

The accountability of microfinance institutions (MFIS) on the reach out of the poor in the south East Asian region

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Abstract: The study aims to measure the performance of Microfinance Institutions (MFIs) on to reach out towards the poorest of the poor and compared their positions in South East Asian countries. The study used secondary quantitative data from the MIX market website where containing information from financial statements from the MFIs operating in Southeast Asia. Toward the achievement of its objectives the study used descriptive statistical and financial ratio analysis techniques along the various performance indicators standardized by CGAP to measure of MFIs performance on outreach. The overall findings of the survey revealed that MFIs in this neighborhood has managed good to reach the out large number borrowers, simply to pass toward the hard core poor is not just enough. Nevertheless, the study recommended for policy considerations of the successful and efficacious performance of microfinance programs through simplify of distribution of the loan to increase the number of borrowers, reaching the most wretched of the poor, reducing operating cost, utilize resources to generate financial revenue and focused on social activities in South East Asian lands.

Key words: Microfinance; Microfinance institutions (MFIs); Outreach and South East Asian countries

1. Introduction

Microfinance institutions (MFIs) provide access of credit to poor through innovative approaches which include group lending, progressive lending, regular repayment schedules, and collateral substitutes (Thapa, 2007). It has identified and tested as proven poverty alleviation tools through participatory approach of access of credit to poor people. Though, it has speeded popularly around the world since invented in 1976 by the hand of Professor Mohammad in Bangladesh but achievement of MFIs especially financial self-sufficiency, operational efficiency and reached out towards poor is still debating issues (Brau and Woller, 2004) (Thapa, 2007).

Moreover, microcredit was successful in reaching the poor; it was less successful in reaching the vulnerable. The results also suggested that microcredit was unsuccessful in reaching the group most prone to destitution, the vulnerable poor. The main contribution was to explicitly evaluate the targeting of an antipoverty intervention using the efficient risk-sharing framework in Townsend (Amin and Topa, 2003). Moreover, financial sustainability and outreach trade off in MFIs, study demonstrates

that MFIs are losing their cause of serving the poorest in order to generate the profits Cull et al evaluates the outreach and impact of two microfinance "village bank" programs that target the poor in Northeast Thailand (Cull and Demirgüç-Kunt, 2006).

There are very few studies done to justify of outreach performance of MFIs in South East Asia. Thus, it is timely issues to examine MFIs performance, especially to reach out of hard core poor in South East Asia. However, the study aims to justify performance of outreach of MFIs in Malaysia, Indonesia, Thailand, Philippines, Myanmar, Cambodia, Vietnam and Laos and compared between MFIs in Southeast Asia respectively.

2. Review of literature

Microcredit is the revolutionary approach for poverty alleviation but there are still questions about the outreach to the hard-core poor, moderate poor and non-poor people because of the MFI's profit mentality as well as reduction of the risk of investment. Evans et al. Also examined a targeted microcredit program in Bangladesh to assess its coverage among the poor, and to identify programs - and client-related barriers impeding participation. A population survey of over 24,000 households

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revealed that although three-quarters are eligible for microcredit, less than one-quarter participated. Rates of participation in microcredit are higher among poorer households. Multivariate analysis identified lack of female education, small household size and landlessness as risk factors for non-participation, based on a 7% random sample of this population. The implications of these findings for poverty alleviation policies and programmes were discussed (Evans, Adams, Mohammed, and Norris, 1999).

Moreover, Conning in 1999 examined the impact and outreach of lending activities to a target population of poor borrowers while remaining financially sustainable. Tradeoffs between outreach, sustainability, and financial leverage are shaped by the endogenous monitoring and delegation costs that arise within a chain of agency relationships subject to moral hazards between borrowers, loan staff, MFIs equity-owners, and outside investors. All else equal, sustainable MFIs that target poorer borrowers must charge higher interest rates, have higher staff costs per dollar loaned, and are less leveraged. Analysis of data for 72 MFIs supported the findings (Conning, 1999).

However et al. analyzed the evidence of depth of outreach for five microfinance organizations in Bolivia. Most of the poor households reached by the microfinance organizations were near the poverty line; they were the richest of the poor. Group lenders had more depth of outreach than individual lenders. The urban poorest were more likely to be borrowers, but rural borrowers were more likely to be among the poorest (Navajas et al., 2000). On the other hand, Amin et al. (2003) evaluated whether microcredit programmes such as the popular Grameen Bank reached the relatively poor and vulnerable in two Bangladeshi villages. They used a unique panel dataset with monthly consumption and income data for 229 households before they received loans. They found that while microcredit was successful in reaching the poor, it was less successful in reaching the most vulnerable. The results also suggested that microcredit was unsuccessful in reaching the group most prone to destitution, the vulnerable poor. The main contribution was to explicitly evaluate the

targeting of an antipoverty intervention using the efficient risk-sharing framework in Townsend (Amin et al., 2003)

Finally, Coleman in 2006 evaluated the outreach and impact of two microfinance programmes in Thailand, controlling for endogenous self-selection and programme placement. Results indicated that the wealthier villagers are significantly more likely to participate than the poor. Moreover, the wealthiest often become program committee members and borrow substantially more than rank-and-file members. However, local information on creditworthiness was also used to select members. The programmes positively affect household welfare for committee members, but impact is insignificant for rank-and-file members. Policy recommendations included vigilance in targeting the poor, publicly disseminating the programme rules and purposes, and introducing and enforcing eligibility criteria (Coleman, 2006).

3. Methodology

The present study has used descriptive, statistical and financial ratio analysis techniques on the secondary data of existing selected MFIs. The secondary data of all selected MFIs in South East Asia have extracted from the prominent microfinance online database (MIX, 2013) in the year of 2009 to 2011. There are eight MFIs have been selected from the eight countries of the South East Asia region to conduct this study. The selection of MFIs has been done based on the highest number of active borrowers (clients) in the respective eight countries of the South East Asia region. The list of MFIs chosen to conduct this study was as follows Amanah Ikhtiar Malaysia (AIM) from Malaysia, Small and Medium Enterprise Development Bank of Thailand (SMED Bank) from Thailand, Mitra Bisnis Keluarga (MBK) from Indonesia, Center for Agriculture and Rural Development (CARD) from the Philippines, PACT from Myanmar, ACLEDA Bank of Cambodia, The Vietnam Bank for Social Policies (VBSP) from Vietnam, and Lao PDR from Laos.

Table 1: List of selected MFIs from Southeast Asia

Country	Institution	Current Legal Status
Malaysia	Amanah Ikhtiar Malaysia	NGO
Thailand	Small Enterprise Development	NBFI
Indonesia	Mitra Bisnis Keluarga Ventura	NGO
Philippines	Center for Agriculture and Rural Development	NGO
Myanmar	PACT – Myanmar	NGO
Cambodia	ACLEDA Bank	Bank
Vietnam	Vietnam Bank for Social Policies	Bank
Laos	ACLEDA Bank Lao	Bank

Performance indicators used in this study will be based on study by (Bhuiyan, Siwar, Ismail, and Talib, 2011) such as financing structure and outreach indicators. The indicators used are the standardized measure of MFIs performance as suggested by the

guidelines from CGAP (2003). These indicators are the combination of both sustainability and outreach. Items and the formula for each indicator are listed in the next section.

Table 2: The distributions of the outreach measurement indicators and ratios

OUTREACH INDICATORS	
Name of Ratios	Equations
Percent of women Borrowers (%)	$\frac{\text{Number of active women borrowers}}{\text{Number of Active Borrowers}}$
Average Loan Balance Per Borrower	$\frac{\text{Gross Loan Portfolio}}{\text{Number of Active Borrowers}}$
Average Loan Balance Per Borrower/ GNI Per capita	$\frac{\text{Average Loan Balance per Borrower}}{\text{GNI per Capita}}$
Average Outstanding Balance	$\frac{\text{Gross Loan Portfolio}}{\text{Number of Loans Outstanding}}$
Average Outstanding Balance / GNI per capita	$\frac{\text{Average Outstanding Balance}}{\text{GNI per Capita}}$
Average Deposit Balance Per Depositor / GNI Per Capita	$\frac{\text{Average Deposit Balance Per Depositor}}{\text{GNI Per Capita}}$
Average Deposit Balance Per Depositor / GNI Per Capita	$\frac{\text{Deposits}}{\text{Number of Deposit Accounts}}$

4. Findings and discussion

4.1. Outreach performance of AIM over the Period of 2009 - 2011

Table 3 shows the distribution of outreach indicators of AIM over the period of 2009 – 2011. The study has found that the average number of active borrowers in the span of three years is

224172. Female borrowers account for 100 per cent of the total number of borrowers. Meanwhile the number of loans outstanding amounts at 291682. The average value for average loan balance per borrower and average outstanding balance per GNI per capita stands at 1016.87 and 0.0949 respectively.

Table 3: The distribution of outreach indicators of AIM over the period of 2009 - 2011

Elements	Year			Average
	2009	2010	2011	
Number of active borrowers	206379	241965	-	224172
Percent of female borrowers (%)	100	100	-	100
Number of loans outstanding	270152	313212	-	291682
Gross Loan Portfolio	185030339	275160200	38310108	281097206
Average loan balance per borrower	896.56	1137.19	-	1016.87
Average loan balance per borrower / GNI per capita	0.1200	0.1271	-	0.12355
Average outstanding balance	684.91	878.51	-	781.71
Average outstanding balance / GNI per capita	0.0917	0.0982	-	0.0949

(Source: MIX Market database, 2013)

4.2. Outreach performance of SED over the Period of 2009 - 2011

Table 4 shows the distribution of outreach indicators of SED over the period of 2009 – 2011. The study has found that the average number of active borrowers in the span of three years is 6062. Female borrowers account for 86 per cent of the total number of borrowers. Meanwhile the number of loans outstanding amounts at 6062. The average value for average loan balance per borrower and average outstanding balance per GNI per capita stands at 241.99 and 0.0580 respectively.

4.3. Outreach performance of MBKV over the Period of 2009 - 2011

Table 5 shows the distribution of outreach indicators of MBKV over the period of 2009 – 2011. The study has found that the average number of active borrowers in the span of three years is 209180. Female borrowers account for 100 per cent of the total number of borrowers. Meanwhile the number of loans outstanding amounts at 242179. The average value for average loan balance per borrower and average outstanding balance per GNI per capita stands at 69.30 and 0.0262 respectively.

4.4. Outreach indicators of CARD over the period of 2009 - 2011

Table 6 shows the distribution of outreach indicators of MBKV over the period of 2009 – 2011. The study has found that the average number of active borrowers in the span of three years is

580998. Female borrowers account for 99.23 per cent of the total number of borrowers. Meanwhile the number of loans outstanding amounts at 645647.

The average value for average loan balance per borrower and average outstanding balance per GNI per capita stands at 108.26 and 0.0487 respectively.

Table 4: The distribution of outreach indicators of SED over the period of 2009 - 2011

Elements	Year			Average
	2009	2010	2011	
Number of active borrowers	4860	8202	5124	6062
Percent of female borrowers	-	85	87	86
Number of loans outstanding	4860	8202	5124	6062
Gross Loan Portfolio	1253479	1491914	1466220	1403871
Average loan balance per borrower	257.92	181.90	286.15	241.99
Average loan balance per borrower / GNI per capita	0.0686	0.0402	0.0652	0.058
Average outstanding balance	257.92	181.9	286.15	241.99
Average outstanding balance / GNI per capita	0.0686	0.0402	0.0652	0.0580

(Source: MIX Market database, 2013)

Table 5: The distribution of outreach indicators of MBKV over the period of 2009 - 2011

Elements	Year			Average
	2009	2010	2011	
Number of active borrowers	143183	213901	270458	209180
Percent of female borrowers	-	100	100	100
Number of loans outstanding	-	213901	270458	242179
Gross Loan Portfolio	8807250	13653310	22331690	14930750
Average loan balance per borrower	61.51	63.83	82.57	69.30
Average loan balance per borrower / GNI per capita	0.030	0.024	0.028	0.027
Average outstanding balance	-	63.83	82.57	73.20
Average outstanding balance / GNI per capita	-	0.0240	0.0283	0.0262

(Source: MIX Market database, 2013)

Table 6: The distribution of outreach indicators of CARD over the period of 2009 - 2011

Elements	Year			Average
	2009	2010	2011	
Number of active borrowers	497441	606488	639067	580998
Percent of female borrowers	99.90	98.79	99.01	99.23
Number of loans outstanding	503536	696737	736668	645647
Gross Loan Portfolio	46207824	66808377	77801395	63605865
Average loan balance per borrower	92.89	110.16	121.74	108.26
Average loan balance per borrower / GNI per capita	0.0519	0.0536	0.0556	0.0537
Average outstanding balance	91.77	95.89	105.61	97.76
Average outstanding balance / GNI per capita	0.0513	0.0466	0.0483	0.0487
Number of depositors	497431	684428	769251	650370
Number of deposit accounts	497431	684428	769251	650370
Deposits	18980596	23260223	34278715	25506511
Average deposit balance per depositor	38.16	33.98	44.56	38.9
Average deposit balance per depositor / GNI per capita	0.02	0.02	0.02	0.02
Average deposit account balance	38.16	33.98	44.56	38.90
Average deposit account balance / GNI per capita	0.02	0.02	0.02	0.02

(Source: MIX Market database, 2013)

4.5. Outreach performance of PACT over the Period of 2009 - 2011

Table 7 shows the distribution of outreach indicators of PACT over the period of 2009 - 2011. The study has found that the average number of active borrowers in the span of three years is 336541. Female borrowers account for 99.38 per cent of the total number of borrowers. Meanwhile the number of loans outstanding amounts at 433717. The average value for average loan balance per borrower and average outstanding balance per GNI per capita stands at 110.95 and 0.1297 respectively.

4.6. Outreach performance of ACLEDA (Cambodia) over the Period of 2009 - 2011

Table 8 shows the distribution of outreach indicators of ACLEDA (Cambodia) over the period of 2009 - 2011. The study has found that the average number of active borrowers in the span of three years is 262080. Female borrowers account for 55.18 per cent of the total number of borrowers. Meanwhile the number of loans outstanding amounts at 262080. The average value for average loan balance per borrower and average outstanding balance per GNI per capita stands at 2889.01 and 3.7475 respectively.

Table 7: The distribution of outreach indicators of PACT over the period of 2009 – 2011

Elements	Year			Average
	2009	2010	2011	
Number of active borrowers	329603	342652	337368	336541
Percent of female borrowers	-	-	99.38	99.38
Number of loans outstanding	414667	443742	442742	433717
Gross Loan Portfolio	19981630	37597810	54825031	37468157
Average loan balance per borrower	60.62	109.73	162.51	110.95
Average loan balance per borrower / GNI per capita	0.1032	0.1563	-	0.1297
Average outstanding balance	48.19	84.73	123.83	85.58
Average outstanding balance / GNI per capita	0.0821	0.1207	-	0.1014

(Source: MIX Market database, 2013)

Table 8: The distribution of outreach indicators of ACLEDA (Cambodia) over the period of 2009 - 2011

Elements	Year			Average
	2009	2010	2011	
Number of active borrowers	247987	265937	272316	262080
Percent of female borrowers	55.97	-	54.40	55.185
Number of loans outstanding	247987	265937	272316	262080
Gross Loan Portfolio	538237407	744664196	1006603896	763168499
Average loan balance per borrower	2170.43	2800.15	3696.46	2889.01
Average loan balance per borrower / GNI per capita	2.7758	4.0674	4.3992	3.7474
Average outstanding balance	2170.43	2800.15	3696.46	2889.01
Average outstanding balance / GNI per capita	2.7758	4.0674	4.3992	3.7475
Number of depositors	603224	703151	821900	709425
Number of deposit accounts	603224	703151	821900	709425
Deposits	687698796	911154346	1147213304	915355482
Average deposit balance per depositor	1140.04	1295.82	1395.81	1277.22
Average deposit balance per depositor / GNI per capita	1.46	1.88	1.66	1.67
Average deposit account balance	1140.04	1295.82	1395.81	1277.22
Average deposit account balance / GNI per capita	1.46	1.88	1.66	1.67

(Source: MIX Market database, 2013)

4.7. Outreach indicators of VBSP over the period of 2009 - 2011

Table 9 shows the distribution of outreach indicators of VBSP over the period of 2009 – 2011. The study has found that the average number of active borrowers in the span of three years is 8074248. Female borrowers account for 55.25 per

cent of the total number of borrowers. Meanwhile the number of loans outstanding amounts at 8074248. The average value for average loan balance per borrower and average outstanding balance per GNI per capita stands at 554.07 and 0.479 respectively.

Table 9: The distribution of outreach indicators of VBSP over the period of 2009 - 2011

Elements	Year			Average
	2009	2010	2011	
Number of active borrowers	7536960	8166287	8519497	8074248
Percent of female borrowers	-	0.5051	0.6000	55.25
Number of loans outstanding	7536960	8166287	8519497	8074248
Gross Loan Portfolio	3929035635	4588944354	4932544460	4483508150
Average loan balance per borrower	521.3	561.94	578.97	554.07
Average loan balance per borrower / GNI per capita	0.4954	0.5115	0.4302	0.4790
Average outstanding balance	521.3	561.94	578.97	554.07
Average outstanding balance / GNI per capita	0.4954	0.5115	0.4302	0.4790
Number of depositors	-	10048	-	10048
Number of deposit accounts	-	23680	-	23680
Deposits	217231898	1588254763	1572448502	1125978388
Average deposit balance per depositor	-	158066.76	-	158066.76
Average deposit balance per depositor / GNI per capita	-	143.89	-	143.89
Average deposit account balance	-	67071.57	-	67071.57
Average deposit account balance / GNI per capita	-	61.06	-	61.06

(Source: MIX Market database, 2013)

4.8. Outreach indicators of ACLEDA (Laos) over the period of 2009 – 2011

Table 10 shows the distribution of outreach indicators of ACLEDA (Laos) over the period of 2009

- 2011. The study has found that the average number of deposits in the span of three years is 21638034. Meanwhile the number of gross loan portfolio amounts at 22625977. The average value

for average deposit balance per depositor per GNI capita, and average deposit account balance per GNI per capita stands at 0.43 and 0.17 respectively.

Table 10: The distribution of outreach indicators of ACLEDA (Laos) over the period of 2009 - 2011

Elements	Year			Average
	2009	2010	2011	
Gross Loan Portfolio	12049602	20076945	35751383	22625977
Deposits	14430278	19995400	30488425	21638034
Average deposit balance per depositor		-	-	
Average deposit balance per depositor / GNI per capita	0.43	-	-	0.43
Average deposit account balance / GNI per capita	0.17	-	-	0.17

(Source: MIX Market database, 2013)

4.9. MFIs outreach indicators over the period of 2009 - 2011

In terms of outreach both AIM and MBKV have the highest percentage of women borrowers at 100 per cent. ACLEDA Cambodia has the highest Average Loan Balance per Borrower at 2889 with AIM

coming second highest at 1017. As Average Outstanding Loan Balance below 20 percent of per capita GNI is a rough indication that clients are very poor, this means that SED, MBKV, CARD and PACT have successfully reached their social objective (Table 11).

Table 11: Comparison of MFIs Outreach Indicators over the period of 2009 - 2011

Elements	Benchmark							
	AIM	SED	MBKV	CARD	PACT	ACLEDA	VBSP	ACLEDA
	Malaysia	Thailand	Indonesia	Philippines	Myanmar	Cambodia	Vietnam	Laos
Percent of women Borrowers (%)	100	86	100	99.23	99.38	55.18	55.25	-
Average Loan Balance Per Borrower	1017	241.99	69.30	108.26	110.95	2889	554.07	-
Average Loan Balance Per Borrower/GNI Per capita	-	0.06	0.03	0.05	0.13	3.75	0.48	-
Average Outstanding Balance	782	241.99	73.2	97.76	85.58	2889	554.07	-
Average Outstanding Balance / GNI per capita	-	0.06	0.03	0.05	0.10	3.75	0.48	-
Average Deposit Balance Per Depositor / GNI Per Capita	-	-	-	0.02	-	1.67	143.89	0.43
Average Deposit Account Balance	237	-	-	38.9	20.82	1277	67071	-
Average Deposit Account Balance / GNI Per Capita	-	-	-	0.02	-	1.67	61.06	0.17

Source: MIX Market Database (2013)

This means that four out of eight MFIs are efficient in terms of outreach. The percentage of Average Outstanding Loan Balance per capita GNI is 6 per cent, 3 per cent, 5 per cent and 10 per cent respectively. Finally VBSP of Vietnam has the highest value for Average Deposit Balance per Depositor and Average Deposit Account Balance but this measurement is not really comparable as only half of the total selected MFIs exhibit their data. Based on NGO Microfinance Standards (1998) all MFIs are efficient in terms of the number of clients served (Fig. 2).

5. Conclusion and recommendations

The study aims to measure the performance of Microfinance Institutions (MFIs) on to reach out towards the poorest of the poor and compared their positions in South East Asian countries. The study used secondary quantitative data from the MIX market website where containing information from financial statements from the MFIs operating in Southeast Asia. Toward the achievement of its objectives the study used descriptive statistical and financial ratio analysis techniques on the several

performance indicators standardized by CGAP to measure of MFIs performance on outreach. In terms of outreach both AIM and MBKV have the highest percentage of women borrowers at 100 per cent. ACLEDA Cambodia has the highest Average Loan Balance per Borrower at 2889 with AIM coming second highest at 1017. As Average Outstanding Loan Balance below 20 percent of per capita GNI is a rough indication that clients are very poor, this

means that SED, MBKV, CARD and PACT have successfully reached to their social objective. The percentage of Average Outstanding Loan Balance per capita GNI is 6 per cent, 3 per cent, 5 per cent and 10 per cent respectively. As a final conclusion the selected MFIs are holding quite well in terms of sustainability and operational efficiency, but they could do better to serve the very poor as discussed previously.

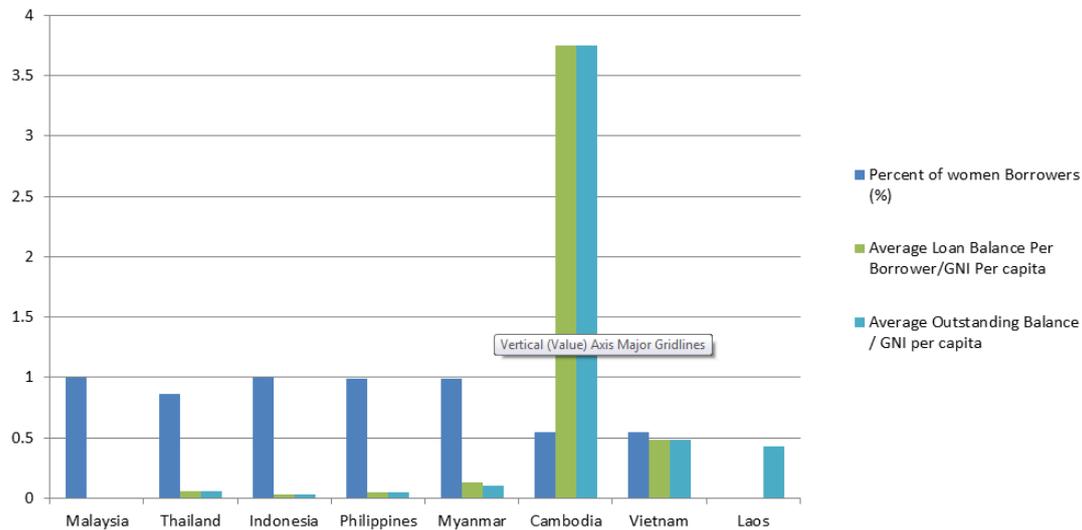


Fig. 2: Graphical comparison of MFIs Outreach Indicators

The overall findings of the study revealed that MFIs in this region has done well to reach the out large number borrowers, but to reach toward the hard core poor is not good enough. However, the study recommended for policy considerations of the successful and effective operation of microfinance programs through simplify of distribution of the loan to increase the number of borrowers, reaching the poorest of the poor, reducing operating cost, utilize resources to generate financial revenue and focused on social activities in South East Asian Countries.

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