Commercialization in Microfinance – A Study of Profitability, Outreach and Success Factors within the Latin American Context

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I. Introduction

The transformation of the concept of Microfinance has been an ongoing process. It used to refer to the simple transfer of funds in the form of microcredit. Traditionally, the idea of it was very standardized – providing people and families in poverty with a credit product. The amounts of the loans at the beginning of the Microfinance development ranged between US $200-$400.1 The definition according to the “Microfinance Handbook: An Institutional and Financial Perspective” presents Microfinance as an “Economic Development approach intended to benefit low-income women and men.”2

Nowadays, the industry has changed dramatically, offering the poor a vast amount of financial services and products, including consumer loans, savings accounts, time deposits, microinsurance, and international money transfers. The Latin American region exhibits the greatest profitability and sustainability in Microfinance than any other region in the world. It is also one of the most diverse institutionally and conceptually, providing complex financial products. According to the MicroFinance Bulletin in 2007, some microfinance institutions that have traditionally provided loans to microentrepreneurs are moving into the consumer, mortgage and low-end commercial loan segments. At the same time, large consumer focused lenders are trying to compete on the microfinance market.3

The Microfinance sector is also considered to be heavily dominated by Non-governmental organizations (NGOs), which are recently starting to look more like commercial institutions. Taking into account the great profitability of the sector, it seems that this transformation process has been very successful and has impacted the region in a

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1 An Inside View of Latin American Microfinance; Berger, Goldmark, Miller-Sanabria
2 Microfinance Handbook: An Institutional and Financial Perspective; Joanna Ledgerwood
very positive way. The shift towards commercialization has influenced the industry significantly. However, opinions on this alteration in Microfinance perspective have been divided. There are two opposing views of Microfinance that represent different schools of thought - the Welfarists and Institutionalists. Welfarists are solely centered into the social mission of microfinance, while Institutionalists believe in the creation of institutions being more useful than the actual transfer of funds. Welfarists see the whole commercialization process as driving microfinance institutions away from their mission. Therefore, in the first part of my paper I will examine the effects of commercialization on the profitability and outreach of institutions analyzing case studies.

In the second part of my research I will present an empirical study I have replicated on whether commercialization impairs depth of outreach, using financial data from a hundred and ninety institutions, whose operational activity is 91%-100% microfinance-related. In order to explain the whole process of commercialization, I will also provide information on the origin of microfinance, traditional methodology and established models. In my paper I have also taken into account the importance of the mobilization of savings, as one of the main traits of commercialization and its impact on people and institutions. I have also examined the other financial products and services that are being offered as a part of the fully-fledged financial institutions. The risks to which microfinance users in Latin America are exposed are also analyzed.

II. Background: Origin of Microfinance and Methodology

While it is not clear who exactly came up with the idea of Microfinance – the origin has been linked to a few different countries (Germany’s village bank movement, Chicago’s Shorebank)\(^4\) – the development of the idea and putting it to practice could be attributed to Dr. Muhammad Yunus. With the creation of his Grameen Foundation of Bangladesh he set the grounds for further advancements in the area of poverty alleviation. The very first approach to Microfinance could be considered the Solidarity Lending Method. It is a lending approach that “bundles”\(^5\) loans together in order to minimize the risk of default.

\(^4\) Micro-Lending for Macro Results: Microfinance, Micro-Enterprise and the End of Poverty; Jidenma
\(^5\) Microfinance and the Mechanics of Solidarity Lending; Jameel Jaffer; Harvard Law School Publication
It consists of a group of people borrowing one loan and spreading the amount between each other. If one cannot repay it, the others are required to cover his/her part. According to a Harvard Law School publication paper, Solidarity Lending dramatically decreases the cost of lending and is best applied in order to mend a weak institutional structure\(^6\). Therefore, an alternative to that lending method would be the building of a strong institution, which I will discuss later in my paper.

Since the paper examines the importance of the institutional structure of the microfinance providers, a clear classification is necessary. The providers of Microfinance could be categorized in three main groups – Formal Financial sector Institutions, Semi-Formal Financial sector Institutions and Informal sector Financial Institutions. Regarding Microfinance we have Development and Microfinance Banks, Non-Bank Financial Institutions, Contractual Savings Institutions (Pension funds and Insurance Companies) and Commercial Banks in the Formal sector. Multipurpose cooperatives, Cooperative quasi-banks, Employee savings funds, Village banks, Development projects, and Credit Unions, which are owned and managed by their users, fall in the Semi-Formal Sector. Representative of the Informal financial sector are Non-governmental Organizations (NGOs), and very informal private lenders – Individual moneylenders, traders and shopkeepers. The difference between the categories for the purpose of the paper would be that Institutions that fall in the Formal Financial Sector are regulated, while those in the Informal Financial Sector are not regulated.

Traditionally, NGOs have been known to dominate the Microfinance industry. At the initial stages of its development, the idea of Microfinance was executed by not for profit organization, as a way of conveying the social mission that microfinance has – and that is helping the poor people and providing the financial and social intermediation for them. In my paper, I argue that institutional structure matters, however, non-governmental organizations perhaps are not the ideal providers of microfinance, considering the growing financial sector and the increasing demand for financial services. The views on the matter are, however, opposing. According to David Lewis and Tina Wallace’s book

\(^6\) Microfinance and the Mechanics of Solidarity Lending, Jameel Jaffer, Harvard Law School Publication
“New Roles and Relevance” Non-governmental organizations are seen as being much more suitable than any other institution for the purposes of Microfinance. They are said to have “characteristics much more in line with the attributes of small businesses in that they are flexible, are customer focused, and tend to adopt a holistic and grounded approach.” 7 For many people, NGOs represent better the mission of microfinance, which leads us to the need to define what exactly that mission is.

The “Mission” of Microfinance on which everyone seems to agree is that it helps poor people develop their skills. They are already considered to have them, so Microfinance only provides them with the working capital. The division in opinions comes from the idea of the “Double bottom line” that exists. The Welfarists and Institutionalists have opposing views on the matter of the purpose of Microfinance. The Social bottom line represents the welfarists that support the idea of microfinance being used for the sole purpose of fulfilling its social function – reaching as many poor people as possible, deepening the outreach, being non-exclusive. According to the Microfinance Gateway the social performance of an institution is "the effective translation of an institution's social mission into practice in line with accepted social values that relate to serving larger numbers of poor and excluded people; improving the quality and appropriateness of financial services; creating benefits for clients; and improving social responsibility of an Microfinance Institutions (MFI).” 8 On the other side there are the Institutionalists that strive to prove the necessity of a strong and financially sustainable organization. They believe in meeting the demand for microfinance, expanding outreach and developing the formal financial system of a country.

The development of the formal financial system in a country is one of the most important purposes that Microfinance could serve. In 1911, famous economist Schumpeter argued that the advanced services provided by financial intermediaries like the mobilization of savings, the provision of insurance, management of project, protection against risks all contribute to technological innovation and economic development. More recent studies

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7 New Roles and Relevance: Development NGOs and the Challenge of Change; David Lewis and Tina Wallace
8 www.microfinancegateway.com
confirm a strong association between the various levels of financial development and per capita GDP growth, the rate of physical capital accumulation, and improvements in the efficiency with which economies employ physical capital accumulation. On a macro level, Microfinance plays a very important role for a country.

**III. Latin American Microfinance**

The Latin American context has most of the common features of Microfinance around the world, but also has its very distinct characteristics. The key trends that represent South America according to microfinance analyst Marguerite Burger in the book “An Inside View of Latin American Microfinance” are the following: there is a distinct model of microfinance with very strong “commercial orientation”. The growth the Microfinance industry has been estimated to be around 30% – 40% over the past four years. The microfinance institutions are also larger and more developed, serving a very diverse sample of customers. The demand for financial services and more complex products has driven the rapid expansion of the industry in the recent years. Another point of great significance is the high rates of profitability and sustainability of the MFI (Microfinance Institutions). Assessing the performance indicators of the region as a whole, one could note the great accomplishments of Latin America. The total number of customers amounts to 9 Million borrowers. With US $ 9.7 Billion in total loan portfolio, US $ 9 Billion comes from commercial sources and voluntary savings (US $ 6.6 billion)

Demand for microfinance in the beginning of 2000 was estimated to be around 1 billion people – 20 percent of the population in developing and transition economies. People that live on the poverty line- with less than US $ 1 a day. According to the author of “The Microfinance Revolution”, 80% of the people living and low- and middle-income economies do not have access to formal financial services. The author Marguerite Berger has used those numbers as an approximation of the Demand for Microfinance around the world. The estimation could be used for the Latin American Region. Known to be one of

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9 Finance and Growth: Schumpeter might be right; Robert King and Ross Levine; The Quarterly Journal of Economics
10 The Inside View of Latin American Microfinance – Berger, Goldmark, Miller-Sanabria
the areas with most income disparity, it is clear that the demand for Microfinance is going to be considerable. However, with the predominance of NGOs in the beginning of the 1990s, the demand could not be met. NGOs are institutions that are constrained by their capital capacity. Since they are mostly donor-funded, they cannot plan and expand correspondingly to meet the growing demand for financial products and services. Marguerite Robinson, author of “The Microfinance Revolution” also states that large-scale sustainable microfinance can be achieved only with a financial systems approach.

**IV. Commercialization/Transformation**

Because of the growing demand for financial services and also the need for more complex products, Latin America has pioneered a whole new way of approaching Microfinance, a new methodology that has produced a shift in the Microfinance Paradigm. The MFIs of South America have created a few of the most important microfinance business strategies and also provided valuable lessons for all the other countries and regions to follow. Commercialization is referred to as the movement out of the heavily donor-dependent sector of subsidized operations into one in which microfinance institutions are financially self-sufficient and sustained and are a part of the regular (or formal) financial system. The need for commercialization, other than the increase in outreach, is prompted by a strive for building viable and sustainable institutions. Some of the key characteristics of a strong Microfinance institution are the availability of “appropriate financial services”, “financial sustainability”, “administration and finance”, “management information system” and “relevant management” and “affordable prices”. All of the features of a successful microfinance institution could be found in the commercial institutions that have developed in the recent ten years. Larger and more advanced financial institutions use the economy of scale and scope to afford lower prices and have more customers. Their funding is also independent of irregular donor subsidies. Profitability is also significantly large in order to attract commercial

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12 The Microfinance Revolution – Marguerite Robinson
13 Transforming Microfinance Institutions: Providing Full Financial Services to the Poor – Ledgerwood, White
investors. Increase in industry profits also means an increase in competition that could potentially lower prices for borrowers.

When referring to Latin American Microfinance, the word Commercialization could be used interchangeably with the word Transformation. For transformation is the method of commercialization. Three strategic business models have been established throughout the Latin American microfinance experience: “Upgrading”, “Downscaling” and “Greenfields”. The process of Upgrading although not officially the leader has many accomplished successful cases that serve as a valuable lesson for other microfinance institutions that may choose to transform. It consists of turning a Non-governmental institution into a fully-fledged microfinance bank or a non-bank financial institution, using the Financial System Approach. Downscaling presents completely the opposite idea – Commercial banks that downscale their operations into ones that serve microfinance customers. It is mainly done by the creation of a subsidiary of the bank. The process of Greenfields is new to the industry and refers to the creating of a completely new institution often with the help of international networks.\textsuperscript{15}

As a result, as of 2006 the microfinance sector in Latin America is not NGO-dominated but has almost even distribution of both NGOs and Financial Institutions. The following table shows the allocation of MFIs by their institutional type:

Table 1

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NGOs</td>
<td></td>
<td>158</td>
</tr>
<tr>
<td>Non-Bank Financial Institutions</td>
<td></td>
<td>81</td>
</tr>
<tr>
<td>Credit Unions</td>
<td></td>
<td>52</td>
</tr>
<tr>
<td>Banks</td>
<td></td>
<td>18</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>309</td>
</tr>
</tbody>
</table>

As it is becoming an increasingly important factor in Microfinance for Latin America, commercialization could be defined as very successful – contributing both to profitability

\textsuperscript{15} An Inside View of Latin American Microfinance
and sustainability of institutions. Outreach has also increased dramatically (show in Table 3)

Also, the percentage of active borrowers served by Banks and Non-bank financial institutions is now bigger than the percentage of borrowers for NGOs. *(Please see Table 2)*

Table 2

![Percentage of Total Borrowers per Institutional Type](image)

Financial sustainability is not the only significant result of Microfinance. The mobilization of savings is a vital part of the commercialization movement. NGOs are incapable of taking deposits from the borrowers and thus could not add them as asset to their organization. Funding, utilizing local resources amounts to a great percentage of the total funding of transformed microfinance institutions. In Latin America only savings amount to 68% of the total loan portfolio of formal financial institutions. In addition to that, regulated commercial MFIs mobilize savings from the public and not the poor alone. Successful institutions also collect savings from middle-income and even some high-income clients from their region\(^\text{16}\). This way the high transaction costs incurred from

\(^{16}\) Transforming Microfinance Institutions – Joanna Ledgerwood, Victoria White
depositing small amounts of money is reduced. Increase in technology and efficiency in could also potentially decrease the higher transaction costs. On a more general level, poor people in developing countries are considered as savers\textsuperscript{17}. They are no different than middle- and high-income customers. The products they are offered need to be tailored according to their special needs.

However, there has always been an ongoing debate about the social versus the financial side of microfinance in the recent years. Commercialization is generally characterized by increased competition, profitability and regulation. The supporters of the social mission of microfinance view the ongoing process as a possible drift from the inherent purpose of microfinance – also called “Mission Drift”.

V. Upgrading

By far the most successful method of upgrading/transforming microfinance institutions we need to answer a more specific question as to why there was a need for turning NGOs into fully-fledged financial institutions. The answer lies in the concept of expanding outreach by using the power of the financial system.

A good example of a successful Upgraded NGOs is the first Bolivian case of transforming Prodem (NGOs) to BancoSol (Microfinance Bank). According to one of the creators of Prodem, the newly transformed establishment had the mission to create “a unique blend of profit- and goals-oriented institution”\textsuperscript{18}. It also outlines the fundamental problem of NGOs – the fact that they are non-profit seeking entities. In the case of Prodem, the owner of the newly established bank was still the old Non-governmental organization. However, they had only partial control on the decision-making of BancoSol. One of the biggest problems with upgrading are created when the parent NGOs out of fear of loosing their mission tries to establish full control over the new

\textsuperscript{17} Transforming Microfinance Institutions – Joanna Ledgerwood, Victoria White
\textsuperscript{18} Mainstreaming Microfinance – Elisabeth Rhyne
establishment\textsuperscript{19}. Prodem also supplied the main portion of money needed for the creation of the bank but commercial funding and private businessmen provided the rest. What made the transformation successful, however, was the fact that Prodem brought in the picture human-resource specialists that established a pro-corporate culture among the employees of the bank. Also, the whole process of upgrading turned out to be profitable, establishing very high ROA and ROE (Return of Assets and Return on Equity).

A further example is given by the Bolivian microfinance reality – the creation of another bank – Banco Los Andes ProCredit from the NGO Procredito. According to microfinance experts, the transition in that case was much easier and “less traumatic”\textsuperscript{20} due to the good example provided by Prodem. In addition, it was a part of a planned transformation. The NGO was created with the knowledge and aspiration that it would at some point turn into a regulated financial institution. These two factors contributed to the development of a more evolved and superior microfinance institutions. As of 2007 the total loan portfolio of Banco Los Andes is about US $ 270 million, compared to BancoSol with US $ 200 million.

Table 3 shows other examples of transformed microfinance institutions and their financial performance compared to the country average financial sector performance. Almost all institutions significantly outperform their countries’ averages, with the exception of Finamerica (Colombia) where the financial sector is highly developed with regard to the other countries.

Table 3

<table>
<thead>
<tr>
<th>Country</th>
<th>Institution</th>
<th>ROA</th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolivia</td>
<td>BancoSol</td>
<td>1,3%</td>
<td>11,0%</td>
</tr>
<tr>
<td></td>
<td>Bolivia financial sector average</td>
<td>0,4%</td>
<td>4,2%</td>
</tr>
<tr>
<td>Colombia</td>
<td>Finamerica</td>
<td>1,9%</td>
<td>11,3%</td>
</tr>
<tr>
<td></td>
<td>Colombia financial sector average</td>
<td>2,6%</td>
<td>24,5%</td>
</tr>
</tbody>
</table>

\textsuperscript{19} Mainstreaming Microfinance: How lending to the poor began, grew and came of age in Bolivia; Rhyne
\textsuperscript{20} Mainstreaming Microfinance: How lending to the poor began, grew and came of age in Bolivia; Rhyne
The outreach of the upgraded financial institutions has also significantly increased, taking into account the total number of borrowers, value of outstanding loans, number of deposits and dollar-amount of all the savings accounts. *(Please see table 4 for more information)*

Table 4

<table>
<thead>
<tr>
<th>Country</th>
<th>Institution</th>
<th>No. of active borrowers of NGO at Transformation</th>
<th>No. of active borrowers of transformed institution 2006</th>
<th>% Increase</th>
<th>Value of outstanding loans at transformation ($ U.S.)</th>
<th>Value of outstanding loans 2006 ($ U.S.)</th>
<th>% Increase</th>
<th>No of depositors as of 2006</th>
<th>Value of deposit balances as of 2006 ($ U.S.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>El Salvador</td>
<td>Banco ProCredit</td>
<td>22 743</td>
<td>76 904</td>
<td>238%</td>
<td>4 500 000</td>
<td>113 321 650</td>
<td>2418%</td>
<td>68 051</td>
<td>96 000 000</td>
</tr>
<tr>
<td></td>
<td>El Salvador financial sector average</td>
<td>1,3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Compartamos</td>
<td>18 000</td>
<td>51 045</td>
<td>184%</td>
<td>30 300 000</td>
<td>80 848 212</td>
<td>167%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mexico Financial sector average</td>
<td>1,0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>Banco ProCredit</td>
<td>12 662</td>
<td>72 048</td>
<td>469%</td>
<td>4 200 000</td>
<td>128 470 572</td>
<td>469%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Compartamos</td>
<td>32 000</td>
<td>124 526</td>
<td>289%</td>
<td>14 000 000</td>
<td>161 192</td>
<td>289%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nicaragua</td>
<td>Banco ProCredit</td>
<td>72 048</td>
<td>72 048</td>
<td>105%</td>
<td>4 200 000</td>
<td>128 470 572</td>
<td>105%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nicaragua Financial sector average</td>
<td>2,1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>MiBanco</td>
<td>124 526</td>
<td>124 526</td>
<td>105%</td>
<td>14 000 000</td>
<td>161 192</td>
<td>105%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peru</td>
<td>MiBanco</td>
<td>12 662</td>
<td>72 048</td>
<td>469%</td>
<td>4 200 000</td>
<td>128 470 572</td>
<td>469%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Transformation of Microfinance*
VI. Depth of Outreach – Empirical Study

Despite the success indicators and the high profitability of the transformation model there has always been an ongoing debate about the social versus the financial side of microfinance in the recent years. Commercialization is generally characterized by increased competition, profitability and regulation. The supporters of the social mission of microfinance view the ongoing process as a possible drift from the inherent purpose of microfinance – also called “Mission Drift”. Loan sizes are usually used as a proxy of measuring depth of outreach. The smaller the average loan size per borrower, the more affordable the loan. According to the latest issue of the MicroBanking Bulletin (2008), the main trend in Latin American microfinance is the increase in average loan size.

Table 5

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Loan per Borrower (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>800</td>
</tr>
<tr>
<td>1999</td>
<td>900</td>
</tr>
<tr>
<td>2000</td>
<td>1000</td>
</tr>
<tr>
<td>2001</td>
<td>1100</td>
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<td>2002</td>
<td>1200</td>
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<tr>
<td>2003</td>
<td>1300</td>
</tr>
<tr>
<td>2004</td>
<td>1400</td>
</tr>
<tr>
<td>2005</td>
<td>1500</td>
</tr>
<tr>
<td>2006</td>
<td>1600</td>
</tr>
</tbody>
</table>

Note: Adjusted to inflation

A relevant question is then posed: Does the more-profit seeking behavior associated with commercialization affect loan size? In order to check that I replicated a Statistical model, testing various commercialization factors for predicting the average loan size. Francisco Olivares-Polanco – a graduate student and research assistant at the University of Pittsburgh, developed the model.
The sample I used was limited only to Latin American microfinance institutions – 190 samples total, hundred and nineteen of which were Non-governmental institutions and 71 Banks and Non-bank financial institutions. The method is Ordinary Least Square Regression. Average Loan per Borrower represents my dependent variable. The independent variables are type of institutions, age of institution, sustainability, breath of outreach, women, and competition. With the type of institution variable, I was aiming mainly at testing whether institutional type (regulated versus non-regulated institutions) have effect on loan sizes. Sustainability was measured by return on assets (ROA). Breath of outreached was measured by number of active borrowers per institution. The variable “women” is represented by percentage of women borrowers. Last, but not least – competition is measured by the concentration ratio of the country of the MFI.

- Results (Please see table 6)

The goal was to test whether the factors of commercialization had any effect collectively and separately on average loan size. The model proved to be insignificant. It accounts for only 22% of the variation in loan size. None of the variables, with the exception of Women Borrowers proved to be a significant predictor.

Table 6

<table>
<thead>
<tr>
<th>Predictor</th>
<th>Coef</th>
<th>SE Coef</th>
<th>T</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>1,4785</td>
<td>0,2499</td>
<td>5,92</td>
<td>0,000</td>
</tr>
<tr>
<td>Type of Institution</td>
<td>-0,0875</td>
<td>0,1066</td>
<td>-0,82</td>
<td>0,413</td>
</tr>
<tr>
<td>Competition</td>
<td>0,1494</td>
<td>0,5564</td>
<td>0,27</td>
<td>0,789</td>
</tr>
<tr>
<td>Age of Institution</td>
<td>0,0004</td>
<td>0,0003</td>
<td>1,64</td>
<td>0,103</td>
</tr>
<tr>
<td>Women Borrowers</td>
<td>-1,4051</td>
<td>0,2531</td>
<td>-5,55</td>
<td>0,000</td>
</tr>
<tr>
<td>Number of Borrowers</td>
<td>0,0056</td>
<td>0,0071</td>
<td>0,8</td>
<td>0,424</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>0,2063</td>
<td>0,1793</td>
<td>-1,15</td>
<td>0,252</td>
</tr>
</tbody>
</table>

S = 0,667645   R-Sq = 22,0%   R-Sq(adj) = 19,5%
VII. Conclusions

The Microfinance industry in Latin America has indeed proved to be extremely successful, which could be directly attributed to the commercialization phenomenon. In addition to that, the development of the new model of microfinancing – the method of transforming by upgrading is the one method that had given valuable lessons to other microfinance institutions striving to achieve financial sustainability and profitability. Keeping to its original mission, providing social and financial intermediation, the transformed microfinance institution could reach new heights of financial and social success, measured in increase of outreach, profitability and the establishment of a viable institution that could serve the poor long-term.

After analyzing the financial and outreach data information, provided by the MixMarket database, the results proved that there is no association between the commercialization factors and loans sizes. The exception, and a very interesting finding, was the significance of women borrowers as predictors of loans size. There is negative correlation that suggests – the bigger percentage of women borrowers in a microfinance institution, the smaller the average loan size per borrower.
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