Women in a World of Financiarization: Microcredit, Empowerment, and Profit[1]

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Abstract

The aim of this paper is to point out the way in which microfinance acquires the face of women. While MFIs act under the flag of "serving the common good", behind them there are still the interests of institutional investors who are looking to obtain great profit through international financial circuits. On one hand, microfinance is part of financial innovation and a product of profitability in order to suffice the global financial circuits. On the other hand, female's bancarization inserts them into the labor market and into the financial circuits. MFIs become part of the shadow financial system when substituting government's funding in order to eradicate social inequalities. When debating microcredit's profitability from a gender perspective, it is propound not only microcredits' financial effectiveness, but also women as highly profitable economic agents. Is there a relation between financiarization and microcredit? Is microcredit an achievement that will improve the economic, political, and social environment for women? Why is it that women's bancarization has been a priority of international financial organizations? Therefore microcredit with women's face confirm the suggested hypotheses. Their empowerment through microcredit is a new way for financinal investors to obtain higher profits through MFIs. The highest interest rates that MFIs charged, are an expression of financiarization by institutional investors.

Keywords: Financiarization, Microfinances Institutions, Profits and Women Empowerment

JEL Classification Codes: G15, D0, J16, O12, G20

The financiarization process around the world, as part of the shadow financial system, has arrived through different ways, not only as a part of the official dialogue within the macroeconomic field, but also within the microcredit sphere. MFIs are part of the

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introduction of the financial process, especially when it comes to the poor people living in developing countries. Most microcredits are given to women who need to improve their income and have been used by the dominant ideology as a mechanism for their empowerment throughout the latest years. Empowerment, from a gender perspective, consists of transforming women into economic agents: capable beings with "freedom to choose", not only in what refers to determining the use of the credit, but also to get involved in productive projects as entrepreneurs in administrative, social, and political decisions of the society they live in. Microcredit with the face of a woman is one of the most important metamorphoses that came up from structural changes in financial circuits and labor-market circuits from the late seventies until today. Microcredit not only encourages empowerment, it also lead women to become economically profitable subjects at microfinance's service. At the same time the profit obtained by MFIs is part of financiarization in the international financial circuits around the world. Many MFIs depend on, or are part of, the big banks.

1. Empowerment and Small Loans with Women face

When focusing on the analysis of microcredit, the high profitability of small loans granted by MFIs at an international level, becomes noticeable (Rosenberg, Gaul, Ford, and Tomilova, 2013). To bring down poverty and enhancing the conditions of family's environment are two elements of the ideological discourse that highlights the role of women as economic agents through the access to funding granted by MFIs (Bateman and Chang 2012). Therefore microcredit is the ideal way to obtain funding for the creation of small businesses, to such an extent that even in the Millennium Goals the concepts of empowerment, women entrepreneurs, and microcredit are gathered to refer to women as economic agents. Hence there is a close relation between empowerment, women entrepreneurs, and microcredit within the economic sphere of macroeconomy, despite the fact that a great amount of microcredit is not created to generate new businesses but is destined for daily consumption.

During the last four decades there was a transition from financial regulated systems to financial deregulated systems in which financial corporates incised on the global integration of financial circuits. The density of the concept of "money manager capitalism", as defined by Minsky ([1986] 2008), gradually deepened the financiarization process and disarticulated those banks which served public banking institutions by blurring the role of the State in productive circuits (Girón, 2002). Public and developmental banking, which worked when it came to generate employment and as a source of richness under regulated financial systems, stoppped propitiating productive projects that would be funded by private corporates. The blurring of these institutions gave way to institutional investors which main objective has been profitability in order to suffice the interests of the rentier capital (Keynes, [1936] 1964).

In most Latin American and Asian countries, institutional financial intermediaries have obtained great profits from MFIs (Girón, 2012a). Through international financial markets, MFIs canalized a part of the liquidity towards funding small subsidiary loans from banking corporates that are catalogued as "too big to fail, too big to rescue". These corporates have been favored by financial regulation from the State and from international financial agencies such as the International Monetary Fund (IMF), the World Bank, the Bank for International Settlements (BIS, 2013)[3], and the central banks. According to the latter it is concluded that the empowerment of women as entrepreneurs through microcredit is untenable because, in a world of "money manager capitalism"[4] in which Minsky (Wray, 2011) has defined the rapacity of financial institutions and in which financiarization has reached the intimate life of society, it may hardly be said that microcredit is the path to empower women who live in an austere environment.

Women are candidates for microcredit since it is an easy way for including them in the labor market circuits as well as in the financial circuits by making use of the important commitment that they have with their families and their jobs. Therefore, the need to be the income providers in their families provokes the transformation of society by breaking traditional schemes not only in what refers to managing money but also when facing discrimination from their families and at their workplaces. They represent their family's honor and are subjects for credit and collateral of credit, which is supported through the solidary group. NGOs, a shadow of the State, offer credit, employment, and determine the production system (Karim, 2011). The development of credit systems from the creation of NGOs started with the State's blurring and from the field of production and circulation. It was since the eighties and the nineties that this model was surprisingly preeminent and even influential when it came to make decisions related to economic policy. The patriarchal society broke and the decisions of the effectiveness of the discourse on development acquired great importance. Development as an organic process, during the sixties, transformed into a process that looked to achieve life quality and set life levels' standards in a development project enabling it to compete against poverty at a global level. Microcredit, when referred to in the official discourse, safeguards a new model to eradicate poverty. Therefore, MFIs' regulation demands a new legal structure in order to regulate credit relations between creditors and debtors, both, inside and outside a country, that is nationally as well as internationally.

2. Profit Margins and Microcredit Profitability

Through the glass of World Bank's data, the profitability levels of fifteen MFIs with a large margin of profit at a global level by regions[5] during 2012, were analyzed. In order to demonstrate the presented hypothesis, the MFIs that were taken into account were those that, as borrowers, are located above 60% since, during that year, they reflect a profit margin above 65% (table 1). However, there is the case of MEC le Sine, which owns a profit margin of 209%. On average, the profit margin of the other main, and most profitable, MFIs is of 75%.

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[3] Bank for International Settlements (BIS) located at Basilea, Switzerland.

[4] 'Money manager capitalism' is defined as those changes that occur in the banking structure and the return to instability based on a new characterization of the capitalism provoked by securitization, globalization, financiarization, deregulation and liberalization (Tymoigne and Wray, 2014:72).

[5] The regions taken into account for this analysis will be Latin America and the Caribbean, Southern Asia, Eastern Asia and the Pacific, Central Asia and Eastern Europe.

Taking into account the mentioned data, a regional analysis was also made according to the classification of the World Bank.

a) Latin America and the Caribbean

This region involves seventeen countries[6], out of which Mexico showed the highest number of MFIs in this area with a total of 60. This number is equivalent to the 16% of the total MFIs established within the region and was followed by Peru and Ecuador with 15% and 12% of the total, respectively (figure 1). The distribution of assets within the region differs when the distribution of MFIs is analyzed. Peru had the highest amount of assets with the 32% of the total and was followed by Colombia and Mexico with the 21% and the 12% respectively (figure 2).

From the fifteen MFIs which profit margin in Latin America and the Caribbean was higher, 7 of them granted more than the 50% of their credit to women and presented a profit margin above 37% (table 2). 4 out of the fifteen MFIs are located in Colombia along the MFI with the largest profit margin, that is, Alcaravan (6 out of 10 loans were granted to women). If the Return on Assets (ROA) column is observed, 13 of the fifteen main MFIs granted over 60% of their credit to women. The case of FIACG, at Guatemala, stands out since the total amount of its loans were granted to women, which caused a profit margin of 34%, a ROA of 13%, and a Return on Equity (ROE) of 14%. On average, the indicator of ROA for the fifteen MFIs resulted in a 17% and in a 34% when it comes to ROE. MFIs with the highest percentage of credit granted to women were: Compartamos Banco and Invirtiendo, both Mexican with a 94% and a 93% respectively.

b) Southern Asia

This region comprises 7 countries[7]: India involved 93 MFIs, the highest number in this region; Bangladesh 28; Nepal 24; and Pakistan, 23. The distribution by number of institutions is as follows: India, 51%; Bangladesh, 15%; Nepal, 13%; and Pakistan 13%; together, the last 3 countries listed, represent a 41%, the other MFIs are located in Sri Lanka, Afghanistan, and Bhutan (figure 3).

In relation to the concentration of assets, India stands out with a 45% (4,524 million dollars) of the total for that region. It was followed by Bangladesh with a 35% (3,513 million dollars); together these countries represent the 80% of the total assets during 2012 (figure 4).

The 15 MFIs with the highest profit margin in this region, presented elevated percentages of loans granted to women (table 3). 8 out of the 15 MFIs granted the total of their credits to women and showed a profit margin above the 30%. The case of India stands out since it concentrates 4 of the 15 MFIs presented in the table above mentioned, these 4 enterprises also granted a 100% of their credit to women. In the same table it may be observed that the 15 MFIs with higher ROA granted more than the 80% of their credit to women. In 8 of them, the percentage reaches a 100, which also happens among the main MFIs by ROE,

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6 Mixmarket only takes into account, for this region and because of the existent MFIs, the countries as follow: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic, Santa Lucia, Suriname and Trinity and Tobago.

7 Mixmarket only takes into account, for this region and because of the existent MFIs, the countries as follow: Afghanistan, Bangladesh, Bhutan, India, Nepal, Pakistan, and Sri Lanka.

since 14 out of 15 granted more than the 80% of their credit to women; out of these, 8 have a feminine credit portfolio. These are established in India, Bangladesh, and Nepal.

c) Eastern Asia and the Pacific

This region comprises 10 countries[8]. People's Republic of China was the country with the highest number of established MFIs and a total of 40 financial intermediaries, which is equivalent to the 28% of the total MFIs within the region, during the same year Vietnam was represented by 34 MFIs. In figure 5, MFIs' distribution among the countries of that region is observed. In what refers to the distribution of assets, the People's Republic of China had the highest number (81% of the total within the region) and was followed by Vietnam with the 21% (table 6).

Table 4 shows the 15 MFIs with the highest margin of profit within Eastern Asia and the Pacific. Out of these, 8 granted more than 70% of their credit to women; two cases are worth mention: a) People's Republic of China concentrated 6 of the 15 MFIs within this region, and b) Vietnam gathered 8 of 15. According to the latter, these countries concentrated 14 out of 15 MFIs with the largest margins of profit in what refers to Eastern Asia and the Pacific. This table also shows the 15 MFIs with higher ROA and ROE: in 11 of 15, the credit portfolio comprises a 70% of women; in 5 of them the total of granted credit was for women.

d) Central Asia and Eastern Europe

This region comprises 21 countries[9], which most MFIs established in Tajikistan during 2012 (figure 7), this country concentrated 32, which is equivalent to the 17% of the total. However, assets were concentrated in Azerbaijan and Mongolia, representing 21% and 19% of the total, respectively (figure 8). The other countries of this region showed a number below 10%.

Table 5 contains the 15 MFIs with the highest profit margin in Central Asia and Eastern Europe. 7 of these grant more than the 50% of their credit to women and present a profit margin above the 53%; by ROA 7 of the main 15, granted less than the 60% of their credit to women and only 3 out of 15 granted more than the 80% to women. ACF established in Kazakhstan, destines a 100% of their loans to women and its ROE represents a value near 100% as well.

In conclusion, the Eastern Europe and Central Asia regions granted less credit to women. Southern Asia was the region with the highest percentage of credit granted to women, within it India stands out since, according to the available data about this country, it has the highest amount of MFIs that granted a 100% of their credit to women. In what refers to Latin America and the Caribbean, several countries did not presented any data, however, under these restrictions Mexico stands out since many of its MFIs granted a 100% of their credit to women. The MFIs established in Eastern Asia and the Pacific granted an amount above the 70% of their credit to women.

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[8] Mixmarket only takes into account for this region the countries as follow: Cambodia, Phillippines, Indonesia, Laos, Papua New Guinea, People's Republic of China, Samoa, East Timor, Tongues, and Vietnam.

[9] Mixmarket only takes into account, for this region and because of the existent MFIs, the countries as follow: Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Georgia, Kazakhstan, Kosovo, Kirgizstan, Macedonia, Moldavia, Mongolia, Montenegro, Poland, Rumania, Russia, Serbia, Tajikistan, Turkey, Ukraine, and Uzbekistan.

3. A Successful Model to Obtain Profits

During August 2010, SKS Microfinance, an enterprise located in Hyderabad, India, granted small loans to poor women and collected 350 million dollars at an initial public auction that valued it for 1.5 thousand million dollars. The impressive debut on the stock market seemed to confirm that microfinance –loaning money to the poor who did not have enough guarantees to access formal loans from banks– might transform into something profitable and sufficiently attractive for investors. Other MFIs from India would follow the same path of, for example, SKS and its rapid profitable growth (Kazmin, 2011). In an article called "Microfinance Poor Service: Tiny Loans are Getting More Expensive", *The Economist* magazine referred to the fact that during latest years small loans had had a very high cost. Out of 1,500 MFIs around the world, small loans lower than 150 dollars had gone from an average interest rate of 30% during 2004 to a 35% during 2011 (*The Economist*, 2014).

Criticism to this microfinancing model worsens. Bateman's investigation (2010) points out the way in which microcredit as employment generator in order to diminish poverty, increases risk, promotes development from below, empowers the poor, and increases communal solidarity, which are the elements for a tenable project. But, the central argument is that microfinance is the opposite of reducing poverty since microcredit does not work when trying to generate a dignified environment for the community. The right to water, household, health, and education, do not suffice microfinance; that is, these do not work for creating the infrastructure of services that communities need. The benefits are less when facing the wide provision of microcredit to the poor and many communities are structurally fragile, poverty is still increasing. The hypothesis of Bateman's study (2013) questions the asseveration of hegemonic thought on the kindliness of microcredit.

The latter happens to such an extent that the financing-for-development discourse on the part of financial institutions has encouraged financial inclusion as the axis of economic development in society. The so-called "bancarization" implies that society makes an ever-increasing use of financial services at institutions near their location. It is said that when guarantying a higher financial inclusion, a country will be most prosperous, which is opposite when pointing out the cost of loans[10] and the elevated charge for loans granted to those clients who are in the base of the population's pyramid. Between 2005 and 2006 the interest rates for personal loans within the microfinance sector in Mexico, oscillated between 23% and 103% on average; at an international level it represented a 68%. At the same time, credit institutions for consumption charged a 77% and the interest on credit cards of the main banks oscillated between the 27% and the 75%, the average at a national

[10] The average interbank interest rate in Mexico was relatively low, almost an 8% during 2008. The fundamental cause is the administrative and not the funding cost. Another Mexican group that play a very important role in what refers to the expansion of transparency through financial education is Prodesarrollo, a network of 46 subsidiaries of IMF, NGO, and banks which, together, served the over 1.3 million clients of low income during 2007. The network uses the financial education campaigns, the employers incentives, and the evaluations of the satisfaction of consumers to promote financial education through their own network and through the industry in general (Center for Financial Inclusion, 2009: 32)

level represented a 48% (Rosenberg, Richard, 2007). Beyond the kindliness of these microfinance institutions, there is an increasing charge when it comes to interest[11].

It is worth observing the development of humanitarian organizations transformed into MFIs, such as CARE[12], which defends dignity and fights poverty, which started its functions at Peru during 1997 with an initial investment of 3.5 million dollars and later bought by the Bank of Credit for 96 million dollars.

The microfinance industry represents over 60 thousand million dollars. NGOs serve the 35% of clients while credit unions and rural banks only serve the 5%. Compartamos[13], which started as an NGO and generated 458 million dollars in a public auction during 2007, is one of the largest institutions of the occidental hemisphere with 2.2 million of active clients. This MFI charged 82% for management and interest during 2008. On the other side there is Lift Above Poverty Organization (LABO)[14], which charges inadmissible amounts of interest, is located in Nigeria, and most of its loans are for women.

MFIs' interest rates vary around the world and are even a preoccupation of the United States House Committee on Financial Services[15] since they wonder: to what extent these substantial profits should be allowed? Rates also vary from one country to another and is very important to take into account the cases of Nigeria and Mexico since the credit offer and the interest rates that MFIs charge are very high and above the average of the rates of the formal financial system. One example of the latter may be the average of the interest rate charged by microfinance institutions of, at least in Mexico, a 70% above the global average of 37% (Committee on Financial Services US, 2010).

4. Institutional Investors and MFIs

One of the questions that should be answered in order to delve into the investigation about MFIs and microcredit is: Where do the funds to finance the financing of those who do not fulfill the regulations in order to obtain credit within formal financial circuits come from? Banks and institutional investors dominate loans and their profits reach above the 100%. Even Yunus himself mentioned, "we created microcredit to fight the loan sharks; we didn't

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11 An example is the page Te Creemos, which annual average rate is of 125% (Macfarquhar, Neil, 2010).

12 CARE receives support form various financial institutions for its pioneering work within the microfinance area. For example, Barclays, CARE International and the Plan, have joined in an initiative to enhance the quality of life of the poor through the widening and the development of the access to basic financial services. The initiative brought together the resources, the abilities, and the experience of each organization and pretends to get to over 50,000 within Africa, Asia, and South America.

13 Compartamos was born as an MFI and later transformed into a bank at Mexico.

14 Lift Above Poverty Organization (LAPO) is an institution that grants microcredit. Its activities started during 1987 and registered as a NGO during 1993. In Nigeria, it is related with the Grameen Bank. Its funding comes, mainly, from the Evangelischer Entwicklungsdientes (EED), a German service for the development of evangelical churches, USAID, and the Grameen Foundation. LAPO is a MFI, which funds come from the Deutsche Bank and the Calvert Foundation.

15 The United States House Committee on Financial Services (referred to as House Banking Committee) is the committee of the United States House of Representatives that supervises the financial industry including values, insurances, banks, and the mortgage industry. The committee also supervises the Federal Reserve, the Treasury Department, the Securities, and the Exchange Commission, as well as other regulators of the financial services.

create microcredit to encourage new loan sharks…Microcredit should be seen as an opportunity to help people get out of poverty in a business way, but not as an opportunity to make money out of poor people" (United Nations, 2006).

JP Morgan Chase invested money in CARE to grant loans to those families that were devastated by the tsunami: India, Indonesia, Sri Lanka, and Thailand. The purpose of the project was for MFIs to help families and communities in rebuilding their households through entrepreneurial development. At an institutional level, CARE has supported the creation, development, and strengthening of many MFIs throughout Latin America, Asia, and Africa; its goal is to develop and to improve the ability and the possibility for MFIs to obtain financial and non-financial services destined to the poor in an effective, long term, and tenable manner. MFIs provide loans for machinery and work capital to small and micro businesses that, frequently, are bigger and more formal than those groups that receive savings and loan services. One of these is the Development Entity of Small and Micro Enterprises (known as EDYFICAR for its acronym in Spanish), created by CARE at Peru during 1998. EDYFICAR offers a variety of financial products, including personal and group loans for the poor, this has developed to such an extent that it transformed into a leader microfinance institution at Peru with a loan portfolio of around $200 million with 1,170 employees that serve the over 195,000 clients throughout 13 Peruvian regions. The Inter-American Development Bank ranked this institution in the ninth place among all the MFIs in Latin America.

At a global level, and since the access to commercial sources of capital is still a grave obstacle for the development of many MFIs, CARE helped in the creation of MicroVest, an investment fund that specializes in gathering and providing capital for the smaller and growing MFIs. MicroVest has placed more than 80 million dollars in debt and investments of capital in 37 MFIs at 16 countries since it began to operate during 2003.

It is important to mention that as the Multilateral Investment Fund (MIF) of the Inter-American Development Bank, the Inter-American Investment Corporation (IIC), the Andean Development Corporation (CAF), and private investors are participating in funding the Microfinance Growth Fund (MiGroF)[16], a new credit mechanism for MFIs in Latin America and the Caribbean. Among the main partners there is Banamex, which joined as partner to the MiGroF for Latin America and the Caribbean. This institution would provide 250 million dollars in loans to the medium and log-term to MFIs throughout the whole region, offering funding in local currency as well as in dollars. Overseas Private Investment Corporation (OPIC) committed to provide 125 million dollars. Banamex, the major commercial bank of Mexico, subsidiary of Citibank, joined MiGroF as investor and as partner but it is also expected to accomplish an important role during its corporate governance. When creating this MFI it was announced that OPIC, FOMIN and IIC would work together to launch a new source of funding for Latin American MFIs that had had to reduce their portfolios and credit availability as a consequence of the financial global crisis

[16] The objective of the MiGroF is to supply funds to MFIs so that they are able to widen their loans' portfolios and to facilitate a sustained growth of the micro and small enterprises, which will importantly impulse the Latin American and the Caribbean region after the crisis. When the presidency of the United States announced MiGroF during April 2009, during its participation in the Fifth Summit of the Americas, at Port of Spain, Trinidad and Tobago, the government of the United States saw this fund as a necessity to close possible voids that resulted from the financial crisis of the United States and Europe.

during the period from 2008 until 2009. The FOMIN would provide 10 million dollars to the capital of the new mechanism, the IIC up to 5 million dollars, and the CAF up to 10 million dollars. The partners of private investors of MiGroF, besides Banamex, are Norwegian Microfinance Initiative (NMI), ACCION International, and BlueOrchard (Rozas, Daniel, 2012).

FOMIN and IIC undertook a very active role in structuring MiGroF as well as in defining its credit strategy. They also designed the competitive process that culminated in leaving the management of MiGroF to the Swiss investments' manager BlueOrchard Finance A.S. The president of the BID and the president of the IIC directory, Luis Alberto Moreno, mentioned that "this new source of funding is not only going to help MFIs to recover the credit availability they had before suffering the effects of the global financial crisis, but will also help in what refers to the growth of the microenterprise sector, which is the key for economic growth and a source of employment in many countries of the region" (BID, 2010).

Institutional investors, as the pension and the hedge funds, have permeated MFIs. Dutch pension funds, such as ABP[17] and PGGM[18] invested in Dexia[19] in order to canalize their investments through BlueOrchard and Microfinance Investment Managers[20]. The strategy was apparently a very successful one: on one side, BlueOrchard, the second major MFI; on the other PGGM, which invested 41 million dollars and 12% of their assets; and, on its part, there was ABP, which invested 40 million dollars. The total of the two pension funds was the 20% of the total assets of Dexia, a very strong institution with a large financial scope that promised to obtain high profitability. But the history began to break during 2010, and more importantly during 2011 with the collapse of the MFIs at Andhra, Pradesh, of which Dexia owned a very important part. It was, in fact, a drop of 1.85% in the MFIs located at Andhra, which pushed it to the bottom of bankruptcy when 2011 arrived.

Did the fund was excessively exposed at Andhra? Not really. At the beginning of the crisis during October 2010, 4.7% of the portfolio of Dexia was invested in the MFIs that operated at that region. However, a more rational evaluation was needed in a location of 84 million inhabitants and a portfolio of outstanding loans worth around 1 thousand million dollars; Andhra was one of the major markets for MFIs around the world, attracting extremely high investments, not only from Dexia. Observing such amounts between granted microcredits and population in the long-term would be an absolute collapse. Portfolio was limited but it still did not reduce the invested capital by those who were looking to obtain great profit.

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17 Stichting Pensioenfunds ABP, is a pension fund of government employees and education of the Netherlands. During 2012, ABP had 2.8 million participants and assets worth 362.5 thousand million dollars. It is the largest pension fund within this area and the third at a global level. Its former name was Algemeen Burgerlijk Pensioenfonds, established during 1922.

18 Voor eenn waardevolle toekomst in Dutch, PGGM, has, as its main services, the management of pension funds. They manage around 153 thousand million dollars.

19 Dexia placed its investments at Greece and in, mainly, MFIs at India. This institution was one of the first to fall into bankruptcy. Dexia got out of the Dexia Group in order to become an institution called Belfius (bad bank).

20 Blue Orchard, which second name is Microfinance Investment Managers, shows off its directory as the most knowledgeable professionals of finance at a global level and dedicated entrepreneurs to global development (www.blueorchard.com/our-investment-process).

Investors, proprietors of mortgage assets, or certificates from various countries of the European Union, were still risking on the profitability of the credit supply.

The yield of Dexia should be observed within the context of the increasing pressure on European institutional investors. Insurance companies and banks were beat by the highest risk capital requirements, and microfinance transformed into higher risk institutions. Meanwhile, the pension funds faced more rigorous stress factors in what refers to unclassified or non-liquid assets such as microfinance. The most urgent matter of all was the low availability of yields in financial markets and inside the boosted pension funds in order to get fixed performance objectives, Dexia deserved a closer look. In the middle of all this, BlueOrchard looked to re-form its two sibling enterprises, Blue Orchard Finance (bond funds) and BlueOrchard Investments (private capital).

It is important to mention that the major banks, from the financial inclusion discourse as the only way for marginalized population to get out of that situation, without mentioning the large profits they obtain, have introduced into MFIs. That is how HSBC organized itself as an NGO for productive projects in what refers to education and to training leaders. An example of this is Future First-Investing in Our Children, which was created during 2006 with an initial investment of 10 million dollars, and HSBC through SHARE[21] and SCESA[22] within the Raigad district for economic activities. An SHG[23] program for women was established with the objective of providing economic independence and of generating dignified households.

HSBC created a program to fund MFIs and encourage, through microcredit, financial inclusion. Many cases may be mentioned when it comes to major banks “too big to fail, too big to rescue”, which have managed to have a niche by investing on MFIs. The Bank of Tokyo-Mitsubishi is related to MFIs at Pakistan and Santander at Latin America and its native country. The evaluation of microcredit is the percentage of the credit oriented to productive projects. FINCA accepted that around the 90% of microcredit is used for consumption (Bateman, 2011). This proves that most of these loans have to be refinanced with new loans since there is a tie when destining, inside the budget scale of many marginalized families, a percentage to pay microcredit plus its interest.

Loans through microcredit represent a joint alliance between NGOs and institutional investors (Karim, 2011). On one side they need to produce profit and, on the other, to help the poor; secondly, there is an articulation between NGOs and multinational corporations which businesses are called Social Business Enterprises (SBEs)[24]; and thirdly, the export and implantation of the Grameen model. The Grameen Bank, the BRAC, and the ASA[25],

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[21] Society to Heal, Aid, Restore and Educate

[22] Sophia College Ex–Students Association

[23] Self-Help Group (SHG) is a small voluntary association, preferably from the same socio-economic group. They get together looking to solve common problems through auto help and mutual help. The SHG promotes small saving among its members. Savings should be in a bank. The members of the group are not above their twenties.

[24] The Nobel Prize, Muhammad Yunus, coined such a term. Social businesses combined with profit and social challenges. These businesses are presented as a win-win situation for both, corporations and consumers of microcredit.

[25] The largest MFIs are located at Bangladesh. Grameen Bank and Building Resources Across Communities (BRAC) and the Association for Social Advancement (ASA).

were born under the principles of NGOs and have become exemplar MFIs which financial services are channeled to the poor at a global level (Karim, 2011).

MFIs' importance, which origin is at the NGOs, is a constitutive part of the shadow State. They are such since they manage large amounts of investments through small credits for small businesses. Only in Bangladesh, there are 86 MFIs controlled by NGOs and most of their credits are for those women who live at rural areas. Privatization of many activities of the State that are now controlled, also, by NGOs constitute a quasi-sovereign State in order to promote an economic policy that is consistent with the interests of a national plan for development. NGOs became determinant factors when managing the funding for investments, even when they do not build the major infrastructure works, which at their origin were channeled by the same financial international organizations.

Those who are behind NGOs that act like MFIs are, without a doubt, financial banking and non-banking investors, pension and hedge funds. It is not surprising that major banks act from MFIs, granting funds for specific objectives or special projects; they always act by taking into account the obtainable profitability from marginalized sectors with a solidary collateral. These investors constitute the shadow financial system or parallel financial system (Girón, 2012b).

5. Reflection

Nowadays, MFIs have a close relation with banks and institutional investors; they are part of the structured finance and guarantee profitability from solidary collateral as shown in the present text. They are hardly regulated entities because they were born, or many of them remained, as NGOs, and its evaluation, as well as their objective of transforming into entrepreneurs those subjects that will not have access to formal funding channels, is a permanent subject for discussion. In the present paper, it has only been argued the relation between MFIs through microcredit and the profitability rate granted to innumerable marginalized families of society.

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