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The size and growth of microfinance institutions

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The Size and Growth of Microfinance Institutions**Abstract**

We investigate the relationship between size (measured by total assets and number of active borrowers) and growth for a worldwide sample of microfinance institutions with different ownership forms (micro-banks, NGOs, cooperatives/credit unions and non-bank financial institutions) and commercial orientation (profit and not-for-profit) drawn from 120 countries over the period 2000 to 2014. Using a dynamic panel data model, we find little evidence that size confers growth advantages to microfinance institutions. We find some evidence that growth rates for credit unions and microfinance institutions with a not-for-profit commercial orientation present negative persistence. The variability of growth rates differs across the size distribution of microfinance institutions, and this result is consistent across commercial orientation and ownership form. Other factors affecting the growth of microfinance institutions include age (new microfinance institutions grow faster than young and mature counterparts), levels of bad debt, efficiency and regulation.

Keywords: Gibrat's law; growth; microfinance; outreach; persistence

JEL Classification: G21; G32; L25

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