A Comparison of Microfinance Regulation and Social Protectionism in Argentina and Cambodia

Wharton Social Impact Research Experience

Business and Socioeconomic Policy 2016

Author
Amy Zhuo
The Wharton School
University of Pennsylvania
zamy@wharton.upenn.edu

Faculty Advisor
Tyler Wry
Assistant Professor of Management
The Wharton School
University of Pennsylvania

ABSTRACT: *The microfinance sectors of Argentina and Cambodia differ greatly, but can therefore offer insight into the effects of varying levels of regulation within the industry. By comparing data from the two markets and conducting interviews with organizations and individuals, this paper provides a case study, which can be interpreted as an example for other regional markets with similar structures. With a greater number of smaller microfinance institutions, it is challenging for governments to enforce regulation and prevent exploitation of consumers. On the other hand, with the consolidation of banks and NGOs comes stricter regulation for the decreased number of lenders in a microcredit market. Having a regulated microfinance market prevents exploitation of the rural poor, who are often uneducated on financial services and procedures. In addition, this study finds that civil society is essential for the social and financial protection of clients in a microfinance market.*

Keywords: Microfinance, Argentina, Cambodia, regulation, exploitation

INTRODUCTION

Statement of the Problem

In recent years, microfinance has emerged as an industry with the potential to microeconomically impact both urban and rural regions of developing nations. Researchers across many different fields have both praised and criticized this strategy of development, but the aim of this paper is to use a comparison case study to examine specific issues and areas for improvement in Argentina and Cambodia. The key differences between the two countries help to explain how microfinance can be beneficial to the poor, while also potentially exploitative. Figure I lists the main differences explored in this study.

	Argentina	Cambodia
Urban population	91.8% (stagnant)	20.7% (growing)
Literacy Rate	98.1%	77.2%
School Life Expectancy (years)	18	11
Main Microfinance Institutions	Banks	NGOs
Size of Microfinance Industry	Small	Large
Clear Regulation of MFIs	Yes	No
Level of Civil Society Protecting Microfinance Clients	High	Low

I. Statistics taken from CIA World Factbook 2015.

Background

Microfinance first began in Argentina when a bank called Banco Provincia started a foundation called Juntos ("together") in 1987. Three years later, this initiative ended due to high inflation and rapid economic decline. Following this first attempt to establish accessible banking for the poor, el Banco Mundial de la Mujer (The Global Women's Bank) and la Federacion Economica de Mendoza (The Economic Federation of Mendoza) emerged as dominant organizations and began a movement that continued to grow throughout the 1990's. Currently, microfinance in Argentina remains a small industry, with reportedly only $44.8 million USD in loans and around 35,000 borrowers (MIXMarket).

On the other hand, Cambodia's microfinance sector has grown much more rapidly since its emergence in a post-conflict environment in 1990. Currently, it is estimated that 25% of low-income households – mainly the rural poor – borrow from at least one Microfinance Institution (MFI) (Allden 2009). In total, $5 billion USD in loans have been reported by MFIs, and 2.3 million borrowers (MIX). Despite having a population a third of the size of Argentina's, the Cambodian market is almost 10 times as large as the Argentinian market. The biggest reason for this is that 80% of Cambodians live in rural areas, while only 8% of Argentinians live in rural areas (ibid.). This statistic is naturally linked to the level of education (which have been shown using literacy rates and school life expectancies). Unfortunately, the establishment of MFIs in Cambodia's rural regions has also generated the emergence of exploitative practices by informal, local lenders. These unregulated MFIs and organizations claiming to be NGOs have been reported to charge extremely high monthly interest rates (10-15%), often putting the borrower in endless debt (Allden 2009). This paper explores the structural frameworks that have allowed for this exploitation to be prevalent in Cambodia, while controllable in Argentina. The most significant factor that plays into this difference is that the main providers of microfinance in Cambodia are NGOs or small banks, whereas in Argentina, bigger banks have crowded out the small players while still being able to reach rural citizens. As a result, Argentina's microfinance section is able to sustain more stringent regulation (and enforcement), information sharing, and less exploitation of clients.

Definition of the Terms

a) In this paper, microfinance "regulation" is discussed extensively as polices put into place by governments in order to protect vulnerable clients from a potentially exploitative industry, and to minimize the financial risk taken by MFIs.
b) The discussion of "social protection" refers to the financial and social well being of clients who are likely not familiar with formal banking systems, and thus at risk to be taken advantage of by MFIs. The systems of social protection include civil society groups, access and ability to redress grievances, prevention of over-indebtedness, and transparent pricing.
c) Consolidation of microfinance providers is the "crowding out" of smaller banks/MFIs.
d) "Sustainable" MFIs are not reliant on subsidies, but rather, generate profits that are usually reinvested into the organization in order to fuel growth. These MFIs

tend to charge higher interest rates on their loans, to cover their costs and to earn a profit (World Bank 2009).

e) "Unsustainable" MFIs could also have high growth rates, either due to government subsidies and/or charging such high interest rates that eventually, the loan loss rate will surpass a manageable threshold.

f) Instead of referring to the interest rates charged by MFIs, this study uses the "Yield on Gross Loan Portfolio (real)" as a more accurate metric of the interest clients are actually paying, because it includes loan fees (ibid.). This number is calculated by dividing the interest yield and loan fees by the Gross Loan Portfolio, and then adjusting for inflation.

g) 4 main components make up this yield, and affect the interest rate on loans: the borrowing cost of funds (the world average for MFIs is 8.3%), loan loss expenses (5%+ is proven to be unsustainable), operating expenses (salaries and administrative costs, on average accounting for 60% of MFI total costs), and finally, profits (ibid.).

Theoretical Framework

The 4 main social protections discussed in this paper are as follows:

1) The presence and effectiveness of civil groups protecting the interests of microfinance clients
2) Mechanisms for the redress of grievances, which is often through civil society or the enforcement of MFI policies
3) Avoidance of over-indebtedness, which is a high risk for clients who are unfamiliar with banking services
4) Transparent pricing, which includes sufficient customer education

Methodology

Quantitative data and indicator analysis

MIXMarket, a database of MFIs, has provided information about individual organizations' Gross Loan Portfolios (GLPs), Loan Loss Rates (loans written off net recovered loans), % Portfolio at Risk for more than 30 Days, Real Yield on GLP, and Profit Margin. Many organizations failed to report this data to MIX, but the information acquired was sufficient to formulate a basic understanding of how consolidation of banks would benefit the microfinance sector and its social protectionism.

Qualitative and survey data

a) Interviewed representatives of organizations in Argentina (out of 18 contacted, 12 replied)
b) Surveyed 20 people in Cambodia from both rural and urban backgrounds

Hypothesis

The purpose of this study is to answer the leading questions: "How does social protection vary amongst NGO-based MFIs and bank-run organizations?" and "Is the crowding out of smaller institutions better or worse for microfinance clients?" Contrary to the perception that NGOs would have greater concern for the well being of the poor, exploitation of the systems and subsidies in place result in a risk of unregulated lending. In addition, bank takeovers and the buyouts of smaller organizations may seem to lower social protection, but in fact, the easier enforcement of regulation and information sharing systems have proven the opposite.

Review of Related Literature

An example from Nigeria effectively illustrates the risk of "promoting the growth of microfinance" by allowing any organization to lend without proper regulations and frameworks. Professor Chukwuma Soludo, who was the governor of the Central Bank of Nigeria at the time, licensed hundreds of organizations without monitoring or specific regulations, in order to build a larger microfinance sector. As a result, some MFIs serviced the poor, while others embezzled the poor (Arun and Murinde 2010). Without the enforcement of regulations or effective civil society, it is incredibly difficult to prevent situations such as this one, especially in rapidly growing and rural economies. A counter-example would be Kenya, which has reportedly not faced this issue of exploitation due to the work of their Deposit Protection Fund Board, which aims to protect microfinance clients from being taken advantage of (ibid.).

Scope and Limitations

This paper must be considered as only a comparison case study, since it examines specifically two countries. Although Argentina and Cambodia are in different regions, they also vary in significant ways that are relevant to the microfinance sector. Micro lending is much larger in Cambodia than in Argentina, partially due to its rural population and the licensing of NGOs as MFIs without stringent guidelines. These examples must be taken within their country-specific contexts, but can act as a theory to be expanded upon for other regions or countries with similar characteristics.

In both countries, it was unfortunately difficult to interview samples of microfinance clients due to limitations with the protection of privacy. Many of the relevant clients in Cambodia also lived in rural areas beyond where foreigners had access to travel. Instead, data was recorded from organizational representatives in Argentina and a sample of individuals in Phnom Penh who came from both rural and urban backgrounds.

Significance of the Study

It is important to explore how to improve microfinance in the face of the criticism of that has emerged in the past few years. Regulation plays a key role in the beginning stages of any industry, and ensuring social protections prevents the undermining of benefits that this development strategy has accomplished. For example, the presence of "Ponzi scheme actors" who charge monthly interest rates of 16% as licensed (but unregulated) MFIs must be taken out of the system and considered when promoting microfinance for the sake of growth (ibid.).

Background of the Study

Benefits of microfinance to developing countries

The idea of micro-loans is to provide low-income groups (often women) with the opportunity to sustain themselves, start micro-enterprises, and to account for variability in seasons if they are farmers, and overall promoting grass roots development. For rural and poor populations, this is the only access to financial services they have. For any household to begin building assets and acquire capital to grow a business, microfinance is essential in regions where credit profiles do not yet exist, and commercial banking does not service the poor.

Risks of Under-Regulation

Even if there is microfinance regulation in place, often the lack of enforcement results in parties taking advantage of the system. Throughout the world, the median informal interest rate was reported to be 10–25 percent per *month*, and rates of 5–20 percent per *day* were reported in five countries (World Bank 2009). In comparison to these “loan sharks,” MFIs are the next best alternative for funding, and can appear attractive even if their interest rates are only slightly lower. It is possible for clients to fall into a debt trap, even with “regulated” organizations that have no incentive to follow lax guidelines.

In addition, transaction costs can’t be accounted for in the data, but play a huge role in the lack of choices a rural client may have. These costs include time lost at work, transportation (which is significant in rural areas), and the impact of delays in receiving the funds. According to the World Bank, these transactions costs often amount to more of an expense than the interest itself. Without mechanisms and groups to consider these costs, policies will not reflect the burden of these additional costs to the consumer.

MFI Regulation in Argentina

Unlike Cambodia, and most other low-income countries, Argentina's microfinance sector is made up of regulated banks rather than unregulated NGOs. Due to the unique economic recession in Argentina in the 1990s, the fear of inflation resulted in the mass withdrawal of pesos from banks, replaced with deposits in US dollars. To do so, Argentines relied on established private banks, since the smaller provincial banks conducted business solely in pesos (Schreiner and Colombet 2001). The government, aided by donors, started a fund to ease mergers and buy-outs of smaller banks, which has led to improvements in the efficiency and strength of banks (ibid). The strict supervision of larger, privatized banks has resulted in a high level of confidence in the banking system, and has also fueled healthy competition. The Central Bank of Argentina regulates the microfinance sector, specifically drawing distinction between collateralized and uncollateralized loans, and even having a standardized evaluation system with five different risk classes.

MFI Regulation in Cambodia

Currently, MFI regulations (called "prakas") in Cambodia exist, but are not enforced; these include the requirement of interest rates to be calculated and disclosed on a declining balance, rather than a flat balance, which protects clients but lacks an upper limit on rates (CGAP 2009). In addition, the government has sponsored a framework called the CIS (Credit Information System), which allows banks to share negative credit information. However, this system is often criticized for its lack of information and usefulness to MFIs. As for ethical codes of conduct, there is no established industry wide guideline. However, larger banks such as ACLEDA and AMK have stated their own code of ethics.

The immense growth of the microfinance sector is largely due to the high number of MFIs established by NGOs and other donor agencies. Many of these organizations are funded by the Rural Development Bank, which was set up by the government in 1998. The National Bank of Cambodia (NBC) is officially in charge of regulation and supervision, but has no mechanisms for enforcement. Over the years, the NBC licensed many NGOs as MFIs, but without significant oversight. Moreover, the dominant civil group in the sector, the Cambodian Microfinance Association, serves not to protect clients, but to act as a liaison between MFIs and the government.

PRESENTATION AND ANALYSIS OF DATA

Case Study of Argentinian MFIs

Performance

From MIX Market's 18 listed MFIs, the microfinance sector in Argentina is comprised of $44.8 million USD in loans, and over 35,000 borrowers (the largest microfinance bank has 9000 clients). Considering Argentina's population of 42 million and GDP of $610 billion, microfinance is an extremely small niche that caters mainly to the small demographic of the rural poor.

Outreach

In 2000, an academic group from the Faculty of Economic Sciences of the University of Buenos Aires founded a civil association called "Avancar por el Desarrollo Humano" (Advancement of Human Development). This group offers microloans, as well as technical assistance to rural villages and poor neighbourhoods of the Capital Federal (Buenos Aires). Beyond the establishment of many educational services that aim to improve the financial literacy of MFI clients, most organizations that provide micro loans also offer business training, health services, and guidance and support.

Issues

One information system that has yet to be established is the idea of "portable credit" that guarantees credit building and secures confidence in future loans. Currently, Argentinian microfinance clients are unable to have a complete record of their credit and loans that is organized and easily portable to different MFIs and banks. Without a complete record, clients also have less incentive to keep their credit record clean. With this information sharing and valuable credit system, both clients and banks would benefit from a greater sense of trust and ease in conducting loans.

Another issue in the microfinance sector is the need for longer term and larger deposits. Currently, poorer microfinance clients do not have access to savings products, which would be highly useful in building funds, establishing longer term relationships between banks and clients, and lowering borrowing costs (and therefore interest rates) (Schreiner 2001).

Case Study of Cambodian MFIs

Performance

From the 26 MIX Market MFIs, $5 billion USD has been reported in loans with over 2.3 million borrowers and 3.5 billion in deposits. This is quite a significantly large microfinance sector for a country with a population of 15 million and GDP of $15 billion. Due to its majority rural population, many MFIs have under 200 borrowers, and are essentially unregulated local lending services. The biggest MFI, however, is the bank ACLEDA with over 400,000 microfinance clients. ACLEDA is a former NGO, which became a commercial bank in 2003 serving customers in all classes and taking deposits as well.

The second largest microfinance bank in Cambodia is AMK (Angkor Mikroheranhvatho Kampuchea). This organization conducted a study with their clients, wherein the findings showed that 56% of total loan uses were used for productive purposes (with agriculture as the leading sector), 13% for asset building, and 31% for consumption purposes (namely food) (Pum and Thun 2010). In addition, 34% of households on loans from AMK also borrow from a wide range of other sources (as many as 6 at a time). These include informal moneylenders or relatives, and formal banks, other MFIs, or NGOs. The risk of over-indebtedness is increased significantly for these particular clients, because information regarding their other loans is not openly shared.

One particular issue that arises in rural Cambodia is the common seasonal fluctuation that highly affects agriculture. Natural disasters can destroy entire villages, as rural houses are not strong enough to withstand the storms. The fishing industry is also impacted significantly even by small storms. Other reported challenges in this region are the lack of education on the customers' part, and the lack of training on the service providers' part. Many MFIs that offer loans do not have proper training, and therefore do not, in practice, provide all the relevant information to clients.

Compared to other regions, Southeast Asian MFIs tend to follow a high cost, high-yield strategy – Cambodia especially. A few years ago in South Asia, the median interest rate for loans was 25% or less, whereas in Cambodia (and the Philippines), the median rates were between 35% and 45% (Thapa 2006). Operational costs in Cambodia may be higher in rural provinces, where it is difficult to reach customers and the loan sizes are smaller. In Cambodia, one third of the demand for credit is on the low end, with amounts requested ranging from US $50 to US $300 (CGAP 2009). This illustrates the challenge in running a financially sustainable MFI, since many more loan officers are needed to manage rural clients with microloans.

Outreach

Cambodia is a country of 25 provinces, most of which are rural. Phnom Penh, the capital, is the largest city, in the center of the country. Simply geographically and for the lack of infrastructure (decent roads, electricity, phone signal etc.), it is extremely difficult to reach the poorest of the poor. MFI's would need to locate their office in the nearest village with appropriate infrastructure and go door-to-door in the countryside via. motorbike or tuk-tuk. This is an extremely costly venture and can result in unsustainable loan practices and MFI operations. The most recent survey of organizations found that there are 27 registered microcredit organizations operating in rural areas, and an estimated 80 NGO providers that are not yet registered (ibid.). There is minimal oversight even for the registered credit providers. Despite NGOs' aims to serve the poor, their high costs of operations may result in more harmful practices than if a larger bank with more resources were to conduct business in the same region. Empirical evidence supports the theory that MFIs focusing on profits are correlated with those that attract more clients (Crawford 2014). This is most likely due to more efficient operations management, and cheaper access to capital. In Cambodia, this has proved to be true as two main banks are dominating the sector and expanded their reach. The most difficult areas to reach have yet to be accessed by these larger, commercial MFIs, but the trend is moving towards more comprehensive outreach.

Issues

Interest rates for microloans in Cambodia are higher than in neighboring countries, largely because competition is low in rural areas, and the clients are mostly uneducated. There have been numerous reported cases of MFIs foreclosing and acquiring people's homes and farmland because they did not understand securitization when they took out the loan (CGAP 2009). In addition, for both customers and MFIs, overlapping loans and over-indebtedness is a significant issue, due to the lack of information sharing. Although the government created a system to keep track of credit (CIS), it is not widely used in practice.

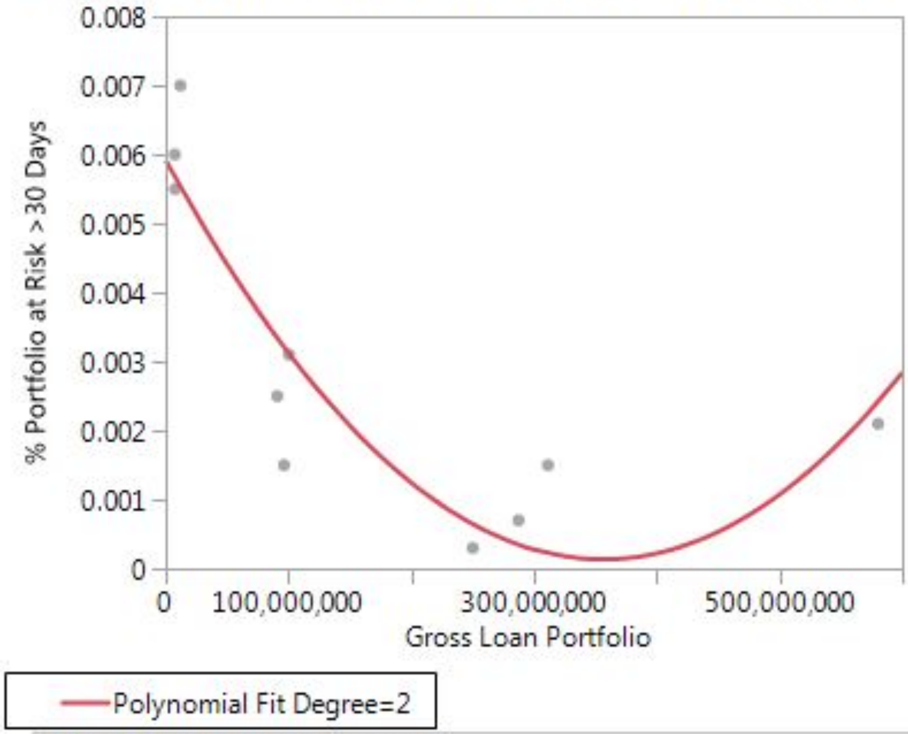
From a social protection standpoint, the main issues stem from the lack of civil groups that advocate for microfinance clients. The Cambodia Microfinance Association exists as a liaison between MFIs and the government, but largely excludes issues of the clients themselves. Most other countries with a large microfinance sector have a version of a Consumer Protection Council (such as Nigeria), which handles individual complaints and inquiries. The Reserve Bank of India has mandated that grievance redress procedures be laid out clearly. In Malaysia, the Consumer Association of Penang handles complaints, provides legal assistance, and education. Specifically regarding microfinance, customers have come to this association with problems about the lack of transparency of fees, unethical debt-collection practices, rising debt, and the actions of unregulated private credit bureau (Brix 2009).

In Cambodia, people who face these issues do not have an organization to which they can share their story and ask for redress. Usually, local village leaders may mediate a situation within the community, but their effectiveness varies significantly and they have no legal or practical power outside of their village. What is especially worrying in Cambodia is the “conventional wisdom” not to complain. Without even a channel for inexperienced (and often uneducated) borrowers to ask for redress, they are left extremely vulnerable to a power imbalance that favors the lender.

Correlation Tests

From the data of 10 Cambodian MFIs' Gross Loan Portfolios and percent of the portfolio at risk for over 30 days, there is a strong association that signals a parabolic trend. The Gross Loan Portfolio (GLP) indicates the relative size of the MFI, and the % at Risk reflects the sustainable practices (loans, interest rates, effectiveness) adopted by an MF. The trend shows that the smaller the Gross Loan Portfolio, the higher the percentage is at risk (the highest is 7%). This level of risk falls to almost zero as the GLP increases, but rises to 2% or higher after the GLP passes the $500 million mark. This makes sense, as taking advantage of economies of scale can provide more resources to reduce the risk of micro-lending. However, it is difficult to effectively manage the risk of an organization with immensely sizable portfolios.

Bivariate Fit of % Portfolio at Risk > 30 Days By Gross Loan Portfolio



Polynomial Fit Degree=2

% Portfolio at Risk >30 Days = 0.0045313 - 1.657e-11*Gross Loan Portfolio + 4.556e-20*(Gross Loan Portfolio-1.74e+8)^2

Summary of Fit

RSquare	0.84026
RSquare Adj	0.79462
Root Mean Square Error	0.001062
Mean of Response	0.00302
Observations (or Sum Wgts)	10

Analysis of Variance

Source	DF	Sum of Squares	Mean Square	F Ratio
Model	2	0.00004151	0.000021	18.4106
Error	7	0.00000789	1.127e-6	**Prob > F**
C. Total	9	0.00004940		0.0016*

Parameter Estimates

Term	Estimate	Std Error	t Ratio	Prob>|t|
Intercept	0.0045313	0.000476	9.52	<.0001*
Gross Loan Portfolio	-1.66e-11	2.73e-12	-6.07	0.0005*
(Gross Loan Portfolio-1.74e+8)^2	4.556e-20	1.04e-20	4.38	0.0032*

II. Statistical relationship between Gross Loan Portfolio and Percent of Portfolio at Risk over 30 Days for Microfinance Institutions in Cambodia

Social Externalities of Under-regulated MFIs

While discussing the effects of a microfinance sector that does not have enforceable regulation or protective civil groups, it is important to understand the context in which this situation is evaluated. Secondary qualitative interviews illustrate this context, even if the sample sizes are not large enough to be statistically analyzed.

In Argentina, since larger banks dominate the industry, regulation is clearer and stricter, as well as more enforceable. Civil groups run by universities and government-sponsored organizations consistently measure the well being of microfinance clients, and MFIs themselves offer means by which customers can file complaints. Out of the 18 Argentinian MFIs contacted, only 12 replied. When asked what the policies were for a customer filing a complaint, 10 out of the 12 had a clear process that was explained in a straightforward manner (clients should call or email a specific representative, come into the office if it is convenient, fill out a form, and resolve issues in a timely manner). Though in practice it may be difficult to undergo this process, Argentinian MFI clients at least have the first steps laid out for them to a certain degree; as well as civil groups to reach out to in case they require further legal assistance. When the 12 organization representatives were asked what other services the MFI provides (educational, health, community and family planning, etc.), 10 out of the 12 had two or more social services in addition to micro lending. Despite being for-profit banks, many of these organizations pledged a commitment to helping the poor customers they serve.

In Cambodia however, the small MFIs that target rural provinces (the majority of the country) are not regulated by the government. These organizations take advantage of the largely uneducated demographic; out of 20 Cambodians interviewed, 15 had known someone who felt exploited by an MFI, or an NGO acting as an MFI. These interviewees never took out loans themselves, though they all had either family members or friends who had borrowed from an MFI. The 20 people were all hotel staff, and 19 out of the 20 were from a rural province. Despite the large organizations' efforts to reduce exploitation, the dispersed nature of the sector inevitably leads to organizations taking advantage of the rural poor.

CONCLUSION

From the two case studies of Argentina and Cambodia, the important takeaways are twofold. First, the crowding out of small MFIs and NGOs should not be observed as a negative trend, but rather, as an opportunity for more stringent regulation to be implemented and for lower effective costs of MFIs to decrease interest rates for the rural poor. Secondly, the presence and effectiveness of at least one civil group that represents microfinance clients is essential to maintaining social protectionism in the microfinance sector. Especially in regions with a lack of (or lax) regulation, the only way to even the playing field between MFIs and clients are civil organizations that have the power to act as a liaison or authoritative redress officers in the case of disputes. Civil society is also incredibly important with regard to providing educational services to microfinance clients (financial and otherwise), particularly if the MFIs themselves do not provide education.

Recommendations

In the short term, it is essential to create and promote at least one civil group that acts as an intermediary between microfinance clients and MFIs. Rather than focusing on establishing policies that are difficult to enforce in rural areas, governments should support and give legal power to an organization that protects the interests of microfinance clients.

In the long term and taking a wider look at the industry, governments should promote buyouts of smaller banks by the dominant larger banks, for two main reasons: more efficient operations, and easier regulation. The lower costs would allow for greater sustainability as well as resources to reach rural populations, and regulation would be more enforceable upon larger organizations. According to the World Bank, MFIs that have more than 2000 clients gain the benefit of economies of scale; it makes more sense to promote less MFIs with more clients, rather than supporting small NGOs with less than 2000 clients and have much higher costs. With regard to the risk of centralization and lack of competition, there have not been reports of collusion or exploitation by larger banks in the microfinance sector. In addition, tighter regulation can prevent over-indebtedness by requiring MFIs to take into account the number of loans a client has already taken out, and to consult shared information systems containing both positive and negative credit information of the individual.

To address the main issues facing both Cambodia and Argentina at varying levels, CGAP's 6 requirements for social protection must be considered:

1. Transparency of rates, securitization, and policies
2. Third party that is free and accessible as a dispute and complaint venue
3. Fair collection standards
4. Reliable credit information system that is shared across lenders and accessible by customers as well
5. Financial literacy education and ethical advertising methods

    a. Examples of existing efforts include radio and TV ads that focus on educating MFI clients to use loans for productive rather than consumptive purposes

6. Accessibility of mobile banking or alternative payment systems for rural populations

Although this paper focuses on the civil society requirement (#2) of social protectionism as a key point of difference between the exploitation of Cambodian clients and Argentinian clients, the 5 other conditions should be enforced, or at least promoted, by both governments, banks, and NGOs alike.

Without the multilateral efforts of microfinance players in both public and private sectors, it would be impossible to create a development system that both benefits the poor and boosts the economy. Working together to improve an industry with high potential for growth and social impact will ultimately result in a more collaborative, ethical, and beneficial microfinance sector worldwide.

APPENDIX

CAMBODIA 2014

Name of MFI	Profit Margin	Real Yield on Gross Portfolio	GLP	% portfolio at risk >30 days	Loan loss ratio
ACLEDA - outlier	34.90 %	13.91 %	1,994,337,342	0.61 %	-0.03 %
AEON	19.68 %	27.99 %	20,825,040	2.51 %	0.77 %
AMK (Angkor Mikroheranhvatho Kampuchea)	16.89 %	30.03 %	96,334,000	0.15 %	0.38 %
AMRET	33.66 %	24.85 %	287,418,110	0.07 %	-0.03 %
Chamroeun	-2.40 %	39.34 %	7,462,376	0.60 %	0.19 %
First Finance	17.57 %	17.57 %	15,531,499	2.26 %	0.61 %
HKL (Hattha Kaksekar Ltd)	22.32 %	19.51 %	250,192,757	0.03 %	-0.02 %
IPR (Intean Poalroath RongRoeurn)	52.75 %	26.28 %	7,583,128	0.55 %	0.59 %
KREDIT	16.87 %	22.37 %	100,482,551	0.31 %	0%?
PRASAC	34.18 %	19.74 %	580,310,218	0.21 %	-0.03 %
SAMIC	20.53 %	27.85 %	11,950,300	0.70 %	-0.84 %
Sathapana	25.65 %	18.40 %	311,393,539	0.15 %	0.11 %
VisionFund	15.39 %	24.44 %	90,901,505	0.25 %	0.15 %

*Only 14/26 had sufficient data because many served under 500 clients

ARGENTINA 2014

Name of MFI	Profit Margin	Real Yield on Gross Portfolio	GLP	% portfolio at risk >30 days	Loan loss ratio
Avancar	13.13 %	41.64 %	292,009	03.74 %	0.88 %
Cordial Microfinanzas	31.69 %	35.91 %	13,429,173	5.47 %	9.04 %
FIE Gran Poder (2013)	11.92 %	42.84 %	13,224,433	2.06 %	2.92 %
Fundación Pro Vivienda Social (FPVS)	3.17 %	-	3,805,249	5.27 %	-
Oportunidad Microfinanciera Latinoamericana (OMLA)	0.79 %	40.12 %	1,991,054	2.16 %	0.00 %
Pro Mujer	17.17 %		3,638,838		
Techo			12,448	73.57 %	

*7/18 had sufficient data

REFERENCES

Allden, Susanne. 2009. Microfinance and Post-conflict Development in Cambodia and Timor-Leste. *Journal of Social Issues in Southeast Asia* 24 (2): 269-284.

Arun, T. and V. Murinde. 2010. Microfinance regulation and social protection. *European Report on Development.*

Brix, Laura. 2009. *CGAP Consumer Protection Policy Diagnostic Report: Malaysia 2009*. Available at: http://www.cgap.org/sites/default/files/CGAP-Consumer-Protection-Policy-Diagnostic-Report-Malaysia-2009.pdf.

CGAP. 2009. *Consumer Protection Policy Diagnostic Report: Cambodia 2009*. Available at: http://www.cgap.org/sites/default/files/CGAP-Consumer-Protection-Policy-Diagnostic-Report-Cambodia-2009.pdf.

Crawford, Andrew. 2014. Are Profitable Microfinance Programs Less Efficient at Reaching the Poor? A Case Study in Cambodia. *Cambodia Microfinance Association.*

Global Financial Stability Report (GFSR). 2015. Vulnerabilities, Legacies, and Policy Challenges: Risks Rotating to Emerging Markets.

Pum S. and V. Thun. 2010. Assessing Clients' Satisfaction of Microfinance Institutions i in Cambodia - A Case Study of AMK. *International Journal of Environmental and Rural Development.*

Schreiner M. and H. H. Colombet. 2001. Microfinance, Regulation, and Uncollateralised Loans to Small Producers in Argentina. *Microcredit and Development Policy.*

Thapa, Ganesh. 2006. Sustainability and Governance of Microfinance Institutions: Recent Experiences and Some Lessons for Southeast Asia. *Asian Journal of Agriculture and Development* 3 (1).

World Bank. 2009. The New Moneylenders: Are the Poor Being Exploited by High Microcredit Interest Rates? *Occasional Paper*.