Competitive Microfinance:
Its Effects and Needed Adjustments

Nick Amland
December 2007

Senior thesis submitted in partial fulfillment
of the requirements for a
Bachelor of Arts (or Science) degree in Economics
at the University of Puget Sound

Introduction

Many third world developing countries live in poverty because of the lack of financial infrastructure to support their economy. These countries have large sectors of small scale, unregistered businesses in their economy run by poor entrepreneurs. The entrepreneurs who represent the poorest of the poor or grassroots in their communities try to run these small businesses while suffering from an inadequately low level of capital because they do not have access to the formal financial system (i.e. commercialized banks, etc.). Even with great potential, the unavailability of financial services such as small-scale loans inhibits the growth and many times viability of these businesses. In response, making financial services to these small-scale poor entrepreneurs is thought of as a great solution for poverty relief in these developing economies. Therefore, development policy over the last 20 years has concentrated on microfinance as a poverty alleviation tool. Microfinance provision created the need for a sector of organizations driven by social welfare agendas. Non-profit organizations backed by donor capital with a social mission of poverty alleviation started forming to provide microfinance. These organizations also referred to as non-governmental organizations (NGOs) began extending loans to the poorest individuals and groups within the least developed economies of the world. With help from donors as external financiers and without other competitors because of regulation and disinterest, NGOs monopolized the market for microfinance. Through this monopoly, NGOs' success demonstrated the potential profitability in microfinance. Now with relaxed regulations in these countries and proven profit potential, new commercial entrants in the form of licensed financial institutions have started to flood the industry.

In response to commercial entry, NGOs lost their monopoly power and consequently their market share. These banks, comparatively advantaged in providing financial services, have access to capital markets, more comprehensive financial products, and have the ability to mobilize savings. This financial efficiency has allowed them to extend loans at a lower rate and for a lower cost. NGOs dwindling market share forced them to reconsider how to survive in their no longer sheltered circumstances. (Rhyne 2000) NGOs have commonly used two strategies for surviving in the market: either changing their targeted clientele segments in the market or to transform themselves into regulated microfinance institutions (RFI). Although some NGOs have not changed in face of the competitive market, most organizations have chosen one of the above strategies.

Theoretically, NGOs entered into microfinance in an effort increase the outreach of financial services to the grassroots. Market competition forced NGOs to alter their strategies in two main ways. In both cases, empirical evidence shows a drastic increase in the number of people served by these resulting altered NGOs. However, the increased provision has not come at a cost. The entrance of these formal lenders into the market brought a professional, profit seeking attitude to microfinance. This paper addresses the impact of NGOs altering their strategy and structure in response to formal lenders entrance into the microfinance market.

Literary Review

When microfinance began to emerge as a developmental strategy in the early 1980s, microfinance institutions (MFIs) controlled by donor backed NGOs held a monopoly on this market because of the disinterest and infeasibility of licensed financial institutions (formal lenders) in the market. This disinterest spawned from financial repression policies sanctioned by governments which included interest rate controls, limited entry into the financial sector, crowding out of private investment, credit requirements, and directed credit. Given the restrictive nature of these polices; formal lenders had little incentive to enter the market because these restrictive policies created significant barriers to entry.

Accompanying these policies, formal lenders also faced other forms of resistance. These small scale loans created high transactions for them, and many of these low-income households[1] lack assets to qualify for their loans requiring collateral. (Morduch 2000) Formal lenders, also, understood determining the quality of potential clients and monitoring their progress presents particularly difficult challenges when extending loans to the poor. Moral hazard and adverse selection created by these problems presented barriers to formal lenders because identifying quality clients who will maintain high repayment rates stands paramount to success in microfinance. Additionally, the poorly developed infrastructure increases the expense of delivering even basic financial needs. (Akanji 2001) Cumulatively, these problems increased the cost of extending microfinance loans to the poor which did not justify their entrance.

Therefore, NGO controlled MFIs driven by social missions and backed by donor capital dominated the market because of their ability to control these problems. In an effort to combat low repayment rates from a naiveté selection of low quality clients, they came in close contact with their clientele. Through this closeness, NGOs marginally averted adverse selection and moral hazard, the two critical problems facing formal lenders. The development of personal ties and the use of borrower proximity in decision-

[1] Poor entrepreneurs are assumed to have come from low-income households.

making served as mechanisms for countering these two problems. (Aryeetey 1997) Even more so in rural environments, the development of personal ties with clients helped confront information asymmetry.

Close proximity to clientele, not only served the purpose of overcoming information asymmetry but also increased repayment rates through loan monitoring and contract enforcement. The mere presence of NGOs within the community led to higher repayment rates. (Aryeetey 1997) Also, NGOs' development of personal relationships with potential clients allowed them to provide simple loan appraisal and rapid loan approvals. Other unique services provided included special features for potential clients who were illiterate, spoke a non-dominant language, or lacked confidence to apply. (Ryhne and Christen 1999) All of these personal services integrated into microfinance by NGOs made considerable headway towards successful lending to these targeted poor clientele.

However, innovation of new lending techniques spurred by NGOs eventually led to the feasibility of successful poor community microfinance. After strides made by early organizations, donor funding flooded into NGOs. Now supported by strong streams donor capital, NGOs began to experiment with new techniques to successfully extend lending services. Since NGOs were not regulated, they could experiment a lot and there were not restrictions on what types of activities they could undertake. (Gonzalez-Vega 1998) Through experimentation, innovative techniques spawned into the microfinance sector. The Grameen Bank in Bangladesh, widely considered the most successful microfinance programs throughout the world, innovated a revolutionary lending technique catering to clients without collateral called group lending through Self-Help

Groups (SHGs). (Yunus 2003) The groups form voluntarily, and while loans are made to individuals, all in the group are held responsible for loan repayment. If one member fails to repay the loan and defaults, then the entire group no longer has access to future loans. This technique connects the group by effectively making each member a co-signer on the loan for others in an effort to mitigate the problems created by information asymmetries. Group members now have the incentive to monitor each other and exclude specific people in the community from the group. (Morduch 1999) Grameen Bank identified a way to utilize local information and thereby creating a mechanism to rely on informal type of insurance.

Along with utilizing SHGs in their lending practices, other NGOs have introduced new innovative techniques to increase repayment incentive such as dynamic incentives, regular repayment structures, and collateral substitutes. Programs that use dynamic incentives design their structure on a progressive lending basis. (Morduch 1999) Initially, clients can qualify for only small loans, but upon satisfactory repayment the loan size gradually increases. Regular repayment incentives aim to force clientele to form habits to repay a little at a time. Instead of the typical year long loan with the entire payment due at maturity, there are weekly payments. Regular repayment schedules acts as a screener of undisciplined clients as well as trains potential clients. The target clientele of NGOs typically lack assets for loan collateral, so many NGOs use substitutes for collateral instead. In the Grameen Bank model, clients contribute to an emergency fund where it provides relief in cases of default, death, disability, etc. The fund requires a five percent tax on the loan for each member of the SHG. If clients leave the SHG, the bank seizes what total amount the group owes, therefore, serving the function of partial collateral.

These new innovations allowed NGOs to flourish in the market place alone without the competition from other forms of financial services.

However, recent changes in the structure and composition of the microfinance market have sparked new interest for formal lenders and caused market liberalization. Four supporting indicators show how the above government sanctioned repressive policies started to subside. One, entry by foreign banks has increased the competition. Two, wide spread interest rate deregulation has now afforded banks pricing flexibility, opening up various potential profitable market niches where new financial products can be utilized. Three, the development of capital markets has drawn high-end clients away from commercial banks causing them to look to microfinance for primary sources of finance. Four, large, subsidized national development banks have gone bankrupt causing the clients on the margin of the poverty line looking for financial services. (Rhyne and Christen 1999) This liberalization caused the formal lending sector to realize this market's potential profit. Accompanying market liberalization, these new innovative lending techniques, such as SHGs, introduced by NGOs catered to the set of problems previously limiting formal sector involvement. Uninhibited by regulation and equipped with new lending techniques, formal lenders entered into the microfinance market.

Entrance by formal lenders into the microfinance market has changed the market composition and created a newly competitive environment. Lured by a vast market and by the success demonstrated by NGOs, various formal lenders have entered including large retail banks, state-owned institutions, small commercial banks, and finance companies[2]. (Christen 2000) Compared to NGOs, formal lenders' financial efficiency led

[2] "Formal lenders" is a term which encompasses these institutions because the differentiating ability between NGOs and formal lenders is access to commercial funds.

to some distinct advantages in the market. Formal lenders have well established internal infrastructures capable of handling the large numbers of transactions and can offer a comprehensive line of financial products which results in the ability to handle and attract more microfinance clients than NGOs. (Rahman 2004) Also, these institutions have access to commercial funds which include capital markets and central bank discount windows. Contrasting starkly to sometimes volatile donor capital, commercial funds supply formal lenders with readily available lending capital at market price. Also, commercial capital has a much greater capacity to support portfolio growth and increase leverage. (Hishigsuren 2002) More importantly, the ability of formal lenders to mobilize savings has significant effect comparatively to NGOs. Regulation in most developing countries prohibits NGOs which are unregulated from collecting savings deposits because for proprietary purposes. By mobilizing these savings, a formal lender has the potential to fund its entire loan portfolio from these small-scale savings. (Moller 2002) With these comparative advantages in the market, formal lenders entered creating a highly competitive microfinance market.

No longer enjoying monopoly positions, NGOs encounter a rapidly changing market because commercialization forced by formal lenders. Commercialization refers to the prospects for lower prices, new products and services, greater number and variety of market offerings, improved product and service quality, and technological innovations now present in the microfinance. (Moller 2002) Formal banks, privately owned and profit-seeking, entered into the market solely for the purpose of earning profits. Therefore, these institutions engaged in an act called client skimming. Client skimming is a process where formal lenders targeted the most profitable segments of this market (the clients hanging just below the poverty line or above). Since formal lenders offer lower interest rates than NGOs, they steal these clients. NGOs thereby are left with fewer relatively high-profit customers, directly reducing their financial returns. NGOs rely on the profitability of these loan clients to finance less profitable and arguably needier clientele. Consequently, this loss severely threatens the financial health of NGOs. (Moller 2002) Therefore, in order to compete in this market, NGOs find themselves scrambling to adapt to the new market structure.

In response, left with few options to combat this competitive pressure, some NGOs altered their initial targeted clientele segment. Padhi 2004 observed one option available to NGOs which included six possible alterations to their initial provisional goals. One, these NGOs would need to focus their portfolio concentration on higher density population areas and consequently not focus on more rural areas which were initially targeted. Secondly, NGOs would need to emphasize rapid initial loan volume growth often leading to poor portfolio quality. Thirdly, cost cutting of field staff salaries would be a necessary consequence and would cause high turnover and low morale while their work load from more clients had increased. Fourthly, NGOs would have to start to move towards the retail trade and service sectors with high cash flow and away from initially targeted sectors such as manufacturing. Fifthly, by concentrating on short-term loans in hopes of higher repayments, NGOs would have left out certain sectors that are cyclical in nature including agriculture which comprised a large target group previously. Sixthly, NGOs would find it necessary to move up the poverty scale and away from the poorest target group in order to maintain loan demand and repayment rates. While this behavior represents only a fraction of NGOs, these alterations require NGOs to sacrifice their original social mission of poverty alleviation at the grassroots level. While these results have been observed in the market, NGOs have also changed their structure in response to competitive pressure.

Other NGOs have chosen to transform themselves into regulated microfinance institutions or RFIs. Through this transformation, NGOs benefit from the same comparative advantages that formal lenders had been utilizing. This institutional transformation allows NGOs access to new lines of capital available through commercial funds such as through capital markets[3]. No longer limited by volatile donor funding, commercial funds represent cheaper, readily available lending capital. Counteracting the high cost of providing small loans, readily available funds through the capital market allow for more extension provision of microfinance. (Hishigsuren 2006) Previously, donor funding was not sufficient enough to support this kind of portfolio growth which represents an incentive for transformation.

NGOs benefit from transforming into a RFI because of the availability of more financial of services. In most countries, regulation prohibits NGOs to provide clients with financial services other than credit and also does not allow NGOs to mobilize savings because of propriety and prudence reasons (savings custodianship requires statutory provisioning and the creation of reserves to cover liquidity and other risks where current legislation is not present). (Hishigsuren 2006) The ability to mobilize savings can play a large role to a RFI. Many of the poor do not own small-scale businesses with demand for credit but all of the poor have the ability to save or at least want it. In fact, this gap represents hundreds of millions around the world. Since this impact represents a large

[3] Access to commercial funds such as capital markets is allowed because these NGOs are now regulated finance institutions whereby they are subject to new regulatory statutes in return.

change on the balance sheet of RFIs, these organizations could use these deposits to turn around and loan out for increased provision, permitting reserve requirements. Also, today's depositors could become tomorrow's borrowers, so this could indirectly develop a future client pool. While these depositors continue to save, their asset accumulation will allow them to qualify for better loans in the future because these assets could represent collateral. (Morduch 2000) With these benefits of transforming into a RFI, NGOs could extend the provisional outreach of microfinance to even broader and poorer demographics, theoretically.

Setting aside for a moment outreach concerns with this alternative option for NGOs, the new market composition has changed the competitive nature of the market leading to negative externalities. When microfinance began, NGOs had considerable market power. In this type of market, clients did not have power and therefore could not exert any pressure on NGOs. When formal lenders began to enter, the market became competitive, and in response, clients gained market power. No longer satisfying for just access to financial services, clients became price sensitive and exerted consumer preferences. (Rhyne and Christen 2001) With the abundance of new firms in the market, clients have been able to act based on their personal perceived advantages.

Client freedom in the market has decreased the incentives to remain loyal and to maintain high repayment rates. Since funds are not as scarce as they used to be, the incentives to repay on time have decreased. (Vogelgesang 2001) The ease of receiving a new loan from another lender (either formal, RFI, or un-altered NGO) has drastically increased with the entrance of new lenders. With the lack of formalized credit information available in most developing countries to formal lenders, NGOs, and RFIs, escaping bad credit histories presents a new incentive to clients. (Rhyne and Christen 2001) In result, many clients are taking loans from more than one institution and indebting themselves beyond their ability to repay. (Christen and Rosenberg 2000) When they fall indebt beyond their capacity to repay, clients are observed financing their repayments of one loan with another. (Christen 2000) In this newly competitive environment, clients have acted opportunistically and caused market decreases in repayment rates when maintaining high repayment rates is crucial to the success of microfinance when lending to clients with little or no collateral.

In response to the increasing rates of default in the market, untransformed NGOs have stayed true to their social mission regardless of the consequences suffered from competitive pressures from other microfinance lenders. NGOs entered into the microfinance industry to provide financial services to the very poor or grassroots with the goal of poverty alleviation. Since extending loans to the poorest of the poor has high transactions cost, many NGOs did not reach financial self-sufficiency (attained when income from operation plus donor capital equals cost from operation). However, self-sufficiency was not required because of the subsidies that donor capital provided. With the introduction of a broader line of products from RFIs and formal lenders, NGOs lost most of their profitable market share in the form of client skimming. Remaining steadfast to their initial targeted segment, NGOs continue to finance to the poorest of the poor in an effort to minimize poverty even in the face of decreasing impact. Morduch 1999 suggests that a commonly-used “squared poverty gap” should be used to assess impacts on poverty alleviation. The squared poverty gap suggests that raising a poorer client’s income by one dollar has five time greater impact than doing the same for a lesser client.

Clearly, by this measure extending microfinance to the grassroots has more depth of outreach[4] on poverty alleviation than does lending to the more profitable non-poor.

The decreasing repayment rates caused by externalities in the market compelled RFIs and formal lenders started inching up market to more profitable and therefore less needy segments of the market. When NGOs transform into a RFI, the structure of the organization alters, notably the governance. Congruent with formal lenders, RFIs have investors seeking profit-maximization. The governance structure changes from a Board of Directors answerable to social investors concerned with social welfare to investors (owners) seeking only financial returns. (Moller 2002) This does not mean that social gains are never considered by these organizations. It just means that since the Board has a fiduciary constraint to maximize the welfare of the investors. So when confronted with a trade-off between the interests of the investors or of the poor, the Board will have to give more weight to the interests of the profit seeking investors. (Moller 2002) Therefore, when faced with low repayment rates caused by externalities in the market, RFIs and formal lenders started to shift up-market and target a wealthier segment of the population in order to maximize profit.

By looking at the average loan size in the portfolios of RFIs and formal lenders, a tentative trend emerges to show an upward shift in their targeted markets. Data collected by Christen 2000 and Woller 2002 show strong signs an upward movement by regulated institutions. The average loan size of for-profit, regulated institutions was nearly twice as large as for NGOs which suggest that regulated lenders reach a distinctively profitable and wealthier clientele since larger loans imply a higher qualification which poor

[4] Depth of outreach refers to the focus of lending to the poorest segments of the population commonly contrasted to breadth of outreach which refers to lending to the most people or widest segment of the market.

segments of the market do not. The fact that NGOs have a lower average loan size supports this statement that there exist poorer potential clients who only can support lower loan sizes.

In spite of the clear signs of a change in the targeted demographic, Christen 2000 cautions that there are some other considerations and marginalizing the poor may not have taken place. First, larger loans do not necessarily indicate and upward shift. Larger loans simply could reflect a maturing portfolio and/or client group. In the early lending stages of regulated lenders, their portfolios could have been dominated by new clients and through incremental lending; the loan balances could have naturally grown along with the clients. Also, a more dynamic economy may require larger loans, and with the growth of these relative economies, this could have been necessary. The observed larger loans, therefore, could be the product of an aging microfinance market. Although the observed increase in average loan size of regulated institutions cannot suggest the up-market drift trend alone, transformation seems to go hand in hand with it. Market entrance by formal lenders has created a competitive market causing firm transformation (in many cases) and the consequence, whether intended or circumstantial, marginalizing of the poor has resulted.

NGO-Formal Lender Linkage Model

Recognition of untransformed NGOs loan sizes indicates the typed of clients served. Their lower average loan sizes indicate their extension of financial services to clients who do not qualify for higher loans. These untransformed NGOs remained steadfast to their social mission and to the initial purpose of microfinance of poverty alleviation by loaning to the grassroots. Even though there are strong incentives to reach self-sustainability[5] by transforming into a RFI, the “squared poverty gap” suggests that concentrating on the grassroots level causes the greatest impact on poverty alleviation. A viable way to reach the grassroots segments of these populations would be to create a relationship between NGOs and formal lenders. This relationship would allow both of these types of organizations to specialize in their fields of comparative advantage while being centered on poverty alleviation.

With formal lenders specializing in the provision of financial services, NGOs could again concentrate on their comparative advantage of social intermediation. Social intermediation refers to the act of NGOs preparing potential clients to become responsible borrowers and savers, better manage their own finances or their financial groups, and help them put whatever social capital they have to more productive use. (Padhi 2004) This type of social intermediation intends to increase the human capital of these poor entrepreneurs. NGOs could separate into branches and then be dispersed among various locations in a given geographical area. Emulating traditional NGOs, these branches would be able to overcome the problems of moral hazard and adverse selection. Differing from other observed linkages, this social intermediation could these branches to tailor specific, individual loans to clients. The ability to individualize loans creates great social benefit. In comparison to linkages with SHGs, individual financial needs are not satisfied within these groups. Previously, this type of loan provision was infeasible, but this linkage with formal lenders would allow NGOs to specifically concentrate social intermediating and understanding the individual needs in their respective communities.

[5] Self-sustainability differs from self-sufficiency in that it requires that the income from operating at least equal the cost of operating without the help from donor capital.

Through this linkage individualized financial services from the client's side (demand side) would be feasible.

On the financial side (supply side), formal lenders would be able to provide access to capital markets, the ability to mobilize savings and offer the widest range of financial services for these individualized financial services. Access to capital markets would lower the cost of capital normally supplied to the very poor therefore causing lower interest rates. It has been well documented that lowering interest rates allows poorer demographic segments of the population access to financial services. The potential impact of savings mobilization carries considerable positive effects such as the possibility of financing loans with savings deposits (other incentives described in the above sections). Offering a wider range of financial services helps tailor them to individuals. When the competition in microfinance had increased from the entrance of formal lenders, clients found themselves exerting consumer preferences based on their financial need. Contrary to traditional belief, loans do not provide the full range of financial service that client's desire.

From this linkage, NGOs receive an intrinsic benefit by providing the poorest of the poor with financial services. However, formal lenders also receive a benefit from this linkage. The NGO could act as an agent of the formal lender. With ultimate control of the portfolios, the formal lender could charge a fee to the NGO in return for managerial control of the loan portfolios. The formal lender could set performance standards on the portfolio. In addition, formal lenders would still have the capacity to target the wealthier segments of the market without competition from NGOs. Previously, NGOs only targeted the wealthier segments because these clients provided profit to sustain their grassroots provision. This linkage between NGOs and formal lenders creates a relationship where NGOs can target the poor while formal lenders can target the wealthier segments without competition from either type of organization.

With comprehensive financial services tailored to clients, the incentive to default on a loan would be greatly diminished. If the composition of the market started to change and the entrance of these linking organizations began to dominate, there would still remain an incentive to default on a loan because of the ease of receiving another one from a competitor. In this instance, an information credit bureau would need to be assembled. An information credit bureau could keep track of bad credit histories and therefore eliminating a source of information asymmetry. Each NGO-formal lender linkage would find it beneficial to support an information credit bureau as it would greatly decrease the incentive to default on a loan and subsequently keep repayment rates high.

Conclusion

Over the last 20 years, poverty alleviation has made great strides with the help of NGOs in the provision of microfinance. NGO controlled MFIs motivated by alleviating poverty from the grassroots up concentrated their provision to the poorest individuals in the most rural communities within these developing economies. NGOs were the first organizations to test microfinance in these markets deemed financially infeasible and therefore had monopoly power. Backed by anxious donor capital, NGOs found success in providing loans to poor demographics by using unique lending techniques. These successes spurred not only more donor capital which fostered experimentation by NGOs and ultimately innovation but also interest of potential profits from entrants. These innovations such as SHGs, dynamic incentives, regular repayment structures, etc. gave formal lenders new lending techniques to conquer a traditional disincentive to entry, low repayment rates from un-collateralized loans. With profit the main goal, formal lenders entered the market causing competition to drastically increase in this previously sheltered market.

Financially more efficient than NGOs, formal lenders out competed NGOs in the market forcing radical changes to the operation of NGOs. In an attempt to survive in the market, NGOs either altered their targeted clientele segment or transformed into a RFI. However, along with these adjustments, NGOs began providing financial services to wealthier clients. A trend of increasing average loan size of these institutions hints at the different targeted segment of the market. Other considerations needed credence though. The average loan size could have indicated a graduating clientele which shows that microfinance has been successful. However, the fact remains that NGOs within the same market have lower average loan sizes which highlights there effort to extend services to the poorest of the poor. RFIs that carried a social mission would have continued to use their graduating clients to find even poorer segments of the market in which case the average loan size there would not be as big of a discrepancy between the loans sizes of NGOs and RFIs. Given this fact, RFIs still had potential to reach down to poorer segments of the market. The constraint of being private owned and having profit maximizing investors limits this capacity.

In response, the NGO-Formal lender linkage provides a rough framework creating a relationship between these two types of organizations which aims to benefit parties. The relative efficiencies to NGOs, social intermediation, and formal lenders, financial service efficiency, complement each other. With social intermediation and a comprehensive range of financial products, individualized loans for poor entrepreneurs would potentially possible. Tailored financial services in these developing nations could be a promising way to alleviate poverty from the grassroots on up.

Works Cited

Akanji, O.O. “Microfinance as a Strategy for Poverty Reduction.” CBN Economic and Financial Review 39.4 (Spring 2002).

Aryeetey, Ernest. “Informal Finance for Private Sector Development in Africa.” World Cat Libraries. African Development Bank Group. 18 Dec. 2007 <http://http://www.afdb.org/pls/portal/docs/PAGE/ADB_ADMIN_PG/DOCUMENTS/ECONOMICSANDRESEARCH/ERP-41.PDF>.

Bester, Helmut. “Screening vs. Rationing Credit Markets with Imperfect Information.” The American Economic Review 75.4 (Sept. 1985). JSTOR. 18 Dec. 2007 <http://www.jstor.org/search>.

Brau, James C., and Gary M. Woller. “Microfinance: A Comprehensive Review of the Existing Literature.” Journal of Entrpreneurial Finance and Business Ventures 9.1 (2004): 1-26.

Buckely, Graeme. “Microfinance in Africa: Is it Either the Problem or the Solution.” World Development 25.7 (July 1997). 18 Dec. 2007 <http://http://ideas.repec.org/a/eee/wdevel/v25y1997i7p1081-1093.html>.

Chowdhury, Prabal Roy, and Jaideep Roy. “Public-private Partnerships in Micro-finance: Should NGO Involvment be Restricted?” Munich Personal RePEc Archive. 14 Aug. 2007. 18 Dec. 2007 <http://mpra.ub.uni-muenchen.de/4469>.

Christen, Robert Peck. “Commercialization and Mission Drift.” CGAP 5 (Jan. 2001). 18 Dec. 2007 <http://http://www.microfinancegateway.com/files/2589_074.pdf>.

Christen, Robert Peck, and Richard Rosenberg. “The Rush to Regulate.” CGAP 4 (Apr. 2000). 18 Dec. 2007 <http://http://www.cgap.org/docs/OccasionalPaper_04.pdf>.

Dichter, Thomas W. “Globalization and Its Effects on NGOs: Efflorescence or a Blurring of Roles and Relevance?” Nonprofit and Voluntary Sector Quarterly 28.38 (1999). 18 Dec. 2007 <http://nvs.sagepub.com>.

Fernando, Nimal A. “Understanding and Dealing with High Interest Rates on Microcredit.” Asian Development Bank (May 2006). 18 Dec. 2007 <http://http://www.adb.org/Documents/Books/interest-rates-microcredit/default.asp>.

Gonzalez-Vega, Claudio. “Microfinance: Broader Achievements and New Challenges.” OSU Rural Finance Program (Oct. 1998). 18 Dec. 2007 <http://www-agecon.ag.ohio-state.edu/programs/RuralFinance/PDF%20Docs/Publications/Research%20Papers/mf-broad3.pdf>.

Hishigsuren, Gaamaa. “Transformation of Micro-Finance Operations from NGO to Regulated MFI.” Microcredit Summit. 18 Dec. 2007 <http://http://www.microcreditsummit.org/papers/Workshops/3_Hishigsuren.pdf>.

Morduch, Jonathon. “The Microfinance Promise.” Journal of Economic Literature 37.4 (Dec. 1999). JSTOR. 18 Dec. 2007 <http://www.jstor.org/search>.

- - -. “The Microfinance Schism.” World Development 28.4 (2000). 18 Dec. 2007 <http://www.elsevier.com/locate/worlddev>.

Padhi, Bibhudutt. “Mainstreaming Microfinance: Bridging the NGO-Banker Divide.” The Global Development Research Center. Nov. 2004. 18 Dec. 2007 <http://http://www.gdrc.org/icm/country/shg-padhi.html>.

Peterson, Mitchell A., and Raghuram G. Rajan. “The Effect of Credit Market Competition on Lending Relationships.” The Quarterly Journal of Economics 110.2 (May 1995). JSTOR. 18 Dec. 2007 <http://www.jstor.org/search>.

Rahman, S.M. “Commercialization of Microfinance in Bangladesh Perspective.” Global Development Relief Center. Nov. 2004. 18 Dec. 2007 <http://www.gdrc.org/icm/country/bangla-001.html>.

Rhyne, Elisabeth, and Robert Peck Christen. “Microfinance Enters the Marketplace.” United Nations Capital Development Fund. 18 Dec. 2007 <http://http://www.uncdf.org/mfdl/readings/Marketplace.pdf>.

Vogelgesang, Ulrike. “Microfinance in Times of Crisis: The Effects of Competition, Rising Indebtness, and Economic Crisis on Repayment Behaviour.” World Development 31.12 (2003). 18 Dec. 2007 <http://http://ideas.repec.org/p/xrs/gkwopa/2001-06.html>.

Woller, Gary. “The promise and peril of microfinance commercialization.” Small Enterprise Development 13.4 (Dec. 2002).

Woolcock, Michael J.V. “Learning from Failures in Microfinance: What Unsuccessful Cases Tell Us about How Group-Based Programs Work.” American Journal of Economics and Sociology 58.1 (Jan. 1999). JSTOR. 18 Dec. 2007 <http://www.jstor.org/search>.

Wright, Graham A.N. “Drop-outs and Graduates- Lessons from Bangladesh.” MicroSave (June 1997).

Yunus, Muhammad. “Expanding Microcredit Outreach to Reach the Millenium Goal.” Grameen Bank Information. Jan. 2009. 18 Dec. 2007 <http://www.grameen-info.org>.