Stanford eCorner

Micro credit - A profitable business?

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Video URL: http://ecorner.stanford.edu/videos/1379/Micro-credit-A-profitable-business

Davis believes that microfinance institutions can be profitable. This is a business opportunity with incredible social impact, he says.

Transcript

This has at least a 30-year history, 30-year track record and it was initially started as a development activity. We're helping companies, other countries, or people develop economic development or individual development. And it was a philanthropic activity. It was funded through government sources or philanthropic sources and that was very important for demonstrating the potential of the poor people to repay. I should pause here and say, worldwide repayment rates for these programs hover around 97%, 97% repayment worldwide and there are about 80 million people now the latest count who have access to microcredit or microloan. All 97% of them repaying on time every week. So just amazing to truly become a financial, a small financial industry. And proving that that was possible was a key role for the early donors, donor dollars and what not. But if you go back to the opportunity that I described, 80% market share is just left open there, 80% possibility of reaching these people. That need is a $50 billion industry, that need cannot be met with donor dollars.

And so there's a movement now that unites us as championing and others should say, this is now a business opportunity with incredible social impact. So it's a slight new ones version of this is a development activity that can cover some of its costs if it's designed correctly they say, this is a business opportunity that has incredible social impact. The ultimate double bottomline. So yes at numerous levels, this release can be profitable at the small microbank level. It can be profitable. Those institutions can be profitable. And there can be profitable investments into those institutions, which is what we're doing.