Multinational banking and microfinance an analysis based on the paradigm "OLI" revisited

Célestin Mayoukou, Pierre-Bruno Ruffini -Edehn

▶ **To cite this version:**

Célestin Mayoukou, Pierre-Bruno Ruffini -Edehn. Multinational banking and microfinance an analysis based on the paradigm "OLI" revisited. International trade capital flows and economic development capacity building and economic initiatives, Oct 2016, Incheon, South Korea. hal-02350116

HAL Id: hal-02350116

https://normandie-univ.hal.science/hal-02350116

Submitted on 5 Nov 2019

HAL is a multi-disciplinary open access archive for the deposit and dissemination of scientific research documents, whether they are published or not. The documents may come from teaching and research institutions in France or abroad, or from public or private research centers.

L'archive ouverte pluridisciplinaire **HAL**, est destinée au dépôt et à la diffusion de documents scientifiques de niveau recherche, publiés ou non, émanant des établissements d'enseignement et de recherche français ou étrangers, des laboratoires publics ou privés.

INHA UNIVERSITY
Republic of Korea
Institute for Business
and Economic Research

UNIVERSITY OF LE HAVRE
France
Equipe d'Economie
Le Havre-Normandie (EDEHN)

10th International Conference

INTERNATIONAL TRADE, CAPITAL FLOWS AND ECONOMIC DEVELOPMENT
Capacity Building and Economic Initiatives
INHA University, Incheon, Republic of Korea
October 20-21, 2016

MULTINATIONAL BANKING AND MICROFINANCE

AN ANALYSIS BASED ON THE PARADIGM "OLI" REVISITED

Working paper

Célestin MAYOUKOU – CREAM, University of Rouen

celestin.mayoukou@wanadoo.fr

Pierre-Bruno RUFFINI – EDEHN, University of Le Havre

pierre-bruno.ruffini@univ-lehavre.fr

Abstract:

This working paper deals with some aspects of the internationalization of microfinance in emerging and developing countries. In several of these countries, multinational banks (MNBs) have become increasingly interested in microfinance. These banks have thus gradually become direct or indirect providers of microfinance services. We propose a two-step process for analyzing the entry of MNBs into microfinance on such foreign markets. The first step is conceptual and theoretical. We propose an original typology of modes of presence of MNBs in microfinance activity abroad. Then we analyze this issue with the help of the "Ownership-Location-Internalization (OLI) paradigm" (or "eclectic theory"). This in-depth investigation provides an appropriate framework for analyzing empirically the modes of entry of MNBS to microfinance. This empirical second step will be the subject of a complementary forthcoming development.

JEL: G21, G24, F21. Key words: provision of microfinance services, multinational bank, eclectic (OLI) theory, FDI, entry on foreign banking markets.

1. Introduction

Banking and finance is a constantly changing industry, which has demonstrated since its origin a permanent adaptability and an outstanding capacity of innovation. The emergence of microfinance is one of the most original and remarkable changes that occurred in the two or three last decades. Microfinance is "banking for the poor". In the wide range of the supply of financial services, it stands at the lower end of the market. It consists in the provision of micro-loans, micro-insurance and other financial services to private households and micro and small enterprises which are denied access to the traditional credit market. Microfinance institutions (MFIs) are primarily driven by social and ethical mobiles. Their most notable achievements are found in developing countries, where MFIs support income-generating activities such as micro-entrepreneurship. The number of "micro-clients" is estimated today at about 500 million worldwide[1].

Microfinance institutions have been originally drawing their resources from private donors and public aid bodies. But a major change occurred in the early 2000s when commercial banks started to play an increasing role in the financing of MFIs. This new direction has reached a global dimension, with the recent entry of international commercial banks and investors in the activity of microfinance[2]. This working paper focuses especially on the engagement of multinational banks in microfinance abroad.

International banking (cross-border operations of banks) is as old as banking, historians say. Multinational banking (banks operate physically in more than one country) dates back to the 19th century, and expanded dramatically in the second half of the 20th century. Multinational banks (MNBs) operate globally through their network of foreign branches, subsidiaries and affiliates.

The topic that we address in this working paper is about the connection between MNBs and MFIs. At first sight, this connection seems almost unlikely to exist. MNBs are profit-driven global players from the developed world ("North"). MFIs in developing counties ("South") fulfill a social mission for the benefit of borrowers who generally do not interest large commercial banks. The world of multinational banking and the world of microfinance seem to have nothing in common, and could very well ignore each other. Yet it is not so. Multinational banks – or some of them – may find it worthwhile to engage in the business of microfinance. And in turn, microfinance institutions – or some of them – may find it advantageous to be supported by large and powerful foreign banks.

The entry of MNBs in microfinance must be set against the broader context of the "commercialization of microfinance". In the development of the microfinance industry, it soon became apparent that the only recourse to subsidies from public funding agencies and donors (that had often been primary sources of funds of MFIs in the late 1990s and early 2000s)would

[1] Figures vary according to sources. According to Servet (2015, p. 15) "uncertainty affecting the estimates of members or clients of microfinance institutions results from the inability to add up each organization's data since a client may be a member or customer of several MFIs. The average rate of dual membership would approach 15 percent. It varies considerably from one region to another".

[2] The first institutional investors in microfinance at the end of the 1990s were international banks. "Others, like Société Générale and BNP Paribas, already planned to offer directly microfinance through their banking network in emerging countries" (Reille *et al.*, 2011, p. 6).

not suffice to support their growth(Goodman, 2006; Galema*et al.*, 2011).MFIs began to open to commercial funding. For a part of their needs, they engaged in raising funds from international lenders (multinational banks, capital markets)[3].

How to address the MNB-MFI relationship? From a MFI perspective, the main questions that arise are the following: why, at some stage of its development, does a MFI become interested in having a MNB as a partner (lender, stakeholder…)? What does it expect from such a relation? What are the resulting risks? Etc. Our focus in this working paper is different, and we address microfinance from the perspective of multinational banking strategies. From a MNB perspective, the main questions that arise are: why to engage in a non-conventional activity such as microfinance? Why doing so in foreign markets? Which entry modes? What are the conditions for such an investment to be profitable and sustainable in the long run? Etc.

We shall adopt in this working paper a *corporate strategy*-based approach. MNBs are financial corporations and not purely financial investors, and their decisions are not only based on a return/risk analysis, as a fund would do. Such decisions should be seen in the overall context of their business (corporate) strategy, in which the diversification of the supply of services, the management of customer segments or the strategic positioning in growth markets may be major drivers.

When a MNB, which headquarters are located in a developed country, gets involved in microfinance activity in a developing country, it must face a *double entry problem*: the entry into an foreign market, because the targeted microfinance activity takes place abroad; and the entry into a new field of activity, because microfinance is a non-traditional business (and even a "niche" business). Such questions fall within the general frame of *foreign direct investment*(FDI) studies. We will refer to such studies and discuss more particularly the relevance of the "eclectic theory" for analyzing the topic addressed in this working paper.

Very little indeed has been written so far in the literature about the crossing of multinational banking and microfinance[4].Our effort in this working paper is to illuminate this blind spot in the literature. Still, a major problem must be faced: the lack of comprehensive data.The topic we touch is an uneasy one for quantitative analysis. From the observation of facts and from relevant parts of the literature on FDI, we endeavor in this working paper to identify an appropriate analytical frame, and to put forward a list of items in order to build a questionnaire which answers should compensate somehow for the lack of aggregate data.

Our study will follow a two-step process and this working paper should be viewed as the first step:

---

[3] According to Jayadev *et al.*(2012, p. 30), "Internationally there are many investment funds that specialise in microfinance (…). Big banks are also entering the field: Citigroup, Deutsche Bank, TIAA-CREF, Morgan Stanley, ABN AMRO and Société Générale are deploying their structuring and fund-management skills to offer investment products(…)".

[4] We mention however Mersland *et al.* (2011, pp. 164-165) who highlight, according to ING 2006 that "microfinance became an attractive investment opportunity. Interestingly, a number of international banks such as Citibank, HSBC, BNP Paribas, ABN AMRO and Barclays are engaged in microfinance activities and in 2006 held a portfolio in micro-banks of more 500 million US dollars".

- First step: We provide a typology of the modes of presence of MNBs in microfinance markets of developing countries. We analyze the entry process of MNB in microfinance by discussing the scope and the limits of the eclectic theory (the "OLI paradigm") in this particular context.

- Second step: We use these findings for building a data set relying mainly on an ad-hoc questionnaire.

The remaining of this working paper is organized as follows. We briefly review some parts of the relevant literature (2). We give a statistical overview of the role of MNBs in the international supply chain of microfinance funding (3). We propose an original typology of modes of entry of MNBs into microfinance (4) and then discuss the process from the OLI approach (5). The last section proposes an agenda for further empirical work and concludes (6).

2. Brief review of the literature

Most of what is written on microfinance focuses on microfinance institutions and on the originality of the financial intermediation they accomplish. In particular, there is a rather abundant literature on sources of funds for MFIs. In the context of the so-called commercialization of microfinance, the way MFIs raise funds to support their lending activity draws much attention. With regard to the topic of this working paper, two main aspects are addressed in the literature.

Several papers in the literature deal with the international funding of MFIs and its determinants (Galema*et al.*2011; Mersland*et al.* 2011; Labie and Urgeghe 2011; Jayadev and Narasimha Rao 2012; Mersland and Urgeghe 2013; Ghosh, and Van Tassel 2013; Bière and Szafarz2015; Chiu 2015). Various aspects are analyzed, among which the role played by rating agencies (Hartarska and Nadolnyak 2008), the role of profitability as a driver of international funding (Mersland and Urgeghe 2013; Cull *et al.*2014)), the specific determinants of donations in microfinance funding (Tchakoute 2014) or the capital structure of MFIs (Tchakoute 2015).

A central place is taken in the literature by what can be called "the portofolio approach". In order to explain why international lenders channel a part of their financial resources to MFIs, this approach considers the diversification gains that arise from adding microfinance assets to a portofolio of risky international assets yields (Bière and Szafarz 2015; Galema 2011). From this perspective, foreign investors are supposed to be geared by financial (portofolio) mobiles only(Swanson 2008; Chiu 2015, Cull *et al.* 2009; Mersland *et al.* 2011). They would become interested in financing microfinance activities insofar as this kind of investment would improve the return-risk performance of their overall portofolio. Such an approach may well suffice for explaining the engagement in microfinance of purely financial international investors such as funds, but it loses relevance for explaining the engagement of global players operating on banking markets, which motivations may be more complex. Leaving aside the "portofolio approach", we will explore in this working paper a different approach, which can be called the "corporate approach".

The role played by commercial banks is addressed in different ways in the literature. We note especially those papers dealing with the entry of commercial banks into the microfinance activity (Baydas*et al.* 1997; Isern and Porteous 2005; Bounouala and Rihane 2014). This part of the literature focuses on bank strategy issues: modes of entry of banks in microfinance as a new activity, specific risks and expected returns, keys of success of commercial banks in microfinance, etc. However, it is noteworthy that this literature deals with the entry of commercial banks of developing countries in the microfinance market of the country where they are, that is with the entry of *domestic* banks in microfinance (Fall 2011)[5]. The issue that we address in this working paper is different: the entry of *foreign* (multinational) banks in microfinance. There is a great deal of knowledge on multinational banking, most of which was developed in the 1970s and early 1980s. This literature addresses the determinants of financial FDI and issues such as international operations of banks and bank entry on foreign markets (Grubel 1977; Gray and Gray 1981; Aliber 1984; Garcia Herrero and Navia Simon 2006). But as far as we know there is no literature on the entry of MNBs into microfinance activities from a corporate perspective. This working paper has the ambition to fill this gap.

3. The international supply chain of microfinance funding

Microfinance is typically retail banking. But connections do exist with global finance. There is a chain of funding which connects international financial markets and microfinance, and which links decisions made by bankers, traders and fund managers of major international financial centers and lending decisions of loan officers to micro-clients of local African or Asian markets.

How do MNBs fit within this chain? What is their contribution to the allocation of funds to developing countries' microfinance? In this section, we try to find an estimate from available aggregate data.

We rely upon two complementary data sources. The first one is the Mix Market data base[6]. 1,326 MFIs from six regions reported to this database. Over the period 2007 to 2012, the total funding of these MFIs amounted to 324.832 billion USD.

In the total amount of funds received by MFIs (324,832 billion USD), local sources (57.4%) were almost twice more important than foreign (cross-border) sources (33.9%) (Table 1).

Origin of funding	Number of MFI	Amount (billion USD)	Amount (%)
Foreign funding	783	110.242	33.9
Local funding	1,139	186.582	57.4
Unspecified	818	28.006	8.6
Total		324.831	100

Table 1: Foreign funding and local funding in total funding of MFIs
Source: Extracted from Mix Market database

[5] "Downscaling" is the name given to such strategies (see below). For example, the Reserve Bank of India granted a micro-finance licence to Bandahan Bank, which is a universal bank (Cf. "The New Age of Indian Banking", The Banker, April, 2016, p. 21).

[6] Microfinance Information eXchange (MIX 2008) database is a web-based microfinance platform which provides data on individual MFIs. The MIX ensures the financial transparency of approximately1,900 MFIs.

Furthermore, commercial banks were the first source of funds of MFIs. Table 2 shows the breakdown (in %) of sources of funds over the period.

Commercial banks	35,6
Cooperative society	0,2
Development program	0,8
Foundation	0,1
Fund	19,7
Government agency/Program	0,6
Individuals	0,1
MFI	15,5
Multilateral/bilateral development agency	5,1
NGO	1,4
Peer to peer lender	0,1
Private corporation	0,1
Public bank	2,0
Regulator	0,2
Unknown	18,4
Total	100

Table 2: Source of funds of IMFs
Source: Extracted from Mix Market database

These figures show that funds flowing to MFIs come primarily from local sources (57.4%) and from commercial banks (35.6%). But what is the importance of foreign funding by commercial banks? This can be calculated by cross-tabulating data from Table 1 and Table 2 (Table 3).

	Number of MFIs	Amount	%
Foreign funding	221	10.447	9.02
Local funding	659	104.312	90.13
Unspecified	127	0.976	0.84
		115.735	100.0

Table 3: Foreign funding and local funding in total commercial bank funding of MFIs
Source: Extracted from Mix Market database

We observe that in the total funding of MFIs by commercial banks (115.735 billion USD) foreign funding represented a minor part (9.02%).

"Fund" is the second most important financing source of MFIs (19.77% of the total). It may well be that foreign banks indirectly contribute to IMFs resources as stakeholders of some of reporting funds[7]. In order to understand the role of funds, we draw on the CGAP 2015 Cross-

[7] Société Générale or Deutsche Bank are examples of shareholders of microfinance investment funds. Société Générale is the founding shareholder of Microcred, a holding company for microfinance. It invested initially Euro 3 million. Its share of the capital of the holding company was 7.5 % in 2013. Microcred has seven subsidiaries in Africa and China, serving near 210, 000 customers in 2014. It asserts itself as a major partner of local microfinance actors in the countries where the group is present with its universal bank model.
Deutsche Bank was the first global bank to launch a microcredit fund. In 2010 it launched FINCA Microfinance Fund, one of the largest microcredit networks. In 2013 Deutsche Bank secured US $ 75 million from institutional

Border Funder Survey (Soursourian and Dashi 2015)[8]. This survey gathered information from 23 funders, accounting for 66 percent of year 2014's global estimate.

We note among major findings of this survey that:

- In 2014, international funding for microfinance amounted to 31 billion USD (in 2008, the amount was 18.3 billion USD[9]);
- public funders (multilateral and bilateral donors, United Nations agencies and development finance institutions) accounted for 72% of global funding and private funders (foundations and institutional and individual investors) for the remaining 28;
- debt, equity and grants were the three major instruments of cross-border funding, among which debt dominates and accounts for half of all commitments;
- about70 percent of overall funding was used to finance the lending portfolio of MFIsat retail-level.

From the CGAP survey, we learn that almost half of total of cross-border funding is provided through microfinance investment intermediaries and local wholesale facilities (also called Apexes). Microfinance investment intermediaries consist of microfinance investment vehicles (MIVs), holding companies and peer-to-peer lending platforms. The other half is channeled directly to retail providers, such as MFIs and local banks operating in microfinance (El Zoghbi *et al.*). But still, a question is not answered: what is the importance of the support given to microfinance by branches and subsidiaries of MNBs in the host countries? Such flows of funds are not cross-border ones and are not covered by the statistics above.

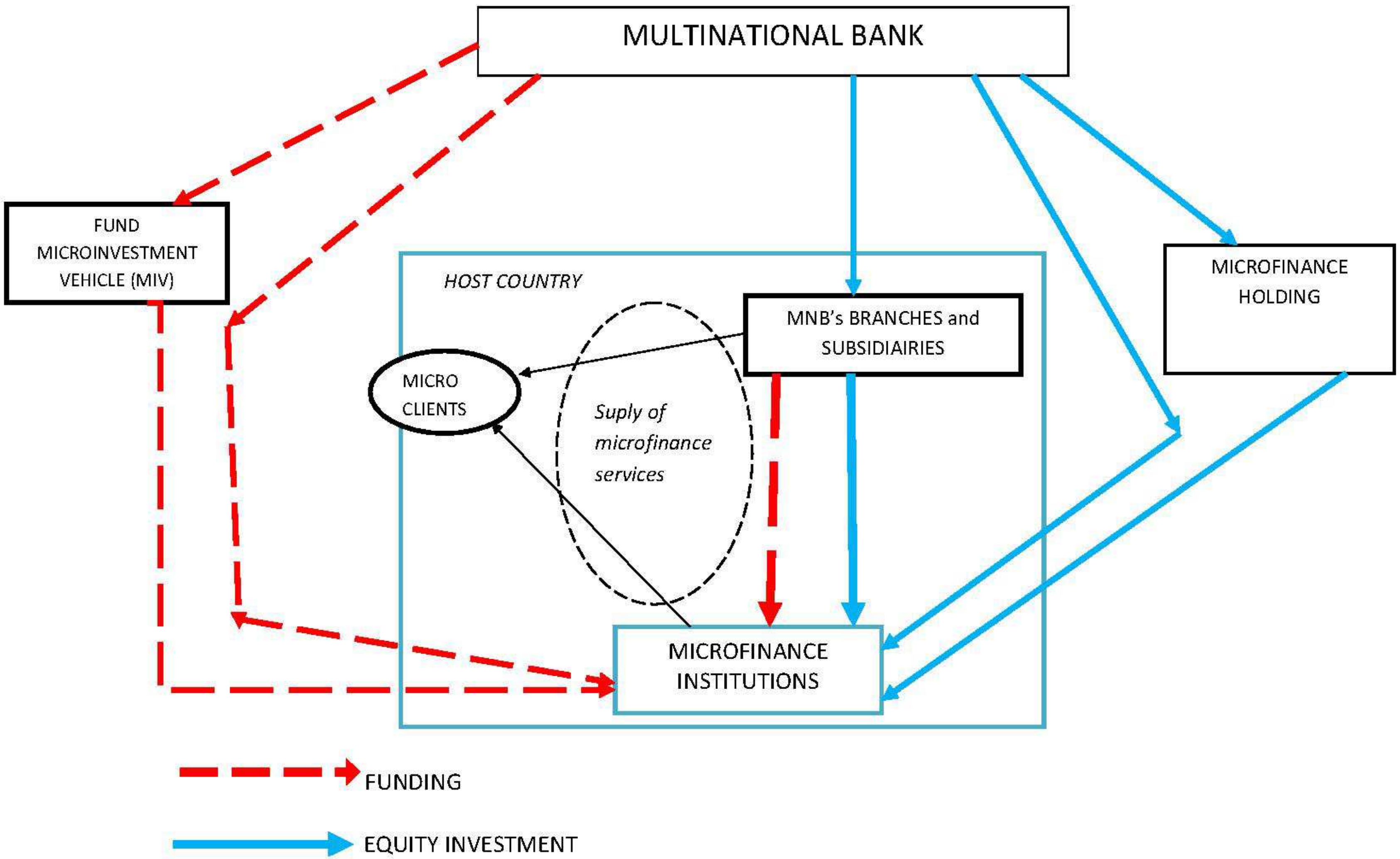
This is indeed a major feature of microfinance international financing: most of the money that flows to this sector from international sources goes through *a chain of intermediaries*. The great bulk of it is directed to MFIs (including NGOs and all kinds of local banks engaged in microfinance). Many other private firms are also recipients of funding for microfinance, including rating agencies, accounting firms or payment platforms. Cross-border funding also goes to public sector agencies, including government agencies, ministries, state-owned banks and wholesale entities. There is no direct funding of ultimate micro-clients from sources located abroad. On-lending dominates: on local markets, MFIs offer microloans and other services from funds they have borrowed from microfinance investment intermediaries or other financial institutions.

The graph below illustrates the links between MNBs from North and microfinance in the South.

investors for the "Microfinance Enhancement Facility" which provides funding to MFIs worldwide. (https://www.db.com/cr/en/datacenter/reports-and-publications.htm).

8 CGAP has conducted the survey annually since 2008, and in partnership with MIX since 2012.

9 El Zoghbi*et al.*, 2011.



MULTINATIONAL BANK INVOLVMENT IN MICROFINANCE

4. How do MNBs enter into microfinance?

Traditional banking and microfinance are not of the same kind, and for a MNB entering into microfinance means entering into a new business line. Then a second challenge arises: this new activity takes place in a foreign country. The analysis should therefore combine the general questions relating to entry in foreign markets (through cross border operations, or through direct investment – greenfield investment or acquisition) and questions relating to key success factors for engaging in a new type of business (required competitive assets and specific risks). In this section we try first to clarify the "how" question. How can a MNB turn into a "microfinance bank" on a foreign market?

On general grounds, a microfinance bank may appear on the market in three different ways:

- A microfinance bank is created by a former microfinance NGO.
  Example: Compartamos Banco, a former philanthropic Mexican NGO, became the largest microfinance bank in Latin America.

- A commercial microfinance institution is constructed from scratch.
  Example: Five subsidiaries of Société Générale have invested as founding shareholders in the creation of five MFIs in Sub-Saharan Africa[10].

- An existing commercial bank moves into lower-income population segments and social markets. This process is referred to as "downscaling": the bank is already present in the country and extends its retail operations to reach micro-clients(entrepreneurs, households).
  Examples: Agricultural Bank of Mongolia has extended the range of its activities to include the supply of microfinance services. Other banks have also followed this model. It is the case of Akiba Commercial Bank in Tanzania or the Rakya Bank in Indonesia (Isern and Porteous 2005).

In order to develop a typology of the modes of entry and presence of MNB in microfinance foreign markets, we cross two criteria, which are the answers to two questions:

- is the MNB already present physically in the country where it wants to engage into microfinance?
- does the MNB reach final micro-clients directly or indirectly (for instance, through a stake in other financial structures)?

These two criteria in combination result in four possibilities which are presented in Table 4.

[10] Société Générale (2012), *Flash info*, Paris, 19 novembre, p.1.

	Cross-border operations No physical presence of the MNB in the targeted foreign microfinance market	**Operations abroad** Physical presence of the MNB in the targeted foreign microfinance market
Direct relation with final micro-clients	No observable case	Downscaling: MNB's branches or subsidiaries expand their services to micro-clients Acquisition of a controlling stake in a local microfinance bank ➔ **Foreign direct investment in retail microfinance**
No direct relation with final micro-clients ➔ **Foreign investment in microfinance intermediation**	Lending to MFIs from abroad Investing in a fund (MIV…) dedicated to microfinance Creation of a holding dedicated to engage in microfinance internationally Technical assistance to MFIs from the home country	Lending to IMFs through MNB's local branches Creation or acquisition of a fund or other financial body supporting MFIs Acquisition of a local fund or other financial body supporting MFIs

Table 4 - Modes of presence of a multinational bank in microfinance on a foreign market

We exclude the situation of the first (upper left) quadrant, as we did not find any evidence supporting it. Although the provision at a distance of retail banking services may exist in banking (as in the Single European Market, under the Second Banking Directive of the European Union, or for services using electronic means such as internet and home banking), it is unlikely that it exists as far as the provision of micro-finance loans and services is concerned. We did not find any example of a bank having non-resident micro-clients without having a foot in the territory where these customers have their domicile. Therefore, there remain three situations:

1/ (upper right quadrant of the table) The MNB has a physical presence in the foreign market and gets directly involved there in the microfinance retail business: it offers microcredit and other micro-financial services directly to final users. We call this mode of entry *foreign direct investment in microfinance retail activity*.

Recalling the three canonic forms by which a microfinance bank can be created, we may consider that a MNB could enter into this new activity by creating from scratch a new microfinance commercial bank. However, such situations do not exist, for reasons that will be made clear below. Yet downscaling exists: MNBs can take advantage of their physical presence in a foreign market and extend loans and other services directly to micro-clients through their existing branches or subsidiaries.

Example: BNP-Paribas' subsidiaries (BICI)[11] in Maghreb and sub-Saharan Africa offer accounts ("Trankil Pack"[12]) which promote access to banking services to more than 36,000 customers with modest incomes. It also offers a mobile banking service, enabling unbanked individuals to perform simple banking transactions via the mobile phone.

2/ (lower right quadrant of the table) The MNB has a physical presence in the foreign market and gets indirectly involved there in the microfinance business. This mode of entry is *foreign investment in microfinance intermediation*, which can take two forms. First, MNB's local branches and subsidiaries provide financial support to MFIs of the host country. And second, MNBs create in the host country an autonomous entity dedicated to the financing or support of MFIs.

Here are examples of MNBs which fund local MFIs through their branches and subsidiaries:

***Société Générale** focuses "in microfinance in countries where it has a presence of universal bank"[13].In these countries, its subsidiaries provide credit lines to local MFIs[14]. 17 subsidiaries are involved in this process, and are mainly located in French speaking countries.*

***BNP-Paribas** wrote in its 2015 Annual Report: " The group's strategy is to get involved in microfinance and social entrepreneurship in its countries of operation, relying on its local subsidiaries in order to assist local actors as closely as possible and to give them the benefit of the widest possible range of services".*

In Tunisia, BNP Paribas supports MFIs through its subsidiary UBCI (which targets among others Enda Inter-Arabe, the largest MFI in Tunisia). In 2012 its commitment to microfinance institutions amounted to EUR 56.3 million, including 33.1 million towards emerging countries. Table 5 provides an overview of BNP Paribas's commitment to these markets.

	2009	2010	2011	2012	2013	2014	2015
Number of MFIs	17	18	26	24	26	29	35
Number of borrowers	300,000	127,000	153,398	134,926	133,123	248,322	255,000
Outstanding amounts (EUR Million)	50	45,5	34,3	33,1	173,97	247,85	303,33

Table 5 - BNP-Paribas's engagement in microfinance in emerging markets
Source : BNP-Paribas, Annual Social Responsibility Reports2012 to 2015

[11]Banque Internationale du Commerce et de l'Industrie.

[12] "Trankil Pack" is a service which offers a bank account, an ATM card, a secure SMS service to track one's account remotely, and advice via a credit relationship center at a cost of 1.5 Euro per month.

[13] Cf. "Le groupe Société Générale, un soutien local stable pour le développement de la micro-finance". http://rse.societegenerale.com/layout/set/print/accueil/rse/

[14]*Ibid.*

***Standard Chartered** is one of the most involved MNBs in the financing of microfinance institutions (Table 6). These funds are provided by its subsidiaries to local MFIs of 14 countries.*

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Outstanding loans (USD Million)	24	70	170	385	540	755	850	870	271	318.1	271.6
Average amount (USD Million)	1	2	4	7	8	11	11	11	4	4	3
Number of micro-clients (Million)	0.16	0.47	1.2	2.6	3.6	5	5.6	nd	nd	2.1	1.8

Table 6 -Financing of MFIs by Standard Chartered Bank
Source: Annual Reports 2014 and 2015

***Citigroup** has a direct strategy through its worldwide network. In this way it provides services for equity financing, risk coverage, remittances and insurance to MFIs. Throughout the world, Citigroup has provided funding to 140 MFIs in 40 countries. It is the most committed bank to microfinance in Latin America.*

Here are examples of MNBs which subsidiaries have created or taken over local MFIs:

***Société Générale**'s subsidiaries have created MFIs in Cameroon, Ghana, Ivory Coast, Democratic Republic of Congo, Tanzania and Cambodia. BFV-SG Madagascar, a subsidiary of Société Générale,has taken a 17% stake in Access Bank Madagascar. Another subsidiary, SGBC, holds a 20% stake in Advans Cameroon. The subsidiaries of the Advans microfinance bank, which it owns, are located in Ghana and Ivory Coast. In 2007 it contributed 19.6% to the creation ex nihilo of Microcred (a microfinance holding) alongside with AXA, the International Finance Corporation (IFC), the European Investment Bank (EIB) and the French Development Agency (AFD) (Mayoukou 2013).*

MNBs can also create autonomous entities dedicated to the financing or support of MFIs.

*In partnership with the Grameen Bank, **Crédit Agricole** participated in the creation of "Crédit Agricole Grameen Bank (CA-GB)" which is heavily involved in the funding of MFIs in Africa, Eastern Europe and Asia.*

Local financing structures of microfinance institutions such as "Apexes" (second-tier or "wholesale" funds) Apex" in English) take more and more importance. In 2009, CGAP identified 76 Apexes. Funds disbursed by 47 apex for which CGAP could collect data amounted respectively in 2006 and 2007 to 1.8 and 2.3 USD billion (Forster *et al.* 2012).

3/ (lower left quadrant of the table) The MNB gets involved in the microfinance activity from abroad, through cross-border funding of MFIs, strategic alliances or technical partnerships.

A major form of engagement of MNBs in microfinance occurs through ad hoc financial bodies (funds, other financial intermediaries) which are not located in the country, but commit themselves through cross-border operations. Typically, MNBs create (or take a stake in)entities ("microfinance investment intermediaries") which provide resources to MFIs of several countries. Micro investment vehicles (MIV), which assets are invested, at least in part, in MFIs and holding companies, fall under the category of microfinance investment intermediaries (El Zoghbi*et al.*2011).

In 2009, ***BNP-Paribas*** *launched Obli Etheis, its first investment fund in microfinance. This fund includes 5 to 10% of its assets to microfinance.*

Deutsche Bank c*reated in 1997 "Deutsche Bank Microcredit Development Fund". In 14 years, Deutsche Bank Microfinance Development Fund (DBMDF) granted 215 million USD in loans to 119 MFIs in over 50 countries. The activity of DBMDF is very broad. It grants loans to MFIs, but also directly to micro-entrepreneurs. It often provides seed capital to newly created MFIs. Its business extends to the provision of collateral to the benefit of local banks wishing to refinance MFIs. Deutsche Bank also operates through Bank of Luxembourg (of which it is a shareholder) which refinances MFIs in Salvador, Cambodia and Mexico.*

Strategic alliances, which are still emerging, cover the various forms of partnerships: equity, staff or outlets.

JP Morgan *has created a foundation that provides grants to NGOs engaged in microfinance. Its support gives priority to the "borderless bankers" network, a program launched by the Grameen Bank Foundation.*

Barclays Bank *has developed a partnership with the NGO CARE, which has implemented a program of village associations of savings and credit (Village Savings and Loans Associations - VSLA) in India, Indonesia, Kenya, Mozambique, Peru, Tanzania, Uganda, Ghana and Vietnam. In the frame of this partnership, Barclays's subsidiaries provide services of mobile banking and finance VSLAs.*

Lastly, MNBs may commit themselves in microfinance by the provision of expertise and technical services.

Several multinational banks have set up a credit analysis department and technical assistance to support MFIs in risk management. This type of department offers currency hedging services to MFIs that borrow in foreign currency.

In their microfinance strategy, MNBs may of course combine different modes of entry.

In summary, a major question is the nature of the engagement of MNBs in foreign markets. Do they engage themselves as *providers of resources for microfinance intermediation*, or as *direct investors*in the microfinance market?

Given the above, we understand that the contribution of MNBs to the microfinance activity in foreign markets (of emerging countries) is twofold:

- As *providers of resources for microfinance intermediation*, MNBs do not operate as such in the banking (retail) business with micro-clients. They provide funding to MFIs, which are in contact with final customers. Such funding can be provided to local MFIs through cross-border transactions, or through branches or subsidiaries in the country. It can be channeled or not through a fund dedicated to investment in microfinance. Local MFIs which benefit from such funding will in the end allocate it to micro-business and micro-clients.

- As *direct investors*, MNBs engage directly in the microfinance retail business. They may create from scratch micro-banks in foreign markets, but this case is the least likely to happen. Rather, they will most often operate directly in microfinance through a "downscaling" process at branches and subsidiaries they own in the foreign market. In such situations, MNBs act as *investors*(in the "foreign direct investment" sense), and are driven by commercial and corporate mobiles.

5. MNBs entry into microfinance in the light of the OLI paradigm

We turn now to the "why". We focus here on the determinants of the entry of foreign banks into the microfinance industry of emerging or less-developed economies. The choice of modes of entry is a closely related question, as modes of entry depend on the business goals of the incumbent bank and of the characteristics of the targeted market – including obstacles that are met on the road.

There are many theories in the literature explaining why banks go multinational, and why they decide to locate their branches and subsidiaries in some foreign markets preferably to some others. But connecting the FDI theoretical framework to microfinance is a challenging task. The "follow-the-customer" approach has been overused for explaining why banks go multinational. But it does not work here, as clients of MFIs in developing countries have nothing in common with the usual customers of banks of developed countries. The literature did not touch so far the issue of the entry of MNBs in the microfinance business of emerging countries. But our opinion is that theories of financial FDI are worth to be considered and possibly adapted to the explanation of the phenomenon we address in this working paper.Our view is that progress in the understanding of this subject can be made from an application of the Ownership-Location-Internalization (OLI) paradigm.

5.1 The OLI paradigm

The OLI paradigm (Ownership, Location, Internalization) was applied for the first time to the analysis of the multinational firm by John H. Dunning (1981, 1982). This analytical framework has been known since then as the "eclectic theory" of FDI. According to Dunning, theories developed previously sought to answer separately the following questions. *Why*do some companies produce abroad? *How* are they able to compete with local firms successfully? *Where* do they produce overseas?

Dunning's innovative response to these questions was threefold. A firm-specific (ownership, "O") advantage is a precondition which drives companies to do business abroad and profit by location advantages ("L") in the host country. There, FDI is the best mode of entry for taking advantage of such conditions, as it allows for reducing transaction costs (internalization, "I").According to the eclectic theory, a multinational company (MNC) exists once O, L and I dimensions are taken together. The ownership and the location advantage are a necessary but not sufficient condition for FDI and must be completed by internalization. In a nutshell, a MNC possesses a specific advantages which can be transposed and exploited abroad, and this is the response to the *why* and *how* questions. Location advantages in the host country are the answer to the *where* question.

Theories of the MNC which have been developed since the 1960s tried first to account for the multinationalization of firms of the manufacturing sector. When it became clear that service companies also grew massively abroad, existing theories had to be adapted to account for it. MNBs, as a specific case of MNC of the service sector, were good candidates for such an extension. The theoretical literature explaining financial FDI started to develop. Translating the OLI pattern to the banking sector was something particularly tempting (Gray and Gray, 1981; Yannopoulos, 1983).Our working paper falls within this approach and focuses on foreign bank entry into the microfinance sector.

5.2 Is the OLI paradigm applicable to foreign bank entry in the microfinance industry?

What do O, I and L elements consist in, as far as the entry process of foreign banks in microfinance is concerned? And how far does the OLI scheme provide a convincing and complete explanation of this process?

What about "O"?

According to the OLI paradigm, a firm which parent company is located abroad must have some specific advantage over local firms. This is needed to offset the specific costs which the incumbent bank must face in order to enter successfully in the foreign market. The ownership advantage could result from a better technology, or a better commercial or managing expertise. Then the question arises: is there any specific (ownership) advantage in the case of banks willing to enter into microfinance in a foreign country? How could they thrive in the absence of such an initial advantage? The answer depends on the way the MNB wants to get involved in the foreign market.

We noted above that the participation of MNBs to microfinance activity may be either direct (the MNB intends to operate itself on this market) or indirect (the MNB supports financially local MFIs or other microfinance intermediaries). We comment on the ownership advantage issue for each of these cases.

<u>First case</u> - MNBs as direct investors: building direct relations with ultimate micro-clients

With regard to retail microfinance, a microfinance (local) institution has an advantage over a foreign bank willing to enter the microfinance market. All what we know about microfinance in emerging and less developed countries teaches us that the IMF has a superiority in the risk analysis and the financing of micro-loans for people excluded from the formal banking system.(Fall 2011; Mayoukou 2002). In order to be successful in microfinance, an institution must possess intangible assets made of good knowledge of the population of micro-borrowers and good know-how of the specific techniques of micro-lending. This makes the great bulk of the a-priori ownership advantage which is requested for a successful entry in the market.

But from the OLI perspective, this situation is paradoxical: the ownership advantage (specific know how in microfinance, good knowledge of the needs of micro-entrepreneurs and other small and poor borrowers...) is not situated on the MNB's side, but on the local microfinance bank's side. Traditional microfinance is something very specific, in which MNBs (and commercial banks, more generally) do not have any ex-ante advantage over traditional local microfinance institutions. In the microfinance activity, the lending technology is specific: there is no credit history or business records of micro-borrowers, and guaranty is provided jointly by a group of borrowers instead of formal collateral. For a loan officer in microfinance, a very good knowledge of local micro-entrepreneurship and more generally of micro-clients' sociology is a must – all the more that enforcing contracts is quite uneasy in regions with weak legal systems.

Although some of them were already involved in financing MFIs in their home country prior to getting interested in microfinance in emerging countries, MNBs normally do not possess the specific assets which are required in that specific context. But there are ways to overcome this obstacle.

a/ The MNB may accumulate required assets internally through a learning process, or create from scratch an entity dedicated to microfinance. Such an internal growth process is however a long-term business objective and the bank would rather prefer taking a stake in a local MFI as a quicker solution. External growth through equity investment is thus an asset-seeking strategy.

b/ Although MNBs cannot compete in the field with local MFIs for what concerns the supply of micro-credit, they have other advantages over local institutions: they are better equipped for managing fund transfers at the international level, and they master advanced techniques of digital financial services. In countries where they are active, MNBs have largely changed the provision of credit card services, ATMs, mobile banking and even insurance services (Mayoukou 2013).

c/ The overall commercialization trend in microfinance is a boon for MNBs, as it draws microfinance to a field where they are more comfortable with and where they can express some sort of superiority. As microfinance becomes more commercially oriented, commercial banks can more easily introduce techniques or services they master well: according to Galema *et al.* (2011), the growth of microfinance is driven today multinational banks like HSBC.

In the end, in retail microfinance the MNB has no preexisting ownership advantage, but by taking stakes in MFIs and/or by accumulating knowledge about microfinance, a foreign bank can build in the longer term an ownership advantage. In such situations, there is no ex-ante ownership advantage but an *endogenous* ownership advantage is created during the operating process in microfinance activities.

Second case: MNBs as *providers of resources for microfinance intermediation*

As already mentioned, MNBs may engage as pure intermediaries by financing MFIs. It is generally considered that they have a specific advantage in this indirect commitment. They have an easy access to international financial resources. Through their control of financial markets, MNBs can provide loans (in foreign or local currency) to lower rates than those asked by investment funds or even local commercial banks[15]. Adding to their easy access to capital, recognizable brand name, infrastructures and systems are other advantages of MNBs.

Available statistics confirm what the OLI frame teaches: MNBs are much more engaged in the financing of MFIs than in the direct reach of local micro-clients.

What about "I"?

When applying the OLI paradigm to the issue of bank entry in a foreign market, the "internalization" part of the explanation has usually been associated in the literature with the "follow the customer" hypothesis: on foreign markets, banks would internalize their existing bank-client relationships. But such an explanation does not hold when a MNB targets new categories of customers such as micro-clients. Does "internalization" mean anything in case of a MNB entry into microfinance, in which no prior ownership advantage could be internalized?

Our answer is positive. Let's recall that internalization can be identified from this very simple question to a company willing to do business in a foreign market: "Do you want to do it yourself, or do you prefer others to do it for you?" Internalization means that the company prefers to establish and operate its activities itself rather than to delegate to others the enhancement of its products, services or know-how in the foreign market. As far as microfinance is concerned, there is a prerequisite for a bank to be able to practice internalization: it must have a prior presence in the country through branches or subsidiaries.

FDI in retail microfinance activities through a MNB branch or subsidiary enables internalization. Should the MNB decide to reach directly micro-clients – although it lacks any ownership advantage for such an activity, as already mentioned – it will reduce a part of the costs by using its in-the-field network. By working directly with micro-clients by means of its branch or subsidiary, the MNB can reduce some of the imperfection of information and overcome the drawbacks of using local contacts and intermediary agents.

A second form of internalization relates to foreign investment in microfinance intermediation. This second situation is fully in line with the teachings of the OLI approach. By funding directly a MFI, a MNB internalizes its ownership advantage, which is to access easily to international sources of funds in various currencies. In this second case, the bank will all the more be able to lower its overall entry costs as a part of them refer to assets that have already been internalized by the MNB local network (knowledge of the host country business environment).

This explains why most of MNBs favor entering into microfinance markets of countries where they are already established and undertake more traditional activities. On that condition only, internalization can occur.

[15] "A J.P Morgan team evaluated the FX risk management practices of MBK Ventura (a leading Indonesian microfinance institution) and recommended measures that enabled MBK Ventura to develop a more robust FX risk management framework" (Diamantini 2010).

The existence and role of a MNB's already established branches and subsidiaries in a foreign country should be emphasized, as it is a major driver of that MNB entry into microfinance business in the host country. We complete this view by taking localization factors into account.

What about "L"?

Entering in one country rather than another and enjoying in this way host country-specific advantages is the third part of the OLI explanation. On general grounds, MNBs may be driven by the search of attractive host market characteristics such as a supportive regulatory environment, an easy business environment, good prospects of market growth, profit opportunities, etc. Distance between the home and the host country is also taken into account.

Adapting this set of questions to the entry of foreign banks into the microfinance sector leads us to underscore the following issues:

- Size of the microfinance sector: countries with an existing and fairly developed microfinance sector may seem more attractive than countries where such a sector has a small size or is inexistent;
- Regulation of microfinance activity: according to countries where such regulation exists, MFIs may be more or less constrained in their commitment to financial inclusion;
- Financial and social performance of existing MFIs – an important benchmark, whether the incumbent bank would try to compete directly with them for reaching micro-clients, or would prefer entering in the funding of microfinance intermediation.

However, according to what has been described above, a major location-specific factor is the prior existence of branches and subsidiaries in the targeted market. Among the countries for which the entry into microfinance can be potentially interesting, MNBs will give priority to those they already know because they are already located there. Banks thus take advantage of their knowledge of the country and the different country-specific obstacles that should be overcome if it were a first investment in the country are flattened or no longer exist. They can thus concentrate on the challenge of entering microfinance, an activity which is not usual for them.

This assertion is supported by numerous examples. We give only two. It is easy to link the strong traditional presence of Société Générale in Sub-Saharan Africa to its commitment to MFIs of the region, and mostly in countries (Cameroon, Ivory Coast, Morocco, Senegal) where Société Générale is the first bank in the country[16]. It is easy also to correlate the long lasting presence of Citicorp in Latin America and Asia to its involvement of over 30 years in philanthropic activities in microfinance in these two regions.

[16] Société Générale (2013), "Société Générale, 1er réseau de banque universelle en Afrique au service des entrepreneurs ", Communiqué de presse, 3 décembre, p. 3.

6. Perspective for future research and conclusion

Up to this point, we established a typology of entry modes and referred to the OLI scheme as a relevant interpretation grid. We presented also a variety of examples. But a collection of examples is not enough to base a convincing analysis. We must now try to systematize the gathering of information in order to reach firm conclusions. This second stage of our work will be dedicated to data collection and processing.

We will draw our information set from a sample of MNBs which are well known for their involvement in microfinance at the international level. Reportedly, 15 major MNBs are in this case (Appendix 1). Our analytical point of entry will be geographical. We will focus on countries in which MNBs engage (or could potentially engage) in microfinance. For practical reasons, we will limit our observation to Africa. There are 55 different countries in Africa (North and Sub-Saharan) among which some host MNBs which are active in the business of microfinance and some others do not. Our goal is thus to concentrate on a cross-sectional (bank/country) set of information for the most recent year (2015).

Three major sources of information will be used to feed this double entry table and build our body of fairly comprehensive data:

- *Annual reports* issued by banks provide information on amounts of funds channeled to MFIs through loans, credit lines or equity investment. They also provide information on their social responsibility policy. But information is unevenly detailed according to banks, and it is hard to find in these reports data on the engagement of MNBs' branches and subsidiaries.
- A *questionnaire* will be prepared and sent to MNBs of our sample: this questionnaire is drafted in *Annex 1*.
- Whenever necessary country data on the microfinance sector will be extracted from the Mix Market database, and macroeconomic data will be provided by usual IMF or World Bank databases.

According to the typology that we established in this working paper, MNBs get involved in microfinance abroad in three different ways:

- they offer microfinance services to micro-clients through branches and subsidiaries they have in the country ("downscaling"; foreign direct investment in retail microfinance);
- they provide financial resources to local MFIs through their branches and subsidiaries or other financial institutions that they control in the host country (direct investment in microfinance intermediation);
- they provide financial resources to local MFIs from abroad (cross-border investment in microfinance intermediation).

We will consider each of these three modes as a dependent variable, and consider as explanatory variables:

- the presence of branches and subsidiaries of the bank in the host country and the duration of their presence;
- the size of the microfinance sector in the country;
- financial performance of existing MFIs in the country;
- country-specific macroeconomic variables (GDP per capita; financial development…)
- (….)

Variables will be of a discrete or a continuous form, according to their nature and to the availability of data.

Elementary econometric techniques should hopefully suffice to reach firm conclusions from the central question to be tested empirically: we would expect MNBs to have a "O" (ownership) advantage in the funding of micro-financial intermediation and a "I" advantage whenever "downscaling" is observed; and we would expect country-specific variables to shape the location of MNBs' commitment in microfinance.

* * *

Conclusion

This working paper is the first (theoretical) stage of a study on the involvement of multinational banks in microfinance on foreign markets, to be followed by a forthcoming second (empirical) stage. MNBs come from developed economies ("North") and microfinance ("banking for the poor") has a significant importance in less developed countries ("South"). Why and how would MNBs from North get interested in microfinance in South? This is the central question that we addressed in this paper.

We met two difficulties on our way. The first was the inability to hold on to earlier work of the subject: there is no existing literature dealing as such with multinational banking and microfinance. The second difficulty was the lack of comprehensive data at the firm level. Trying to overcome each of these obstacles is a challenging task, which was only partly fulfilled in this working paper.

Our first aim was to identify appropriate concepts. We considered that the engagement of MNBs in microfinance could be addressed in the best way as a double entry problem: entry into an foreign market, because the targeted microfinance activity of MNBs takes place abroad; and entry into a new field of activity, because microfinance is a non-traditional business (and even a "niche" business). We established an original typology of the modes of presence of MNBs in microfinance abroad: 1/ MNBs offer microfinance services to micro-clients through branches and subsidiaries they have in the country ("foreign direct investment in retail microfinance"); 2/ they provide financial resources to local MFIs through their branches and subsidiaries or other financial institutions they control in the host country ("foreign investment in microfinance intermediation"); 3/ they provide financial resources to local MFIs from abroad (cross-border investment in microfinance intermediation). We then applied the "Ownership-Location-Internalization (OLI) paradigm" (or "eclectic theory"), a widely used approach in foreign direct investment studies. We then discussed successively the meaning of "O", "I" an "L" advantages in the case of MNBs entry in microfinance. As far as entry in microfinance retail banking is concerned, MNBs do not have any ownership advantage, but they do have such an advantage when entry into the financing of MFIs is considered. They have an internalization advantage whenever "downscaling" is observed. And country-specific variables (location variables) play their role in the choice of countries where MNBs commit themselves into microfinance. The second (and forthcoming) part of this study will be devoted to an empirical validation of the questions, assertions and hypotheses that we put forward in this working paper.

BIBLIOGRAPHY

AHLIN C., LIN J. and MAIO M. (2010),"Where Does Microfinance Flourish? Microfinance Institution Performance in Macroeconomic Context", *Journal of Development Economics*, 95, 105-120.

ALIBER R. Z. (1984), "International Banking, A Survey", *Journal of Money, Credit and Banking*, 16, 661-712.

ARMANDARIZ B. and MORDUCH J. (2010), *The Economics of Microfinance*, Cambrige and London: The MIT Press.

BAYDAS M., D. H. GRAHAM AND L. VALENZUELA (1997), "Commercial Banks in Microfinance: New Actors in the Microfinance World", *Economics and Sociology*, Occasional Paper, n°2372, The Ohio State University.

BIERE M. and SZAFARZ A . (2014), "Does Commercial Microfinance Belong to Financial Sector ?", *Word Development*, Vol. 67, 110-125.

BNP-Paribas (2012), *Les engagements d'une banque responsable, la preuve par l'action-Rapport de responsabilité sociale et environnementale.*

BNP-Paribas (2010), *Rapport de performance sociale 2010 : activité microfinance BNP Paribas.*

BNP-Paribas (2009),*Rapport sur la responsabilité sociale et environnemental 2009.*

BNP-Paribas (2008),*Rapport sur la responsabilité sociale et environnementale 2008*

BOUNOUALA R. and C RIHANE (2014), "Commercial Banks in Microfinance: Entry Strategies and Keys of Success", Investment Management and Financial Innovations, 11, 1.

BROCADES ZAALBERG M., (2006), *A Billion to Gain, An Update,*ING, Nov.

BOUUAERT M. (2008), *A Billion to Gain,* AStudy on Global Financial Institutions and Microfinance, ING, March.

CHIU T.K. (2015), "Factors influencing microfinance engagement by formal financial institutions", *Journal of Business.* https://doi.org/10.1007/springer_crossmark_policy,

CULL R., DEMIRGÜC-KUNT A. and MORDUCH J. (2009), "Microfinance Meets the Market", *Journal of Economic Perspectives*, 23 (1), Winter, 167-192.

CULL R., DEMIRGÜC-KUNT A. and MORDUCH J. (2014), "Banks and Microbanks", *Journal of Financial Services Research*, 46, 1-53.

DIAMANTINI S.(2010), *A Primer Currency Risk Management for Microfinance Institutions*, J.P Morgan, March.

DEUTSCHE BANK (2015), *Corporate Responsibility, Passion to Reform*,

DEUTSCHE BANK Microfinance development fund (2010),*A decade in perspective*, www.DBMF.org.

DUNNING J. H. (1981), "Trade, Location of Economic Activity and the Multinational Enterprise: A Search for an Eclectic Approach, *in* J.-H. Dunning (1981) (ed.) *International Production and the Multinational Enterprise*, London: Allen and Unwin,p. 21-45

DUNNING J. H. (1982), "The Eclectic Theory of the Multinational Enterprise and the International Hotel Industry", in A.-M. Rugman (ed.) *New Theories of the Multinational Enterprise*, British Library Cataloguing in Publication Data, 79-106.

EARNE J., JANSSON T., KONING A. and FLAMING M.(2014) "Les IMF entièrement nouvelles en Afrique subsaharienne : un modèle commercial pour promouvoir l'accès au financement", CGAP, IFC, n°8, février, 38p.

EL ZOGHBI M., B. GAHWILER and K LAUER (2011), "Cross Border Funding of Microfinance", CGAP-Focus Note, N° 70, April.

FALL F. S. (2011), "La complémentarité banque microfinance dans les économies en développement: une perspective théorique", *Revue d'économie industrielle*, n° 133, 31-56.

FORSTER S., E. DUFLOS and R. ROSENBERG (2012), "A New Look at Microfinance Apexes", CGAP-Focus Note, N° 80, June.

GALEMA R., LENSINK R. and SPIERDJIJK L. (2011), "International Diversification and Microfinance", *Journal of International Money and Finance*, n° 30, 507-515.

GARCIA HERRERO A. and D. NAVIA SIMON (2003), "Determinants and Impact of Financial Sector FDI to Emerging Economies: A Home Country's Perspective", Working Paper.

GARCIA HERRERO A. and D. NAVIA SIMON (2006), "Why Banks go to Emerging Countries and What is the Impact for the Home Economy? A Survey", BBVA Working Paper, Economic Department N° 0626.

GRUBEL H. (1977), "A Theory of Multinational Banking", *Banca Nazionale de Lavaro Quarterly Review*, 349-363.

GODMAN P. (2006), "Microfinance Investment Funds: Objectives, Players, Potential", in MATTHÄUS-MAIER I. and VON PISCHKE (ed.) *Microfinance Investment Funds*, Springer, KFW, p. 11-46

GHOS S. and VAN TASSEL E. (2013), "Funding Microfinance under Asymmetric Information", *Journal of Development Economics*, 101, 8-15

GRAY J. M. and GRAY H. P. (1981), "The Multinational Bank: AFinancial MNC ?", *Journal of Banking and Finance*, 5, 33-63.

HARTARSCA V. and NADOLNYAK D. (2008), "Does Rating Help Microfinance Institutions Raise Fund ?", *Word Development*, 17 (4) , Dec., 558-571.

ISERN J. and PORTEOUS, D. (2005), "Commercial Banks and Microfinance: Evolving Models of Success", CGAP, *Focus Note*, No. 28, June.

JAYADEV A M. and NARASIMHA RAO R. (2012), "Financial Resources of the Microfinance Sector: Securitisation Deals - Issues and Challenges Interview with the MFIs Grameen Koota and Equitas", IIMB Management Review, 24, 28-39.

LABIE M. and URGEGHE L. (2011), "Investissement socialement responsables et microfinance ", Management prospective Ed./Mangement et Avenir, n°46, p. 280-297.

KRAUSS, N. and WALTER I. (2009), "Can Microfinance Reduce Volatility ?", *Economic Development and Cultural Change*, 58, (1), Oct., 85-110.

MAYOUKOU C. (2013), "L'extension de l'activité bancaire international à la microfinance: analyse des stratégies de quelques banques multinationales", *in* F.-H. DEFOUNDOUX, J.-R. DIRAT and C. MAYOUKOU (ed.) *La microfinance contemporaine : défis et perspectives*, PURH, Rouen, p. 201-219.

MAYOUKOU C. (2002), "Avantage informationnel de la microbanque et intermédiation médiatisée par le groupe : application au cas des banques villageoises en Afrique Subsaharienne", in DRUMAUX A. and MATTIJ (ed), *Défi de l'information et pilotage de l'entreprise*, AUF, série actualité scientifique, Paris, Jouve, mars, p. 205-2019

MERSLAND R., RANDOY T. and OYSTEIN STROM R. (2011), "The Impact of International Influence on Microbanks Performance: A Global Survey", *International Business Review*, 20, 163-176.

MERSLAND R. and URGEGHE L. (2013), "International Debt Financing and Performance of Microfinance Institutions", *Strategic Change*, 22, 17-29, Wiley on line Library.

SCHMIDT R.H (2013), "Microfinance et éthique ", *Revue d'Economie Financière*, 112, 242-276.

SERVET J.-M. (2009),*La responsabilité sociale en microfinance dans le contexte d'une commercialisation croissante du microcrédit, Rapport moral sur l'argent dans le monde*, Association d'Economie Financière, 417-429.

SERVET J.-M. (2010),*Le grand renversement de la crise au renouveau solidaire*, Paris : Desclée de Brouwer, 264 p.

SERVET J-M. (2015), *La vraie révolution du microcrédit,* Paris : Odile Jacob, Economie, 250 p.

SOCIETE GENERALE (2015)*, Rapport sur la responsabilité sociale et environnementale*, 2015-2016.

SOCIETE GENERALE (2013), *Document de référence.*

SOURSOURIAN M. and E. DASHI (2015), "Current Trends in International Funding for Financial Inclusion", *CGAP Brief,* Dec.

STANDARD CHARTERED (2009), *Annual Report and Accounts.*

STANDARD CHARTERED (2013), *Annual Report and Accounts.*

STANDARD CHARTERED (2015), *Annual Report and Accounts.*

SWANSON B. (2008) "The role of capital markets in microfinance", in SUNDARESAN S. (ed), Microfinance Emerging Trends and Challenges, Edward Elgar.

TCHAKOUTE TCHUIGOUA H. (2014), "Institutional Framework and Capital Structure of Microfinance Institutions", *Journal of Business Research*, 67, 2185-2197.

TCHAKOUTE TCHUIGOUA H. (2015), "Capital Structure of Microfinance Institutions", *Journal of Financial Services Research*,47, 313-340.

VAN HOREN N. (2007),"Foreign Banking in Developing Countries: Origin Matters, *Emerging Markets Rewiew*, Jan., 81-105.

WILLIAM B. (1997),"Positive Theories of Multinational Banking: Eclectic Theory versus Internalization Theory, *Journal of Economic Surveys*, 11 (1), 71-97.

YANNOPOULOS G. N., (1983), "The Growth of Transnational Banking", in CASSON M. (ed),*The Growth of International Business*, London: Allen & Unwin, 236-257.

Appendix 1

Multinational Banks of our sample

(France)

Crédit Agricole
BNP-Paribas
Société Générale

(Germany)

Commerzbank
Deutsche Bank

(United Kingdom)

Barclays
HSBC
Standard Chartered

(Netherlands)

ABN AMRO
ING
Rabobank

(United States)

Citigroup
Goldman Sachs
JP Morgan
Morgan Stanley