entrepreneurs in developing economies operate can appear impossible to those who have very different experiences of business (Van Donge, 2008). Through these participative methods the researchers could change their perspective and view local poor as people with potential in the pursuit of business success and the wellbeing of their community, rather than simply poor victims striving for survival. The interviews offered the opportunity to generate new information about the way in which people see their surroundings (Hammersley and Atkinson, 1995) and enabled models for delivery of services to be developed in ways that meet the specific needs of the local community.

The first two rounds of interviews took place in 2004 and 2006 with a third one scheduled for 2011. Additional visits took place over the intervening seven years to set up the NGO. Each entrepreneur had received micro-credit to start or grow what would be considered a 'survival' enterprise in the informal sector. The research was conducted using informal individual and small group interviews that were arranged by a local member of the community, who also acted as interpreter.

What the first two rounds of interviews allowed was an insight into what had changed longitudinally in the businesses over the intervening period. This approach provided an ongoing picture of a group of entrepreneurs who were successfully growing their enterprises, were expanding their view of what was to be successful, and were beginning to access technology and services. They were also using their increased resources to improve their living conditions, to access education and to plan for the future. The qualitative nature of the research had the strength of providing rich data, directly from the micro-entrepreneurs.

For example:

*Regina was an out of work pastor's wife. She used her micro loan to move from selling dried fish to fresh fish which was less labour intensive. She did this without any refrigeration and when the researcher suggested to her that this might help her business, she did not see how it would be possible. Two years later Regina was still selling fish, but she was renting space in a freezer because she identified that quality was the key to her success. She has purchased a mobile phone, is having electricity connected to her home and hopes to be able to borrow sufficient funds in the future to have her own freezer.*

To improve cultural understanding and to develop trust, the authors engaged in participant observation, spending four separate weeks within the community under study. This included presenting seminars, dining with a number of different families, attending church, and meeting with local groups of small entrepreneurs to discuss their aspirations and the constraints they faced. After the first two visits, the authors were welcomed as members of the community and conversations became less formal and more private issues were discussed. This added a depth of insight into the reality of the lives of these entrepreneurs and their families.

This more relaxed type of conversation also revealed the community's lack of training and thirst for knowledge that would have helped them better themselves. This sort of participating adds credibility to the observations in a way that describing cultural phenomenon on the basis of documents cannot. It is a way of doing justice to the voice of the people (Knibbe and Versteeg, 2008). This voice is often lacking in the large studies done on micro-finance as a way of poverty alleviation, which reflect the cultural norms of an often alien culture.

## **DEVELOPING A SOCIALLY RESPONSIBLE MODEL OF MICRO-CREDIT**

The literature and the field research indicate that the design of any humanitarian project to encourage entrepreneurship should be culturally fit, encompass local support and expertise, and at the very least not cause financial harm. With this in mind, Despertaí Mozambique (Awaken Mozambique) was born with the following stated aims:

- To provide financial support to micro-enterprises in Mozambique in a sustainable manner. This will stimulate economic activity and provide the resources to individuals necessary to ensure the education and health of their children – Mozambique’s next generation.
- To build capacity by developing basic skills in association management, micro-finance and enterprise development. Access to education and training has been very limited in Mozambique. In addition, many of today’s adults spent their formative years as refugees in neighbouring countries. This will enable the local NGO to continue to provide support and direction in the long term, with limited or possibly no external backing.
- To develop international linkages between entrepreneurs in Mozambique and the developed world. This provides a two-way knowledge transfer and will greatly increase international understanding. Internet technology now makes this both achievable and affordable.
- To collect data and facilitate research into the process of enterprise start-up and growth in a developing economy.

In designing a viable working system, the social responsibility of everyone involved was central to the undertaking. There was no imperative that the project should be commercially viable, but that it should be sustainable over time. The manner in which the project was



developed took into serious consideration the potential difficulties identified in the literature and applied them to the specific context of Beira. In particular, four issues were accounted for: involvement of local community, capacity building, reduction of indebtedness risk, and new measurements of performance.

### ***Involvement of local community***

Understanding a particular cultural context is critically important (IEG, 2008) and recognizing and valuing local expertise is vital for accessing knowledge networks, having local participation, and promoting ownership. The inclusion of local knowledge into a model allows individuals to make productive use of the private and local knowledge to which they have access, enabling the services provided to be truly socially responsible and limiting unforeseen consequences.

The process of developing an NGO involving the local people began in 2007, during the third visit to Beira by the researchers. Around 40 local business people, community and church leaders attended a meeting at which they expressed a willingness to work together toward the establishment of an NGO that would provide micro-loans to individuals and small businesses who did not have access to other sources of funding. This group elected a management committee, nominated the people they wished to run the organisation once it was established, and voted on an appropriate name: Despertaí Mozambique. This group then became the local focal point for the development of a sustainable support system for aspiring entrepreneurs and the body accountable for all the operations of the organisation in Mozambique. This local involvement ensured that the mechanism put in place would be culturally appropriate and socially responsible for that particular context. It also linked into the grassroots religious movements, with the many different groups working together to support the scheme.

### *Capacity building*

It was clear early on that the existing local expertise was insufficient to support entrepreneurs; hence building capacity became a priority. As a result, a second management committee, called Awaken Mozambique, was established in 2007-8 in Brisbane, Australia to raise the necessary resources for the Mozambique organisation. These resources included not only financial backing for direct funding of the organisation and to finance loans to entrepreneurs, but also processes for sharing intellectual resources through virtual training and the visit of people from outside the local area, drawing on a wider social capital.

Sustainability of resources is critical if micro-enterprises are to grow. Long term sustainability requires a shift toward a model that broadens the base of both economic and intellectual resources until it builds sufficient capacity (Elkington and Hartigan, 2008). It would be socially irresponsible to establish systems that keep the community dependent on external resources without developing their local capacity to create and grow by themselves. This may be a long term task, but is an essential one.

Therefore it is critically important that local people are involved in the decision making and that a problem-solving attitude is built (Yunus, 1994). This may require tapping into the extended knowledge network to work with local people to adopt best practice, and to ensure that local administrators are competent and able to access not only their local networks but also those of the wider community when the needs arise. The setting up of a sustainable organization that can spur community development includes responding to the community's priorities, investigating individual problems and solutions, encouraging agency and active involvement in goal setting, with on-going consultation and co-development of solutions (Matthews, 2009).

Training and development are integral to the development process. As such, recipients of loans are obliged to undertake training during the period of their repayment. This training is

personalized to the specific needs of those involved and is conducted by the local staff. Regular training is also provided to the co-ordinating staff by volunteers from relevant institutions overseas.

To assist with capacity-building and ensure transparency, the processes and policies were written in Australia and then discussed and modified in Beira. The local management committee is well aware of the issue of perceived corruption and the importance of transparency and equity in the allocation of loans. The Beira committee is required to report monthly to the Australia committee with their recommendations for funding and the reasons for these recommendations. Once approved, the Beira committee is then responsible to make decisions about loans and debt collection. The presence of community leaders on the committee acts as an incentive for repayment, though some default must be expected in extreme circumstances.

### ***Reducing the risk of over indebtedness***

No interest is charged on the loans, and the repayment period can be spread over one year. A set 10% service fee is charged to the entrepreneur for the training and support provided. Loans are not granted without a commitment to this training. The repayment of micro-loans goes into an investment fund. Over a period of five years, the capital in this investment fund is expected to grow and generate interest that will be used to support the local employees, making the NGO more self-sustainable. Until then, donor money will play a fundamental role.

After a few years since inception, the Beira committee identified a potential problem for the repayment of loans by the very poor. Often money was borrowed on the pretext of starting a business, but then used for personal expenses such as funerals, schooling or food. These expenditures clearly do not represent the wherewithal for repayment of the loan and it is not socially responsible to encourage people to enter into this type of debt situation. Thus, the Beira

committee has put in place two processes to try to prevent over-indebtedness. Firstly, to be granted the loan the borrowers must attend initial training to develop a very simple business plan. If the borrowers are illiterate, one of the committee members provides assistance. Secondly, if the borrowers are receiving their first loan, the local workers will go with them to set up the business and provide support, ensuring the money is spent in such a way as to generate the ability to repay. Whilst this is a costly process, it increases the chance of success for new entrepreneurs and reduces the risk of over-indebtedness.

### *New measurements of performance*

When the emphasis of an NGO is on numbers and being financially viable there is pressure on employees to deliver – or at least be seen to deliver. This can lead to unfortunate behaviour and possibly the exclusion of those most in need as they present the greatest risk. This was one of the issues discussed with the local committee, which feared that by offering services to very poor they were increasing the risk of undermining the long term viability of the organisation.

Mozambique is like many other poor developing countries with very limited employment and NGOs offer wages that are highly desirable. Losing such a job can have a devastating impact on a whole family. Setting realistic goals and relevant measures becomes very important. The reason for the program to exist is the development of micro-businesses that have the potential for long term financial stability. This is what needs to be measured. It is recognised that the support required costs vastly more than the financial return on the loans – however, the social return is potentially very high. Not only are families fed, clothed and schooled, but an economic infrastructure develops that will sustain many who are outside of the loan programme per se.

Measuring repayment rates and numbers of borrowers does little to evaluate the impact of micro-credit on the long term wellbeing of the community – or the sustainability of individual

enterprises. Well-structured feedback on the micro-loans and particularly their impact on the community will enhance an understanding of the issues confronting micro-entrepreneurs and the strategies required to enable them to be successful in the long run.

### **CONSTRAINTS**

There were a number of significant constraints in the data collection. Interviewing through an interpreter raises a range of issues, no matter how good the interpreter is. Although there is no evidence of bias, this cannot be totally dismissed. The interviewer was a stranger, with extremely limited cultural knowledge. Therefore there was the possibility that interviewees would not have shared all of their views, and might also have been influenced by the fact that the interpreter was one of the persons instrumental in making funds available to them. However, the potential negative impact of these factors was not apparent. The interviewees were friendly and welcoming, though not used to talking about themselves and their ventures. Each visit led to greater depth in the information provided and more open discussion, indicating it takes time to develop relationships of trust in that context. This consideration has interesting implications for research and service delivery in developing countries that are undertaken by strangers and in this case 'white' foreigners that their history has taught not to trust.

Finally, it is important to recognise that this type of fieldwork cannot be entirely objective because the qualitative research was done by those with a personal interest in the program. And whilst this personal experience is very important and should be central to the research agenda (Desjarlais, 1997) there is an intention to bring in researchers who will have a different and less personal involvement with the people and the project.

## CONCLUSIONS

Robinson (2001) argues that commercial micro-finance is not appropriate for extremely poor people who are badly malnourished, ill and without skills or employment opportunities. For these people micro-finance is the next step – after they are able to work. Which begs the question – where is the work? In Mozambique people living in extreme poverty, below the minimum subsistence level, amount to nearly 50% of the population (World Bank, 2006) and include those who are unemployed or underemployed, as well as those who are so poorly remunerated that their purchasing power does not permit the minimum calorie intake required to overcome malnutrition. How do people in developing economies, with little or no education, get their foot on the first step of the economic ladder? How do they move to a position where they could access commercial micro-finance? Simply receiving assistance to feed themselves will not ease their situation in a sustainable way. Gaining the necessary education to find employment in an increasingly industrialised economy is a long-term proposition.

The distinction between the extremely poor and the economically active poor is not precise in the context of a developing economy and it is perhaps wise to focus on the purpose of the loan and the commitment of the entrepreneur, rather than trying to assess ‘poverty’ in ways that might not be appropriate to the local situation. There is a dilemma to unravel. Micro-credit obviously does benefit a large number of people. But what of those who through accessing micro-credit services find themselves worse off? Do the lending institutions have a moral responsibility? Can the greater good for the greatest number really stand as an appropriate model of social responsibility?

The benefits of micro-credit are often justified by the age old saying, “*Give a man a fish and you feed him for a day, teach him to fish and you will feed him for a life time*”. But micro-

credit does not teach anything – it enables the fisherman to buy a net, but in many cases does nothing to ensure that he knows how to use it to benefit his family and the community. If he doesn't know how to use the net, he will return to his old way of doing things – but with the added burden of having to pay back the debt. Is this the lending organisation's responsibility? Is it our responsibility? After all, it is our money that is being used to provide services that would not stand up to scrutiny in the developed world.

The development of a socially responsible, sustainable model for providing intellectual and financial resources to micro-entrepreneurs in Mozambique will, if successful, provide a blueprint for offering services in other poor developing nations. The model also provides a base for ongoing research into the process of entrepreneurial growth in African developing economies.

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