Author/s:
Padmaperuma, Don Chandima

Title:
Partnerships between microfinance institutions and formal banks: a case study in Cambodia and Australia

Date:
2019

Persistent Link:
https://hdl.handle.net/11343/227172

# Partnerships between Microfinance Institutions and formal banks

*A case study in Cambodia and Australia*

Don Chandima Padmaperuma
ORCID: 0000-0002-3783-7782

Submitted in total fulfillment of the requirements of the Degree of Doctor of Philosophy

April 2019

**School of Social and Political Science**
**University of Melbourne**

# Abstract

Partnerships between microfinance institutions (MFIs) and banks are scarce phenomena. The available literature is scant and academic understanding is limited. This thesis, therefore, endeavours to better understand microfinance partnerships between MFIs and banks by examining partnership microfinance in Cambodia and Australia.

Notwithstanding the fact that microfinance is a contested development tool within the repertoire of development strategies, it is accepted that there are conspicuous grass-root level pragmatic benefits for economically active poor; chief among them is access to financial services and empowerment. The vulnerable segments of the society are otherwise neglected by the traditional banking system in both the developing and developed countries. The expansion of microfinance services is imperative for inclusive economic development in a post-conflict developing county like Cambodia with the significant rurally dispersed populace. Similarly, in the case of Australia, increasing the financial inclusion supporting the eradication of relative poverty that persists is imperative- particularly as an ethical alternative for predatory lenders such as payday lenders and consumer lease operators. Therefore, the demand for microfinance services is conspicuous. Nevertheless, MFIs universally are faced with the triumvirate challenges, i.e. increasing the outreach; maintaining sustainability, and ensuring the impact. Expansion and sustainability are dependent upon the available resources, including capital and an ability to reduce costs while generating income. In this context partnership with resource-rich banks, provide plausible mechanisms to address the challenges of outreach and sustainability for MFIs.

The research examined the motivations of the respective partners to establish microfinance partnerships, followed by a comprehensive exploration of the efficacy of each partnership model. In the case of Cambodia, the partnership was driven by commercial needs. Moreover, it is the first such partnership in the country, linking informal and formal sector financial institutions, hence considered as an important milestone in the financial sector landscape. The genesis of the Australian case centered on the fundamentals Corporate Social Responsibly (CSR). Not only the models are unique, but also possess their own dynamics. The challenges of the partnership were examined followed by success factors. The partnerships formed were based on the symbiotic benefits, nevertheless, profoundly more beneficial to MFIs than to banks. Microfinance partnership facilitated the increase in outreach and sustainability of MFIs. Additionally, transfer of knowledge from banks and capacity building are complementary benefits accrued to MFIs.

The cases studied are positioned in two different phases of the partnership cycle; Cambodian partnership is at the formation stage and the Australian partnership is at the maturity stage. Moreover, each case represents developing and developed country contexts, respectively. Therefore, understanding of the partnerships examined in this research provides a broader knowledge of microfinance partnerships. The models of partnerships are also replicable. Furthermore, microfinance partnership can be espoused and promoted to increase the financial inclusion and access to financial services to poor people facilitating increase in the standard of living in both developing and developed world. Therefore, this thesis contributes to the inclusive and sustainable development proposition through partnerships.

# Declaration

(i) the thesis comprises only their original work towards the Doctor of Philosophy except where indicated in the preface;

(ii) due acknowledgement has been made in the text to all other material used;

and

(iii) the thesis is fewer than the maximum word limit in length, exclusive of tables, maps, bibliographies.

**Don Chandima Padmaperuma**

# Acknowledgment

Completion of a PhD thesis is an extremely satisfying and humble experience. Nevertheless, by no means an individual achievement. Whilst a lot of hard work involved, there were many sacrifices made by the family and friends hence it is important to acknowledge everyone who supported me throughout this long journey.

First of all, the completion of the project was not possible without the unbelievable support from my Principle Supervisor Dr. Nadeem Malik, who has been a mentor, guide, and a friend. Throughout the process, he helped me calmly and masterfully to navigate this challenging journey while generously imparting his knowledge. Similarly, Dr. Violeta (Vicki) Schubert, my Co-Supervisor has been a tower of support, and she was always more than willing to help whenever I needed. I would like to acknowledge and thank both for their steadfast support and guidance.

My father, Herby Padmaperuma, was the source of my strength and intellectual prowess that guided me throughout my life. I was blessed to have an intellect, a prolific writer with exceptional dexterity in language and, above all a good human being. Unfortunately, I lost him during the journey. Likewise, my only sister Deepthi was the centre of our world with her exceptional kindness radiated not only to me but also to the whole family and friends. Her courage and wisdom have been exemplary, and her passing away during this journey was another irreplaceable and invaluable loss. I thank both for unforgettable memories and blessings.

My two children, Sierra and Kavsih are my true inspiration and purpose for all the achievements. They have sacrificed during the last few years despite I have been extremely conscious to spend time with them. Also, I thank and acknowledge my wife Kalsha who endured during this period whilst taking good care of our children.

My mother Premalatha Padmaperuma was the true force behind all my successes, academic and otherwise, in life. Her wisdom, courage, determination, and steadfastness were not only exemplary but also the source of strength to be who I am today. Also, I like to thank and acknowledge my elder brother Indrajith, who has inspired all of us as a fighting spirit and for his innate wisdom in all the hard times in life. He has been instrumental in taking care of our mother giving me the peace of mind to concentrate on PhD project. And, my younger brother Sanjeeva, who has been there for me whenever I needed support, and a true believer of me, deserves my gratitude and acknowledgment.

Furthermore, I wish to thank, Jane Nash, who is the most generous person I have known in the corporate world who helped me to create this dream project into reality by introducing me to many important people who decided the destiny of this research. At last, not least, I would like to thank all the Chief Executive Officers, and the staff of the organisations I have examined as part of this research, without the generous support of whom I would not be able to successfully complete this thesis.

# Table of contents

# List of tables



# List of figures

# Abbreviations

| | |
|---|---|
| ACCION | Americans for Community Co-operation in Other Nations |
| ACNC | Australian Charities and Not-for-profits Commission |
| ACOSS | Australian Council of Social Service |
| ADB | Asian Development Bank |
| AML | Anti-Money Laundering |
| ANZ | Australia and New Zealand Banking Group |
| APRA | Australian Prudential Regulation Authority |
| ARB | ANZ Royal Bank |
| ARB | Australian Reserve Bank |
| ASIC | Australian Securities and Investment Commission |
| ATM | Automated Teller Machine |
| BISA | Banco Industrial Sociedad Anonima |
| BPR | Bank Perkreditan Rakyat |
| BRI | Bank Rakyat Indonesia |
| CBA | Commonwealth Bank of Australia |
| CBO | Community Based Organisation |
| CBS | Core Banking System |
| CCDP | Cambodian-Canada Development Program |
| CEO | Chief Executive Officer |
| CFA | Country Fire Authority |
| CFT | Counter Financing Terrorism |
| CGAP | Consultative Group to Assist the Poor |
| CMA | Cambodia Microfinance Association |
| CPP | Cambodian Peoples Party |
| CSR | Corporate Social Responsibility |
| DFI | Development Financial Institution |
| DSS | Department of Social Services |
| FSL | Fire Service Levy |
| FUNCIPEC | Front Uni National Pour un Cambodge Indépendant Neutre Pacifique Et Coopératif |
| GABV | Global Alliance for Banking on Values |
| GDP | Gross Domestic Product |
| GFC | Global Finical Crisis |
| GNI | Gross National Income |
| GNP | Gross National Product |
| GSANZ | Good Shepherd Australia New Zealand |
| GSM | Good Shepard Microfinance |
| GSYFS | Good Shepherd Youth & Family Services |
| HDI | Human Development Index |
| HDR | Human Development Report |
| HKL | Hattha Kaksekar Limited |
| HSBC | Hongkong and Shanghai Banking Corporation |
| IBRD | International Bank for Reconstruction and Development |
| ICA | Insurance Council of Australia |
| ICICI | Industrial Credit and Investment Corporation of India |
| ICT | Information and Communication Technologies |
| ILO | International Labour Organization |

| | |
|---|---|
| IMF | International Monetary Fund |
| IP | Intellectual Property |
| IT | Information Technology |
| MDG | Millennium Development Goals |
| MDI | Microfinance Deposit Taking Institution |
| MDMSB | Mann Deshi Mahila Sahakari Bank |
| MFI | Microfinance Institution |
| MNCs | Multi-National Corporations |
| MOU | Memorandum of Understanding |
| NAB | National Australia Bank |
| NBARD | National Bank for Agriculture and Rural Development |
| NBC | National Bank of Cambodia |
| NCCP | National Consumer Credit Protection Act |
| NFP | Not-For-Profit |
| NGO | Non-Governmental Organisation |
| NILS | No Interest Loan Scheme |
| NPLs | Non-Performing Loans |
| OECD | Organisation of Economic Co-operation and Development |
| PDK | Party of Democratic Kampuchea |
| PDS | Product Disclosures Statements |
| PPI | Progress out of Poverty Index |
| PPPs | Public-Private Partnerships |
| RFI | Rural Financial Institution |
| RRB | Regional Rural Bank |
| SHG | Self-Help Group |
| SME | Small and Medium Enterprise |
| UN | United Nations |
| UNDP | United Nations Development Programme |
| UNHCR | United Nations High Commissioner for Refugees |
| UNICEF | United Nations Children’s Funds |
| UNTAC | United Nations Transitional Authority in Cambodia |
| USA/US | United States of America |
| WBCSD | World Business Council for Sustainable Development |
| WFP | World Food Programme |
| WTO | World Trade Organization |

Chapter 1

# Introduction

[redacted].

As argued by Sen (2001, p. 87), poverty 'must be seen as the deprivation of basic human capabilities rather than mere income deprivation'. He asserted that development is an

[1] United Nations Millennium Development Goals (2000-2015) had the number one goal as eradicating extreme poverty and hunger. The eight goals were replaced by the new seventeen goals for the period 2016-2030 under the name of Sustainable Development Goals (SDGs) and still the number one goal is eradicating poverty and last goal is the partnerships for development (see UNDP 2018a & 2018b).

[2] Based on the World Bank Group report titled ‘Poverty and Shared Prosperity 2016: Taking on Inequality’; estimates are as of 2013. International poverty line for extreme poverty since 2015 measured as living below $1.90 per day 2011 Purchasing Power Parity (PPP); however still the previous international poverty line US$1.25-a-day basaed on 2005 PPP is quoted by many. Also, the estimates assumes or rather excludes any form figures from the industrialised countries. In other words, countries belongs to Organization for Economic Cooperation and Development (OECD) except Mexico, Chile, and Turkey who are OECD members currently but not considered as economically advanced countries (see World Bank 2016a).

[3] Datta argues that (2011, p. 18) ‘the dollar-a-day line is more of a campaigning tool’ and policy makers are more focused on own national poverty line as a guide to policy (see Datta 2011).

[4] ibid note 2 and Castaneda et al. (2016) World Bank sponsored research further revealed the profile of global poor as predominantly rural, young, poorly educated, mostly employed in the agricultural sector, and live in larger households with more children (see World Bank 2016a & Castaneda et al. 2016).

[5] Global population considered based on 2013 estimate used by the World Bank of 7,176.1 million (see ibid).

[6] See FAO, IFAD & WFP 2015.

[7] According to UNHCR, in 2015 there were 21.3 million refugees and overall there were 65.3 million people forcibly displaced. If these 65.3 million people were a nation it would be the 21st largest country in the world by population (see UNHCR 2016).

‘inclusive’ proposition which needs to be viewed as a process ‘that integrates economic, social and political considerations’ (Sen 2001, pp. 8 & 126). According to this broader concept known as capability approach, eradicating poverty requires enhancing human capabilities of those subjugated by it and empowering them to make their own choices. Hence, development endeavours need to be premised on broadening the choices for poor people and overcoming economic, social, and political exclusions.

One of the major hurdles, *inter alia*, for enhancing human capabilities and the inclusive socio-economic environment is the financial exclusion. In other words, financial exclusion is either a direct consequence or a by-product of social and economic exclusion. The *access to finance* or *financial inclusion*[8] as a border concept is also considered as an imperative for economic growth and development (Geramidis, Kessler & Meghir 1991; World Bank 2014; ADB 2008). Therefore, *financial inclusion* has become a buzz word similar to *sustainable development* in global development debates and agendas. According to the latest statistics, 1.7 billion people in the world do not have access to basic financial facilities.[9] Access to basic financial facilities is important for low-income people simply for pragmatic reasons.[10] For example, poor farmers in rural areas should be able to access credit or an economically active poor be able to access micro-capital if they desire to engage in microenterprises. They also need money for consumption smoothing as their income is unpredictable and sporadic. In addition to consumption smoothing, products such as micro-insurance, can help poor to absorb shocks due to unforeseen events in life. Ability to transfer monies among family members who have migrated to cities or other countries for work has transpired as a key service needed by the poor. This is a conspicuous service in demand in Cambodia as poor people migrate to Vietnam or Thailand due to easy access through adjoining porous borders looking for work in addition to migrating to urban areas like Phnom Penh from the rural provinces.[11]

In this context, microfinance becomes an enabler for not only increasing choices for poor people as envisioned by Sen but also for addressing the issue of financial inclusion. Therefore,

---

[8] Financial inclusion, at its most basic level, starts with having an account with a financial institution and defines account ownership as ‘having an individual or jointly owned account either at a financial institution or through a mobile money provider’ (see Demirguc-Kunt et al. 2018, p. 17).

[9] Accordging to the 2017 Global Findex Database report of the Worl Bank (see ibid).

[10] According to World Bank increased participation in the financial system enhances the individuals capabilities and choices, empower women, and increase consumption. Also, facilitates the reduction of income inequality and economic growth (see ibid).

[11] It is estimated nearly one million people have migrated from Cambodia, predominanatly to Thailand seeking work. Majority of them are low income people, migrating illegally without proper documents (see Bylander 2017).

this research is premised on the argument that exploring ways of addressing the challenges of microfinance such as outreach and sustainability, is capable of making a direct impact on poor beneficiaries and the level of poverty at the grass root level contributing to the development of poor. In this backdrop this research endeavours to examine a phenomenon that has not been researched extensively, i.e. the study of partnerships between MFIs and commercial banks with a view to better understand the partnership model and its impact on the MFIs as a strategy of broadening their outreach and sustainability.

Microfinance has evolved to become one of the most significant and conspicuous poverty alleviation strategies within the development realm, occasionally as a contested concept in the perspective of the political economy. It was estimated that over 200 million[12] borrowers had obtained microloans, nevertheless in the light of 1.767 billion people living below the poverty line of $3.10 a day, and two billion people financially excluded, microfinance outreach thus far is insufficient. Hence scope and potential for microfinance are immense.

The aspirations behind microfinance are not new. Various forms of financially steered, philanthropically motivated, and state-initiated endeavours existed for hundreds of years to support poor people, particularly in the area of agricultural credit. Nevertheless, the re-birth of microcredit in the present form originated in the 1970s and was spearheaded by the birth of institutions such as Grameen Bank in Bangladesh, ACCION International in Latin America, and SEWA Bank[13] in India. The new wave of microcredit that sprouted in the 1970s was a direct result of trying to establish an 'alternative' for poor people who were being excluded by formal financial institutions like commercial banks. These banks vehemently ignored the poor, classifying them as high risk, not-credit worthy, or unbankable 'clients' due to a plethora of reasons such as lack of tangible assets/securities for lending, lack of literacy, and an unstable and a sporadic form of income.

During the last 40 years microfinance has, therefore, evolved as a dominant alternative proposition of providing financial services to poor people. This growth is due to a myriad of reasons, chief among them, are the changes in the global political economy espousing neo-liberal dogma which ostensibly transferred the onus of emancipation from poverty to the

[12] According to DB research, the research arm of Deutsche Bank, one of the largest banks in the world & World Bank 2015 (see Deutche Bank 2014; World Bank 2015).
[13] SEWA Bank stands for Self-Employed Women's Association Bank.

individual from the government with the retraction of social welfare sponsored by the state (Harvey 2005; eds Bayliss, Fine & Waeyenberge 2011). According to Maclean, risk, responsibility, and autonomy are central to defining neoliberal citizen in the context of neoliberal governmentality. Neoliberal governance transfers “risk” and “responsibility” to individual citizens (Maclean 2013, p. 468). Therefore, the neoliberal framework, which also encouraged private enterprise, supported grass root level poverty alleviation strategies independent from governments. On the other hand, promotion of microfinance as part of development strategies of powerful multilateral global development agencies such as the World Bank and the Asian Development Bank provided the impetus. Therefore, the paradigm shift in the political economy ostensibly increased the demand from the destitute poor people for alternative financial services.

The success of Microfinance Institutions (MFIs) such as the Grameen Bank in Bangladesh and ACCION International in Latin America also inspired many other organisations with similar aspirations to develop a parallel infrastructure. The gradual acceptance that the poor borrowers were committed to repaying their loans, contrary to the traditional banking mentality, facilitated a paradigm shift in mindset of formal financial service providers. At the same time, business rent-seekers saw poor as another ‘market segment’ with potential for profiteering. This resulted in attracting numerous forms of investors and microfinance providers, including formal banks, with various motives and objectives.

Initially, microfinance services were provided by Non-Government Organisations (NGOs) with the prime social objective of eradicating poverty. The NGOs sourced funds from donors, philanthropic organisations, and individuals. However, as a result of changes in the global political economy, funds in the form of donations became scarce. This compelled the MFIs, on one hand, to source funds from the financial markets at a cost/interest, and on the other hand, to run MFIs as private institutions, profitably to satisfy the external stakeholders and survive during the economic downturns. The introduction of concept profitability, or sustainability as the preferred term, resulted in the bifurcation of the traditional social objective of MFIs as *social* and *business*; serving the poor and being profitable at the same time. This eventually led to an increasing trend of commercialisation of microfinance during the 1990s. Today, the crucial and fundamental challenge faced by all microfinance providers is the struggle to reconcile the *social objective* of serving the needs of the poor and the *business objective* of operating the MFIs profitably. This distinctive challenge defines the unique nature of MFIs.

The microfinance industry has accepted this imperative and defines MFIs as institutions with a 'double bottom line'.[14]

The moral acceptance of 'being profitable' whilst 'serving the poor' changed the landscape of microfinance providers as it justified the entry of institutions like banks into the 'microfinance market', with a single bottom line of wealth creation for their shareholders. The current providers of microfinance include a gamut of operators such as NGOs, cooperatives, Self-Help Groups (SHGs), private companies, state-backed organisations, and commercial banks. Nevertheless, the sector is still dominated by NGOs/MFIs, rather than formal commercial banks.

From an operational perspective, the overarching mission of MFIs is to reach out to more poorer people (outreach) whilst being profitable (sustainability). Nevertheless, the success of MFIs has a third dimension measured by the *social impact* together with the *outreach* and *sustainability*. In other words, merely having a larger outreach or being profitable is meaningless if there is no positive impact on the lives of the poor. A balancing act between these fundamental objectives is a profound challenge for MFIs. In relation to the outreach and sustainability, MFIs do struggle due to resource constraints, higher cost of funds/transaction cost, and geographically dispersed-rural client base. These constraints limit the capability of MFIs, hence adversely impacting the poverty alleviation endeavours and the provision of access to finance for the poor.

As for commercial banks, despite having significant resources,[15] they are reluctant to reconcile the risk-reward proposition that microfinance presents and are extremely cautious in investment decisions due to prudential banking regulations imposed upon them by the regulators. Like other corporate organisations, banks too are highly driven by the creation of shareholder value to meet market expectations hence social development is not a part of the core business model. Yet, banks do have a window of opportunity via their Corporate Social Responsibility (CSR) agenda to support social issues. Moreover, as discussed later, banks have shown the willingness to partner with NGOs and other organisations for social development. Nevertheless, these cases are limited. Therefore, the microfinance industry needs to be

[14] In business sense the term bottom line refers to the profits/financial performance of an enterprise and MFIs has an additional bottom line. In other ords, the poverty alleviation or social performance hence the term double bottom line is used.
[15] For example in 2015 largest four banks in Australia, known as 'big four' made an aggregate profit of over 31 billion australian dollars (see Commonwealth Bank 2015; Westpac Bank 2015; NAB 2015; ANZ 2015c).

innovative and should exploit the opportunities in addressing the resource-constraints of MFIs through attracting the resource-rich commercial banks to be a part of the solution.

In light of the above, partnerships between MFIs and commercial banks provide an excellent proposition. The sharing of expertise and resources among MFIs and commercial banks can bring a synergetic effect. MFIs understand well the grass root microfinance clients and the local conditions whereas commercial banks possess the much-needed capital and technological resources, as well as a vast 'know-how' as a knowledge industry.[16] This is a symbiotic relationship. MFIs will be able to have access to banking knowledge, financial and technological resources, human resource training and development, and learn from banks' management and governance practices to improve operational dynamics. Commercial banks, on the other hand, will be able to gain access to markets that they otherwise would not reach due to cost-effectiveness or lack of local knowledge, be able to recoup the return on investment by lending to the MFI rather than directly to poor borrowers (ability to manage the risk-reward[17] proposition better), and most importantly, they will be able to enhance their image as responsible corporate citizens within the community. Therefore, not only do partnerships between MFIs and formal banks merely represent a symbiotic relationship but also have the anecdotal potential of addressing many of the problems persisting in the microfinance industry, in particular, in relation to constraints on outreach and sustainability. As noted at the outset, 24.6 percent of the global population are poor people living below the income of US $3.10 and nearly 28 percent of the global population does not have access to financial services, 80 percent of which are poor people.[18] Microfinance has only reached 200 million clients thus far and MFIs do not have the resources to increase the outreach whilst being sustainable due to a plethora of constraints. In this context partnerships between MFIs and commercial banks may provide the solution; supports the capacity building of MFIs, present an opportunity to reduce costs whilst providing access to scarce, additional resources which helps directly to the sustainability. Sustainability of the MFI, in turn, facilitates the outreach as profitability allows for expansion of operations. Therefore, a better understanding of the

[16] Banking is seen as a knowledge industry (see Mori & Mersland 2014).
[17] Within the banking sector it important to weigh the risk that is being taken by the institution vis a vis the reward that decision generates. Hence, managing the risk -reward proposition is a primary rational for decision making, in partcular credit.
[18] See World Bank 2015.

partnerships between MFIs and formal banks is significant for creating sustainable MFIs, in particular, from the inclusive development perspective.

## Aims and Scope of the Study

MFIs as service providers are confronted with the dilemma of expanding services to reach out to more poor people while simultaneously reducing the cost of operation to be sustainable as a business proposition. According to the current estimates, 70 percent of the poorest people in the world live in rural areas (World Bank 2016; FAO, IFAD & WFP 2015), and provision of financial services to remote areas is costly. For example, transporting cash to and from MFIs located in such remote areas is a high-cost operation thus pass on the cost to the poor borrowers who do not have any other alternatives. If such remote operations are not profitable, or in other words sustainable, no financial institution, be that be an MFI or a bank, cannot operate as a business in the long run. Hence, innovative new models of operations are required for MFIs while exploiting and applying the current best practices that could be learned, emulated, or replicated. Therefore, partnerships between MFIs and banks, in the context of the plausible notion of reciprocity of benefits for each partner, may provide an insight as to how these models are operating and finding solutions to fundamental challenges faced by the microfinance industry.

Hence this thesis aims to examine the partnership between MFIs and commercial banks. Therefore, the five research questions articulated in this study are consistent with the aims of the study (Yin 1994; Agee 2009). According to Creswell and Poth (2018, p. 137), 'the intent of the qualitative research question is to narrow the purpose to several questions that will be addressed in the study'. The research questions provide (Ritchie et al. 2014, p. 51) 'useful rigour and specificity to the ones' scoping of study with the kind of knowledge qualitative approaches bring framing of objectives in term of questions'. Moreover, the research questions, according to Creswell (2007, p. 107) 'provide an opportunity to encode and foreshadow an approach to the inquiry'. Therefore, the research questions were formulated to delineate the scope and parameters of the inquiry informed by the extensive literature review, aims, and objectives of the research. Overall, the research revolves around the following five research questions:

1. What are the fundamental motives and factors that influence Microfinance Institutions (MFIs) and Commercial Banks to form partnerships, AND what are the operational structure and dynamics of such partnerships?

2. What are the bottlenecks and challenges in forming and maintaining partnerships between MFIs and Commercial Banks?

3. What are the success factors for negotiating, formation, implementation, and maintaining a partnership between MFIs and formal banks?

4. What are the benefits of a partnership between an MFI and a formal bank, for the MFI in relation to sustainability and outreach?

5. What are the similarities and differences between these partnerships in developing (Cambodia) and developed (Australia) countries?

The research questions are answered by examining two cases, the partnerships between Hattha Kaksekar Limited (HKL) and ANZ Royal Bank (ARB) in Cambodia, and partnership between the Good Shepard Microfinance (GSM) and National Australia Bank (NAB) in Australia. Such partnerships are not only scarce but have not been examined in detail thus far. The primary focus is understanding the motives and factors that influence banks and MFIs to initiate such partnerships, as fundamental objectives of MFIs and banks are *prima facie* different, if not contradictory. The research also will examine the current legislative framework and the government institutions that directly have the supervisory power to sanction such partnerships between formal and informal sectors especially in the context that the banks are highly regulated in any country they operate.

The understanding of the operational structure and the dynamics will reveal the operational model of such partnership and how they integrate and reconcile each other's objective function in a pragmatic way. Identifying the bottlenecks, challenges, and critical success factors in establishing as well as maintaining such a partnership are immensely important not only as a contribution to the literature but as a guiding framework for any parties who wish to emulate such models to minimise bottlenecks and maximise success factors. If these partnerships under discussion capable of benefiting MFIs in any form, outweighing limitations, such benefits may be worthwhile for other MFIs to capitalise or leverage for the furtherance of double bottom line of outreach and sustainability so that such a partnership models will contribute to the robustness of MFIs and for the advancement of poverty eradication, which is the fundamental social objective of any MFIs.

Generally, microfinance is studied more with reference to developing countries and limited academic work has been dedicated to microfinance in developed countries like Australia. Moreover, the impact of microfinance in developed countries in terms of addressing the relative poverty that persists in the developed world is underestimated. According to Deneweth, Gelderblom and Jonker (2014) Netherlands, being a developed nation, has been able to reduce poverty successfully through microfinance programs.[19] Moreover, as per the latest estimates, headline poverty rate[20] in Australia is 13.3 percent and 16.9 percent of the population is financially excluded[21] hence from a developed country perspective these figures are unacceptable. Adding to meagre literature available on partnership microfinance, I will be focusing on understanding and comparing the two cases, to analyse the similarities and differences from the MFI perspective. This analysis will help understand transference of concept of microfinance between developing and developed countries and to explicate any learning outcomes that could be beneficial to MFIs in a global context and for an ideal model of partnership between MFIs and banks. It is important to mention at the very outset that this study provides an analysis from the supply side of microfinance representing the institutional models' perspective. The impact of microfinance partnerships on end beneficiaries is out of the scope of this research. A separate research is required to study the impact of such partnerships on the end beneficiaries.

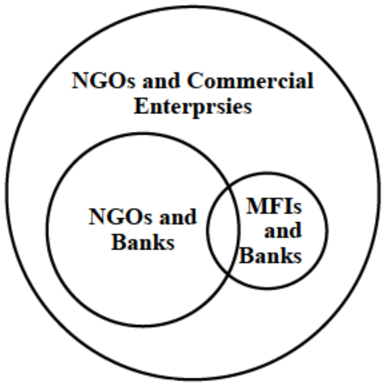
[19] Throughout this thesis, when the word 'poverty' is used in relation to a developed country such as Netherlands or Australia, it refers to relative poverty which is the poverty line derived by using the OECD method of adopting income that is lower than 50 percent of the counrty's median income (see OECD 2018).

[20] In 2014, the 50% of median income poverty line for a single adult was $426.30 a week (or $343.00 for income after housing costs). For a couple with children it was $895.22 a week (or $720.22 after housing). Based on the after-housing poverty line, the headline poverty rate in 2014 is 13.3%. All figures are in Australian Dollars (see ACOSS 2016).

[21] Over 3 million people in Australia are either fully excluded or severely excluded from financial services as of 2013. The definition used is ( Connolly 2014, p. 5) 'financial exclusion exists where individuals lack access to appropriate and affordable financial services and products- the key services and products are a transaction account, general insurance and a moderate amount of credit' and use the bench mark comprises 1% of adults who were fully excluded (they had no financial services products) and 15.9% of adults who were severely excluded (they only had one financial services product) (see Connolly 2014).

## Research significance

Figure 1: Partnership Domain - NGOs and Companies




Source: Author.

As noted elsewhere, there is scant literature available on partnerships between MFIs and commercial banks. As found by Hartarska and Mersland (2012), MFIs are operating with unique and complex structures which differentiate them from all other forms of organisational structures and there is a need for further research in relation to these institutions. This research focuses on a particular type of microfinance provider; partnerships, alliances, or joint ventures formed between MFIs and banks. These partnerships lead to hybrid institutions and arrangements hence hold distinct characteristics *vis-a-vis* other forms of microfinance intuitions. According to Kale and Sing alliances between NGOs and business enterprises are different (2009, p. 56) 'not only because the objective function of a firm's alliance partner is different (as compared to a profit organization), but also because the concerned partner has a different set of skills and organizational culture' (original parenthesis).

Though there is some literature available within the discipline of business and commerce that identifies partnership between commercial enterprises and NGOs, it has not been adequately studied. According to Elkington to achieve sustainable outcomes (1998, p. 37) 'new types of economic, social, and environmental partnerships are needed. Long-standing enemies must shift from mutual subversion to a new form of symbiosis'. And, Kale and Sing argue that these partnerships (2009, p. 56) 'represent a new class of alliances quite different from the traditional inter-firm alliances studied in academic literature'.

Partnerships between NGOs and businesses are becoming extremely important due to a change in society's perspective in relation to how commercial entities should operate. In today's evolving business environment, society views firms as entities that are responsible for serving not only the interests of their shareholders but also the interests of other wider stakeholders within the community. Often, commercial firms are unable to meet this obligation on their own and hence they collaborate with not-for-profit entities that are better positioned to understand the needs of these other stakeholders (Mohr & Spekman 1994; Elkington 1998; Rodiguez & Santios 2007; VanSandt & Sud 2012; Calton et al. 2013; Loś-Tomiak 2014; Manning & Roessler 2014; O'Reilly & Brunette 2014; Malik 2015). Besides, according to Prahalad (2005), Akula (2008), and Kale and Sing (2009) in order to accelerate their growth, many firms are expanding in emerging economies by serving poor consumers at the so-called bottom of the pyramid. Nevertheless, the understanding of partnerships between commercial enterprises and NGOs are limited. Kale and Sing (2009, p. 56) further emphasise on the gap in the literature:

> Extant alliance literature has focused mainly on alliances between two or more commercial or for-profit firms. Today, many firms are engaging in two new types of alliances: those with not-for-profit entities and/or nongovernmental organizations, and formal collaborations with individual... Thus, the challenges of managing such alliances and the factors and best practices that lead to success may also be different from what we know from our study of traditional inter-firm alliances. Current academic research has very little to say about how to successfully manage this emerging class of alliances. Hence, future research must investigate this issue in greater depth' (Kale & Sing 2009, p. 56).

Similarly, despite the recognition of the importance of partnerships between the MFIs and commercial enterprises (Guichandut 2006; Matthäus-Maier & Von Pischke 2008; Yunus 2011; Bali Swain 2012) further reviews suggest that relationships between the banking sector and NGOs are scarce, literature is scant, and the level of understanding is limited. Sriram (2005), Kamath (2008), and Calton et al. (2013) emphasise the importance of NGOs/MFIs partnering with banks for addressing social issues such as poverty and the severe reluctance within the banking industry for such partnerships. The Self-Help Group (SHG)-bank linkage programme, which will be discussed in detail in the next chapter, is a specific form of partnership microfinance programme operating in India.  Studies conducted have found that there is a strong case for such partnerships and its positive impact on the micro-borrowers (Seibel & Parhusip 2003; Basu 2006; Bali Swain 2012; Diniz et al. 2014). Schneider (1997) stressed the need for further research on this issue. Again, in India, the microfinance programme of ICICI Bank[22] has been recognised as a success story for partnership with MFIs for expansion and growth of the bank (Ananth 2005; Kamath 2008; Kaur & Kohli 2012). Nevertheless, the

[22] ICICI Bank is the largest private sector bank in India with total assets of US$ 172.5 billion at 31March 2018. It has 4,867 branches and 14,367 ATM's across India (see ICICI Bank 2018). The ICICI Bank's involvement in microfinance is predominantly a business expansion strategy of the bank with a clear business objective.

recognition and anecdotal notion of the importance of partnership between MFIs and banks *per se* has not resulted in extensive studies examining the phenomena. Similarly, there is a gap in literature encompassing all forms of partnerships in general as Mohr and Spekman (1994, p. 135) found that the 'understanding of characteristics associated with partnership success is lacking'.

Therefore, it is evident that there is a research gap in relation to understanding partnerships between the banking sector and NGOs, let alone MFIs. It is imperative, therefore, to better understand such partnerships formed between formal banks and MFIs. Moreover, further research on 'partnership microfinance' can open possibilities of further expanding microfinance services to a larger number of poor people. According to Harper and Arora (2005), Helms (2006), and Kamath (2008) the ICICI Bank views NGOs and other specialised MFIs as partners to help it tap the low-end market. After two years of involvement, ICICI's microcredit portfolio grew from $16 million to $63 million and has added 1.2 million microfinance clients within a short period of three years. Another successful example is that of ABN AMRO Bank, one of the largest financial institutions in the world. This bank has similar partnerships with the semi-formal sector and NGOs for the provision of microfinance services through ABN AMRO Foundation.[23]

Fundamentally this research will contribute to the gap in the literature in relation to understanding partnerships between MFIs and commercial banks as this phenomenon has not been examined in line with the scope of this research. Moreover, the research is carrying out a comparative analysis of developing and developed countries in the context of partnership microfinance.  A better understanding of these partnerships is important from the viewpoint of addressing immense challenges faced by MFIs due to resource constraints. Therefore, the proposed research will contribute to sustainable microfinance and to inclusive development as argued by Sen that greater success could be achievable if the economic growth facilitates the 'expansion of social opportunities' (Sen 2001, p. 127).

[23] ABN AMRO bank partnered with Qredits,the trading name of Stichting Microkrediet Nederland, which focuses on the financing of small businesses in the Netherlands. ABN-AMRO Bank (in collaboration with ABN AMRO Foundation) was one of the initiators of Qredits. The MFI now has mulitiple partners including other major banks and governments ministries (see ABN AMRO Bank N.V. 2014 ).

# Methodology

Case study approach is employed in this research. This approach is informed by the aims, objectives, and the nature of research questions. Merriam (1988, p. 9) defines the case study approach as ‘an examination of a specific phenomenon such as a program, an event, a person, a process, an institution or a social group’. And such definition fits well when examining institutions such as MFIs and banks (Hamel, Dufour, & Fortin 1993; Simons 2009; Stake 2008).

There were two cases selected for this study representing partnerships between MFIs and banks in Cambodia and Australia. The case in Cambodia was the partnership between Hattha Kaksekar Limited and ANZ Royal Bank and in Australia, it was the partnership between the Good Shepard Microfinance and National Australia Bank. The primary data for this research were obtained through interviews of over 88 respondents (predominantly officials of banks and microfinance institutions representing Cambodia and Australia) during the period 2015 and 2016.

For case study research it is imperative to develop a deep understanding of (Woodside 2010, p. 6) ‘actors, interactions, sentiments and behaviours occurring for a specific process through time’. Blaxter, Hughes and Tight (2006) noted that cases are often used to illustrate problems or indicate good practices.[24] The case study approach, therefore, proved beneficial to understand, analyse and illustrate constraints as well as good practices of MFI’s and formal banks.

Furthermore, the research is a comparative analysis of two case studies in Cambodia and Australia. For proper identification of a phenomenon, a comparison is imperative (Rihoux & Ragin 2009). And, in order to comparatively analyse (Berg-Schlosser & De Meur 2009, p. 20) ‘cases must parallel each other sufficiently and be comparable along certain specified dimensions’. The cases examined evidently do meet the criteria for such analysis. Comparison of cases provides a broader understanding of the dynamics of the phenomena.

[24] According to Blaxter, Hughes, & Tight (2006) the effectiveness of the social research methodology lies in (2006, p. 72) ‘underlying methodological philosophy about how we know the social world and its linkage to a body of theory and practice in the literature’. For example the first research question is designed exactly in order to understand and explain the nature of the each partnership model that has been established between a bank and an MFI, respectively.

Another advantage of a case study approach and comparative analysis of cases is the potential for general applicability of the findings or the phenomena. According to Hamel, Dufour and Fortin (1993):

> Case study is an in-depth investigation and specifically a powerful methodology in locating the global in the local: Therefore, case studies have the potential of identifying, explaining, and applicability of the phenomena in a global context or generalised way. Hence case study methodology is a superior method of description and define the process of transformation from local to global this ensures the general applicability of the explanation'. (1993, p. 39).

However, the general applicability has its own limitations based on the characteristics of the case under review and the methods used to carry out the research. Nevertheless, the methodology used is in congruence with objectives of the research, that is to better understand partnerships between MFIs and commercial banks. This will enable us to establish a generally applicable and transferable model of partnerships in the global context or to use case studies as blueprints for such partnerships, thereby helping the microfinance sector to expand whilst addressing the major challenges faced by them, namely, sustainability and outreach.

The following sections will delineate the rationale for selection of cases followed by methods used to collect data, type of respondents involved, and the challenges confronted during fieldwork.

## (a) The rationale of case selection

Partnerships between MFIs and banks are rare and scant. Hence, the selection of cases for this study has been a challenge. Moreover, gaining entry to banks for research purposes is a near impossible-daunting task as their business operations are confidential matters. I am aware of this fact as a professional who has worked in banks in both developing and developed countries for over 20 years. Business enterprises let alone banks are least interested in engaging in research, as it allows outsiders to scrutinise internal affairs/operations.

Whilst searching for cases in developing countries, I came across a news item that was published in 'The Cambodia Daily' (10 June 2014) newspaper under the heading '*ANZ, MFI Partner to Bridge Financial Sectors*'. It further stated that the Cambodian microfinance institution Hattha Kaksekar Limited entered into a memorandum of understanding with the

ANZ Royal Bank for the formation of a partnership as the first of its kind between the formal and informal sector financial institutions. Simultaneously, I also came across the well-established partnership between the Good Shepherd Microfinance and National Australia Bank in Australia. These cases represent not only developing and developed country contexts but also different stages in partnership cycle; Cambodian case shows how a new partnership is formed whilst Australian case shows how relatively matured partnership operate. Therefore, examining multiple case studies provided a broader array of evidence compared to a single case would allow. This enabled me to cover issues more widely and intensely. Furthermore, the possibility of transference of knowledge and best practices (if any) between developing and developed world will be immensely valuable.

Cambodia is an excellent sample from the developing country perspective for any form of study related to microfinance because of its vibrant microfinance industry. As per 2012 data,[25] Cambodia attracted the second highest microfinance investment in the world followed by Peru. Moreover, Cambodia is an ideal microcosm representing developing world with significant developmental issues;[26] as a post-conflict country recovering from genocide and destruction that unfolded during the brutal Khmer Rouge regime led by Pol Pot, the country has been navigating through a period of rapid transformation in social, political and economic fronts.

On the other hand, as the researcher resides in Australia and could thus gain access to businesses relatively easily due to networking in this country. It would be too difficult to have such access, especially with senior employees of formal banks in other developed countries. Moreover, the Australian MFI selected, GSM is considered as one of the largest programs in the developed world.[27] Therefore, the Australian case provided an excellent sample of such a partnership within the developed world.

A senior banker, whom I happened to build a close professional relationship as part of my interest in the field of financial inclusion and voluntary work I did as a mentor for a financial literacy program, became an excellent source in gaining access to the ANZ Royal bank in

[25] see MicroRate 2013.

[26] Headcount poverty rate of Cambodia is 13.5 percent as per 2014 data (see World Bank 2018) and among 30 poorest countries in the world ranked 156 out of 186 by GDP per capita (see IMF 2014).

[27] Good Shepard Microfinance program is considered as one of the largest microfinance programs in the developed world (see www.changemakersfestival.org/working-inside-nab-for-social-good).

Cambodia and National Australia Bank. With respect to the microfinance institutions concerned, I directly contacted the Chief Executive Officers of Hattha Kaksekar Limited in Cambodia and the Good Shepherd Microfinance respectively in to order to obtain the consent in principle and they agreed. Therefore, senior executives with authority of all four institutions consented to participate in research. A brief introduction to each case is provided below.

**Cambodia**

Hattha Kaksekar Limited originated in 1994 as an NGO named *Hattha Kaksekar*, meaning *a helping hand for farmers.* HKL started as a food security project and gradually transformed into a fully-fledged MFI. ANZ Royal Bank is a leading commercial bank operating in Cambodia which was established in 2005. ARB is a joint venture between Australia and New Zealand Banking Group Limited (ANZ), one of the largest banks in the world, and the Royal Group of Companies (RGC), one of Cambodia's largest companies. HKL and ARB have entered into a joint venture with a view to offering a wide range of financial services and products to the clients of both institutions.

**Australia**

The Good Shepherd Microfinance is one of the largest and successful microfinance institutions in the developed world backed by Good Shepperd Australia New Zealand, one of the largest NGOs operating in Australia. GSM was established in 1981 as a continuation of the No Interest Loan Scheme (NILS) started by Good Shepherd Sisters through Good Shepherd Youth & Family Service in Victoria. National Australia Bank established in Australia in 1893 is one of the largest banks in Australia and the world. GSM and NAB have established a very strong partnership that supports the cause of microfinance in Australia. Besides the main case, I was able to examine a sub-case where GSM partnered with the Suncorp bank, one of the largest insurance companies in the world for the creation and provision of an innovative microinsurance product in Australia, the first of its kind.

## (b)Research tools

As mentioned before this research is based on case study analysis. It is primarily a qualitative study. As such I have used semi-structured interviews[28]- a research tool, widely used in social

[28] Interviews were first used as a research method by British social policy researchers in the late nineteenth century to understand the problems of the poor. However, indepth interview was developed in 1920s by the sociologists in the

sciences to elicit views and opinions of participants (Bryman 2016; Creswell 2014). Interviews considered as a robust and powerful way of exploring social meaning, perceptions, the definition of the situation, and construction of reality (Walter 2013; Punch 2014). Moreover, interviews allow the researcher the opportunity to ask probing questions, learn terminology and judgment of the respondents, and sought clarifications when *prima facie* conflicting information is presented (Hall, Campling & Hall 1996; Patton 2002).

I have used the semi-structured interviews which allowed flexible and free-flowing discussions that enabled respondents to react in a more comfortable and natural flow of thoughts. Moreover, it provided the interviewer the opportunity to ask new questions that deemed necessary (Punch 2014; Bryman 2016) whilst diverging the pathways of the interview for meeting the research objectives (Gray 2009). Moreover, semi-structured interviews allowed probing of views and opinions.[29] Therefore, I have used semi-structured interviews as the most appropriate tool to ascertain data from a wide range of stakeholders including MFI and Banks executives, managers and officers, and government officials for this research.

Participant observation was also used in the field and whilst visiting institutions settings and during interviewing respondents. The observation is one of the oldest and important tools in social science research (Bailey 2007). The observations were unstructured (Gibson & Brown 2009)[30] and were helpful in order to understand organisational settings, recognising informal structures, unspoken rules (Simons 2009), and the working environment of microfinance institution and banks. In other words, participant observation helped me learn those things that people did not talk about in interviews. The behaviour and emotions attached to responses of respondents when answering certain questions were helpful in gauging the engagement with the themes and issues. Following Walter (2013), I also maintained a log book for filed notes, both hard and soft copies, in order to record any observations, occurrences, events, and thoughts that deemed essential to be reflected upon at a later stage. These records were

---

University of Chicago, famously know as Chicago School (see Walter 2013).

[29] Probing of views and onion are vital for phenomenological approach in particular where objective is to explore subjective meaning of concepts and event that respondents ascribe to (see Gray 2009, p. 373).

[30] In an unstructured observation researcher do not follow a rigidly defined schedule and follow a more iterative fashion in order to understand how the settings work (see Gibson & Brown 2009, p, 100).

extremely useful and complimentary for immersion and incubation with the narratives and reflections upon social settings.[31]

Besides primary research, this thesis also relies on secondary data analysis obtained from books, scholarly articles, NGO reports, cohort studies, government reports, and other published and unpublished documents. Recent legislation concerning banking and the financial sector were also reviewed.

## (c) Data sources

As mentioned earlier, the primary data obtained for this research consist of responses from a wide range of informants including officials such as board members, senior executives, managers, and officers of NGOs, MFIs, and banks in Cambodia and Australia. Also, the feedback from officers of the National Bank of Cambodia (NBC) and the Australian Securities & Investment Commission (ASIC) have been obtained as important stakeholders.

The respondents from the MFIs and banks were selected based on their direct involvement in the partnership either at a strategic or operational level who were able to share their experiences in relation to the respective partnership examined. The selection enabled to obtain information in relation to each research question. Senior executives were important to understand the motives and rationale of each partner organisation at a high level.[32] However, the operational level staff was savvier with the day to day operations and the ongoing status quo of the partnership.

I have endeavoured to maintain a statistical balance from each site, i.e. Cambodia and Australia. The guiding principle of choosing respondents *prima facie* was their involvement in the partnerships between MFIs and the banks and perceived informational value. As mentioned under the rationale of case selection, access to institutions, especially banks, was challenging. [redacted]

[31] In order to reach depth in the analysis, researcher need to saturate in the material that is being analysed, after the immersion which includes transcribing, incubation period will make sense of what is the data is telling (see Walter 2013).
[32] Organisational behaviour is the 'the individual behaviour and group dynamics in organisations' (see Nelson & Quick 2003, p. 4).

[redacted].

[redacted] With the consent of senior executives who were in charge of respective institutions, it was relatively easier to access the staff who were reporting them directly as they were aware that the gatekeepers of the respective organisation have given their consent for the research.

In addition to the MFIs and Banks involved in the partnership, I also obtained feedback from other microfinance institution in Cambodia and Australia for better understanding not only the microfinance sector in each country but also their thoughts on partnerships with banks from outsiders' perspective. Also, I interviewed an official of the Cambodian Microfinance Association (CMA) which is an apex body representing MFIs in Cambodia. The viewpoint from the regulators of each country who were directly involved with the partnerships was the enriching source. Also, intuitions such as ASIC in Australia or NBC in Cambodia usually not respond to individual researchers; however, I was able to access and obtain consent for their participation in the research. [redacted]

For this research, I have interviewed 88 (34 female and 54 male) respondents out of which 43 represented Cambodia and 45 Australia during 2015-2016. Most of the semi-structured interviews with the respondents lasted for approximately 30 to 40 minutes whilst some interviews went for over one-hour. Some of the key informants were interviewed more than one occasion, either due to the depth of the information or due to time constraints, I had to continue the interview at a later date. Majority of the interviews, 77 were audio recorded and one interviewee responded via email. Eleven interviews were not audio recorded but scribed notes. Predominantly interviews were conducted individually, one-on-one basis, however about four interviews were conducted with two respondents at the same time due to inter-relationship/inter-dependence of the roles or potential for enriching responses as deemed by the participants themselves.  Almost all respondents had informal discussion pre and post interviews, in which they freely expressed ideas on a wide range of subject which were very valuable. Some of the informal discussions were useful to identify other stakeholders as part of snowballing effect.[33] One of the respondents, who was identified as an architect of the partnership in relations to the Cambodian case study, was transferred to Singapore office hence I conducted one interview in Singapore as the input from this key informant was of immense importance to this research.

Almost all the respondents in Cambodia were able to speak English hence all recorded interviews were conducted in English, whilst visiting branches in rural provinces, there were a few staff members who were unable to converse in English, at the same time there were other members who spoke good English and were able to translate questions and responses. The branch visit discussions were held as a group, for example, a manager and credit officer at the same time. Moreover, I learned Khmer- the Cambodian language, for about one year prior to my visit to Cambodia hence I was able to initiate a basic conversation and build and again trust of the informants.

[redacted].  Secondary data were obtained from books, scholarly articles, cohort studies, annual reports of MFIs and banks, and other publications/documents. Besides, legislations in relation to microfinance and banking sectors were perused in order to understand the regulatory environment within which these institutions are operating and how such regulations affect partnerships between the formal and informal financial sector institutions.

The names of the respondents and informants are not used in this thesis instead I have used either pseudonyms or designations. In congruence with the research ethics it is important not use the real names of the participants as it may negatively impact their lives, social relationships (Tarling 2006; Giddens 1991). Moreover, the dissemination of findings may be sensitive to the employment of the staff of the organisations being examined in this research thus extra care

[33] According to Smith it is the norm in institutional research to  identify informants as the investigation progress (see D.E. Smith 2006).

has been taken. Therefore, in some cases, respondents are referred to as a senior executive, senior manager, manager, or an officer of an MFI, bank or a government institution. In this way, the identity of the primary data sources is not exposed or revealed. However, the use of the distinct designations such as a senior executive, manager or an officer is required for organisational research depending on the level of the issues being discussed is strategic or operational.

## (d) Challenges

The primary challenge was to find cases for the research due to the scarcity of partnerships between MFIs and Banks in the global context. However, the Cambodian case was found as a result of extensive search and after reading published news article in Phnom Penh Post at the time of signing the Memorandum of Understanding. In relation to both studies in Cambodia and Australia, the most decisive challenge was gaining access to the banks and obtaining their consent to the research (Simons 2009). As a general rule, large private organisations,[34] let alone banks do not allow outsiders to interview staff extensively for research purposes. As mentioned in the preceding section, managed to overcome this challenge due to a professional relationship I have established over time with a senior banker who introduced me to the main gatekeepers of both the institutions.

Research involving institutions or organisational research generally pose challenges for researchers as they operate in bounded - closed systems (D.E. Smith 2006; Gray 2009).[35] Gaining access from the main gatekeepers is not sufficient in case studies; according to Simons (2009, p. 40) 'persuasion to participate' and 'engagement in the research' is fundamental as researcher required to build relationship with each participant and negotiate access with individual participants. Scheduling interviews with individuals was a challenge due to work demand,[36] which supersedes or take priority over the importance of participation in research. Hence, many interviews were re-scheduled, especially in Australia. The greatest challenge was with the bankers in Australia due to extremely busy schedules. Persistence persuasion and

[34] According to Gray organisations are working in a world of competition, market influence and financials constraints. Moreover organisations may criticise the reach outcomes as they may reveal organisational inefficiencies (see Gray 2009).
[35] According to Smith 'institutional ethnography explores actual people's activities as they coordinate in those form we call institutions' (see D.E. Smith 2006, p. 13).
[36] Gray argues that the organisational research is not an easy option, they are complex, and people working in them are very busy hence pose major challenges (see ibid 32).

continually keeping in contact are the strategies I used for engaging such respondents whilst appreciating their busy and demanding works schedules.

[redacted] The informal pre-interview dialogues with the respondents were extremely useful tactic to build a conducive environment and to preserve stasis of the discussions.

[redacted]

The field work in Cambodia was challenging, nevertheless, I was well prepared hence managed to turn the time in Cambodia as an enriching experience. English is widely used in Cambodia, especially among corporate employees. Nonetheless, in many instances which involve, for

[37] Choi and Mattoni, based on extensive filed research in Italy argues that the process of precarization of the work and the worker originated with the deregulation, inter alia, promoted by the neo liberal agenda (see Choi & Mattoni 2010).

example, finding places or traveling in a tuk-tuk[38] for an appointment, required, at least basic Khmer knowledge. Some of the institutions were not located in well-known places *vis a vis* tourist attraction, and it took longer time to find the place. Learning local language was advantageous when I visited branches in rural provinces as like Pursat Province or Kompong Thom Province. The language was extremely important in understanding culture and thinking of the average Cambodian. Knowing the language, at least basic level and trying to converse is a way of showing respect to the local people, their culture, and identity which was evident from the humble responses I received.

[38] Tuk Tuk is the three wheeled taxis/auto rickshaws used in countries such as Cambodia and Thailand. The passenger carriage is joined to a motor bike and giving the rider the option to use the motor bike separately for his personal use. Another way of cheap transportation in Cambodia, especially in Phnom Penh is the motor bikes. No helmets are required to travel in motor bikes and far more cheaper and easy to navigate through traffic. It appears these motor bikes are not regulated taxi service but rather individuals riding on the road also use them as an additional source of income. The people ride motorbikes against the traffic and on the wrong side of the road more often. It is amazing that same traffic etiquette and chaos were noted 23 years ago, 1992 by Riddle (1997) .

[redacted]

## Structure and the outline of the thesis

**Chapter one** is the introductory chapter of this thesis. As part of the introduction, I have explained the aims and scope of this research followed by a discussion on the research significance. This is followed by setting out the methodology adopted to achieve the objectives and answer research questions. Thereafter, I have explained the rationale for case selection followed by research tools utilised to collect the data, and challenges confronted during the data collection phase.

**Chapter two** is dedicated to critically explore the current literature and existing body of knowledge in order to provide a broader overview of the key concepts relevant to this research. At the outset, I look at the historical evolution of microfinance. The understanding of metamorphosis of microfinance from donor/NGO backed agricultural credit programs to commercialised, rent-seeking proposition with a double bottom line of 'social' and 'financial' is important to lay the foundation for this research. Then, I have discussed the role of microfinance in the development field whilst exploring the critique of the concept taking in account the political economy of microfinance followed by the notion of financial inclusion which is a familiar term in the developed world. The understanding in relation to the dynamics of the financial sector landscape is imperative to present a historical perspective of money and banking and explore the place of formal banks in microfinance and how the business proposition sits within the social issue of poverty alleviation. Then, I have examined the notion of partnerships followed by an examination of partnerships between microfinance institution (MFIs) and banks and how such microfinance partnerships possess the potential for dealing with fundamental challenges faced by MFIs.

**Chapter three** of the thesis delineates the case study of Cambodia. Following a discussion on the economic and poverty profile of the country, I have examined the financial sector and related regulatory framework. Then, I have explored the current status of Cambodia as a hot-spot for microfinance in which the sector is not only conspicuous but also has been contributing profoundly to the economic development in a post-conflict developing nation. After discussing the microfinance landscape, I have introduced the partners Hattha Kaksekar Limited and ANZ Royal bank, followed by a narrative of the genesis and evolution of the partnership, the partnership model, and the operational structure; the strategic and operational level partnership mechanism and mode of operations reveal how formal and informal institutions interact and form partnerships.

**Chapter four** of the thesis examines the case study of Australia. Similar to chapter 2, first I have examined the economic and poverty profile of the country followed by financial sector and regulatory environment. Then, I have explored the microfinance landscape in the context of a developed country with an inconspicuous informal financial sector. Thereafter, I have introduced the partners Good Shepherd Microfinance and National Australia Bank followed by the story of the partnership. Then, I have explored the partnership model and the operational dynamics. Moreover, I have presented the sub-case study of the first microinsurance partnership in Australia between GSM and the Suncorp bank, providing more insight into how such joint ventures between formal and informal institution could be established.

**Chapter five** of the thesis examines the challenges in forming and maintaining microfinance partnerships between MFIs and banks. The partnership between the HKL and ARB reveal excellent information as to what are the challenges confronted in forming a new partnership. The partnership between the GSM and NAB reveals challenges of an ongoing-relatively matured partnership. Despite the fundamental differences in motivations and models of each partnership, there is a convergence from the perspective of challenges. The regulatory environment is a common critical challenge, nevertheless, while substandard regulation is a challenge in Cambodia, stringent regulation is a challenge in Australia. Interestingly, the cultural friction, in particular, power dynamics and impact on the identity of the weaker partner, is a key issue emanated from the Australian case study. The internal resistance within the banks when dealing with informal sector institutions is a challenge for partnering banks.

**Chapter six** revolves around the key factors that are fundamental to the success of partnership. The reciprocal benefits, *quid pro quo*, imperative to the success while shared values and objectives are critical factors. Also, a well-defined and delicate communication strategy is significant. Deliberate relationship building or ‘strategic relationship engineering’ as I call it, between the operational staff is crucial for the success of the partnership. Moreover, the leadership and the people are vital not only to initiate and maintain a partnership but also to manage a myriad of stakeholders effectively. Also, infrastructure and governance of MFIs are success factors as banks are otherwise reluctant to partner with the institution in the informal sector due to the risk associated with them.

**Chapter seven** of the thesis analyses the benefits of partnerships. There are significant positive impacts and benefits for HKL in Cambodia and for GSM in Australia. The partnerships conspicuously helped the MFIs to increase the outreach and the sustainability, the two of the most critical challenges within the macrocosm of the microfinance sector. GSM managed to increase its number of beneficiaries exponentially due to the partnership. HKL managed to improve sustainability by reducing operational cost due to better liquidity management and increasing the income from new sources,[39] including interest income from increased deposits. The capacity development was a complementary benefit to both MFIs as banks immensely supported to improve the processes of MFIs. Learning and skill development of MFIs' staff contributed to the enrichment of human resources. The banks benefited in line with the founding motivation of the partnerships; predominantly commercial for ARB and social for NAB. Particularly in Australia, the partnership became a source of pride for the bank's staff thus enhanced the staff engagement.

**Chapter eight** is the comparative analysis of each case study from the developing and developed country perspective. Following a comparison of poverty dynamics, absolute poverty in Cambodia and relative poverty in Australia, I have compared the macrocosms of microfinance and regulatory environments respectively. Australia as one of the most developed countries in the world still relies on microfinance services to serve the vulnerable people and to improve financial inclusion. Then, the partnership models are juxtaposed; both models are unique, and motivations are different too. Cambodian partnership is a commercially orientated while the Australian one is socially oriented. Thereafter, I have comparatively analysed major themes: challenges, success factors, and benefits of each partnership. The comparison provides not only the similitude and vicissitudes of the partnership but also the necessary recapitulation for the conclusion.

**Chapter nine** is the concluding chapter of this thesis. I have summarised the fundamental argument of this thesis through reflections followed by findings and implications of this research. Then, I have explained the applicability of the knowledge and generalisability of the findings from a broader context. The concluding chapter also demonstrates the importance of microfinance partnerships for inclusive and sustainable development proposition.

[39] Liquidity management is securing and managing the nececcsary funding or cash for the operations (see Soprano 2015).

Chapter 2

# Microfinance, banking sector, and partnerships: [redacted]

## Introduction

The primary of objective of this chapter is to provide a broader overview of the key concepts underpinning the research by reviewing the existing literature. In this context, it is imperative to have a deeper comprehension in relation to the historical evolution of microfinance, formal banking, partnerships, and in particular the role of partnerships between Microfinance Institutions (MFIs) and formal banks for poverty alleviation within the development context.

I will first look at the microfinance sector broadly and its historical evolution as a strategic poverty alleviation tool in the context of development. Notwithstanding, microfinance is a contested concept, therefore, subject to critique from political economy perspective. The commercialisation that ensued as a response to the depleting donor/state-supported funds, among other things, not only has heightened criticism, but also has created new challenges; chief among them is the perplexity to reconcile social solidarity with the concept of profits. However, microfinance as an industry re-invented itself, improving on methodologies, transforming as commercialised quasi-banking institutions with the so-called ‘double bottom line’ of poverty alleviation as the social and sustainability as the financial objectives. Nonetheless, the microfinance institutions (MFIs) still face many challenges as part of the informal financial sector and the major conundrum is the incapacity to expand the outreach whilst maintaining sustainability to serve more financially excluded people.

On the contrary, banks are resource rich and robust institutions that possess the expertise/know-how to navigate the financial world dexterously; yet they are risk averse to serving the poor, because of regulatory bottlenecks and limitations. Also, private sector banks operate with a single bottom line/objective of maximising profits and all other social issues are deemed secondary. The culture within banks is hard-wired for maximising output by increasing productivity whilst being extremely cost-conscious, and the senior management remunerations are incentivised via bonuses that are linked to profits, similar to many large private corporations. Consequently, banks are universally criticised for a lack of social consciousness. However, banks do engage in social causes, predominantly through their corporate social responsibility (CSR) framework, and partnerships with NGOs/CSOs.

In this chapter, after reviewing microfinance and banks in detail, I will look at the financial sector in general, and how the MFIs and Banks are positioned therein. The landscape of the microfinance providers is complex in nature; I will present an analysis of providers of MFIs, money lenders on one end of the continuum and formal banks on the other. Unique features of MFIs will be discussed *vis a vis* other forms of financial service providers followed by an examination of how the commercial banks are involved in the microfinance sector, in particular, partnerships with MFIs. I will scrutinise the existing partnerships between MFIs and banks, grappling with the limited literature available, and I will argue for the potential of partnerships to support MFIs to confront with the challenges they face globally, in particular with reference to an increase in outreach and improving sustainability. Furthermore, I will establish the importance of partnerships in the fight against poverty, the furtherance of financial inclusion, and the sustainable development proposition theoretically premised on the Capability Approach. The analysis in this chapter will be helpful in contextualizing the case studies examined and the research findings within the existing body of knowledge.

## Microfinance: [redacted]

[redacted] to the provision of financial services to poor and vulnerable people who are excluded from the formal financial sector. Historically, the provision of a small amount of credit or microcredit was the predominant activity of providers, and with the extension of the range of other services such as savings, insurance, and money transfers, in the early 1990s, the term microcredit began to be replaced by microfinance.[40] The primary feature of microfinance schemes is the provision of small loans to the poor and low-income people, often without

[40] However, in literature, sometimes terms microcredit and microfinance are used interchangeably.

collateral, as working-capital or start-up capital for microenterprises.[41] Group lending is encouraged, and the outstanding feature of microfinance has been its orientation towards lending to women (Robinson 2001:9; Helms 2006; Fernando 2006; Shastri 2009; ADB 2013). In developed countries microfinance programs are predominantly supporting the poor and the vulnerable as a result of inadequacy or gaps in the social safety nets (Gueyie, Manos & Yaron 2013). Historically microcredit programs originated on the premise of supporting the poor and the vulnerable with the intent and purpose of saving them from the usurious money lenders.

## History [redacted]

The phenomenon of microfinance is not new. According to Helms (2006, p. 5) 'informal credit and savings groups operated for centuries across the world, from Ghana to Mexico to India and beyond'. In the 15th century, as an alternative to usurious money lenders, the Catholic Church established pawn shops across Europe (Sider 2005). The Irish Loan Funds system which was established in 1720 was a leading and long-lived example that provided 300 funds throughout Ireland in the 1840s and reached 20 percent of the population by the mid-19th century (Hollis & Sweetman 2001).[42] Another significant milestone is the formation of the financial cooperative in Germany and then in France in 1865 and Quebec in the 1900s (see Guinnane 2003; Bernard 1976) .[43] Financial cooperatives operating today in Africa, Latin America, and Asia are originated on the principles of the European movement.[44] The Indonesian People's Credit Banks known as Bank Perkreditan Rakyat (BPRs), established in 1895, being the largest microfinance system in Indonesia, is an early and successful example (Steinwand 2001; Hamada 2010). The period between 1950s-1970s is marked by governments and donors concentrating on providing agricultural credit to small and marginalised farmers in the hope of raising productivity and incomes. In the 1970s, microcredit programs focusing on lending to poor women entrepreneurs originated in Bangladesh, Brazil, and few other countries (Helms 2006). Early pioneers included the famous Grameen Bank founded by Professor Muhammad Yunus, ACCION International in Latin America, and the Self-Employed Women's Association

[41] Microenterprises also include small farmers, which is an important fact to be conscious of when referring to micro businesses (see Hulme & Moslye 1996).
[42] Irish loan funds are hailed as a robust microfinance operation that weathered the harsh economic conditions (see Hollis & Sweetman 2001).
[43] By World War I there were 19,000 credit cooperatives throughout the Germany and in aggregate they have issued 8 percent of all the banking liabilities (see Guinnane 2003).
[44] However, Mondal and Peters argues that Rabindranath Tagore introduced the concept of collateral free microcredit to rural borrowers originated from his philanthropic act when he founded the Kaligram Krishi Bank in 1905 in north-eastern Bangladesh. Rabindranath Tagore (1861-1941) is best known as the Bengali poet who won the Nobel Prize for literature in 1913 (see Mondal & Peters 2012).

Bank in India - a bank owned by the women's trade union. These institutions inspired and became examples for others to replicate their success (Harper 2003; Helms 2006; Sundaresan 2008; Roodman 2011).

The decade of 1970 is considered as the golden era in which microfinance emerged as a conspicuous poverty alleviation strategy. Professor Muhammad Yunus is credited with pioneering the microfinance movement as we know it today and in particular, popularising the concept of microfinance (Malik 2015). Professor Yunus experimented lending to poor people who were neglected by the traditional /formal banking institutions in Bangladesh. After unexpected success in lending to poor and their bankability, he went on to expand his micro-lending operations and subsequently founded the famous Grameen Bank (Yunus & Jolis 1999; Remenyi 2004). In 2006, Yunus and the Grameen Bank were jointly awarded the Nobel Peace Prize 'for their efforts towards creating economic and social development from below' (NobelPrize.org 2018). This award helped immensely for the popularisation and acceptance of the ideology of microfinance as a noteworthy concept within mainstream economic and political spheres.

During the 1980s, microfinance emerged as a development tool; changes in the political economy during the same era, in particular the emergence and propagation of neoliberalism globally, influenced the inclusion of a *financially steered* strategy like microfinance to the repertoire of the development tools of the multilateral development agencies such as World Bank and ADB (Hulme & Arun 2009). The next period during the 1990s was conspicuous due to the trend of commercialisation of microfinance. Commercialisation refers to the adoption of the market-based principles to operate the MFIs moving away from the pure NGO/Not-For-Profit operating model (Ledgerwood & White 2006). In other words, MFIs started to operate as quasi-businesses as profitability became part of the operating equation in addition to the singular objective of serving the poor. The fundamental reason was to attract investments from the market due to the reduction of donor/government backed funding and to expand the operations to reach out to more people (Ledgerwood & White 2006; Getu 2007, Khan 2008). For this purpose, MFIs required profit generation which could be reinvested for expansion (Hamada 2010). Declaring the year 2005 as the 'year of microcredit' by the United Nations sealed the position of microfinance as a dominant development tool and its acceptance in the mainstream strategic response to poverty and financial exclusion (Mader 2015). However, Copestake et al. (2005) argue that the UN incongruously named the year as *microcredit* rather than *microfinance* hence leaving other financial services from the equation. Since the 1970s, the microfinance sector is evolving on the same principles while trying to improve upon the methodologies amidst changes in the global political economy. Nevertheless, at conceptual and at the level of implementation microfinance is still postulated as a contested development tool.

## The political economy of microfinance-[redacted]

[redacted] set of financial practices designed to serve the unbanked poor… for others no more than a new wave of usurious practices reframed and glorified''.

*-Armendáriz and Labie (2011:3)*

Microfinance is postulated as the response of capitalism to poverty (Weber 2006; Mader 2015). The conceptual congruence of microfinance to the neoliberal political economy invited criticism. Peattie (1987), Weber (2004 & 2006), Gershon (2011), and Maclean (2013) argued that the expansion of microfinance as a strategy of embedding a neoliberal agenda on a global scale is helping the governments to retract welfare while transferring social risks to poor people. Bateman (2012) argued that neoliberal policy-makers found the microcredit concept ideologically compelling, and the international development community soon began to provide tremendous support to establish and expand the microfinance movement (Bateman 2012). Commercialisation was seen as a way of naturalising or harmonising microfinance into a neoliberal framework (Aitken 2013; Mader 2015). For example, Aitken (2013) argues that commercialisation of microfinance is a strategy for positioning microfinance in the neoliberal context as a development practice which has enabled market governance and the individualisation of risk. As microcredit premised on 'privatised schemes of self-improvement, it can often seem consistent with a political economy which has emphasised the retrenchment of welfare programs, processes of market restructuring and the erosion of state transfers to individuals' (Aitken 2013, p. 478). The privatisation of risk conspicuously contrasts with the forms of solidarity on which the conceptions of microcredit originated (Aitken 2013).

On the grass-roots level, microfinance also attracted criticism questioning its effectiveness as a poverty alleviation strategy and its impact on the poor people; indebting poor people is seen as a questionable development practice/intervention (Hulme 2003; Bateman 2010). Hulme (2003, p. 155) argues that MFIs have created the 'myth that poor people always managed to repay their loans because of their ability to exploit business opportunities. This is nonsense ...' and asked whether microfinance should be called 'micro debt.'

Also, the notion of empowerment of women has been criticised from the feminist viewpoint (Aitkan 2013; Maclean 2013; Geleta 2016; Khan & Khan 2016; Zulfiqar 2017). One of the other major issues are the predatory lending practices followed by MFIs and over-indebtedness of poor people (Gueyie, Manos & Yaron 2013; Earne, Ledgerwood & Gibson 2013). Over-indebtedness leads poor clients, farmers in particular, to borrow from different MFIs and informal lenders to repay their loans, as is evident in the case of Pakistan (Ali 2015). In extreme cases, there are reported instances of suicide, as a result of mental trauma caused by a debt-trap and the inability to pay. Andra Pradesh in India (2010 to 2011) is a good example of such incidences (Priyadarshee & Ghalib 2012; Lakshmi & Vasantha 2013; Haldar & Stiglitz 2016). The tactics used by the MFIs to recover debt from the poor have been criticised as harsh (Stefan & Nelson 2012). Also, it is argued that though the claim that group lending is successful, it is more advantageous for the MFIs rather than the poor (Morduch 1999)**.** Also, Hossein (2016) found that microfinance in Jamaica has become highly politicised and clientelist due to the corrupt local polity, and microcredit is used for political gain and intimidation; local microbusinesses are opting out of such programs because they are dismayed and also for the sake of personal safety.

One of the major criticisms, is the mission drift of MFIs that are compromising poverty alleviation goals in favour of profits- a concern that emerged with the trend of commercialisation that forayed in the 1990s (Ledgerwood & White 2006; Bateman 2011; Gueyie, Manos & Yaron 2013). The prime characteristic of commercialisation was the aim of running MFIs as commercial enterprises to generate profits (Hamada 2010). As pro-poor institutions, MFIs were uncomfortable at the outset to be associated with the word profitability; hence for want of a better word this was termed as sustainability (Mader 2015). As discussed before depleting external resources such as aid or subsidised funding compelled some institutions to adopt an alternative operating model that was less dependent on philanthropy that paved the way for the neoliberal political economy to facilitate the commercialisation of microfinance. Such a trend opened up the door for rent-seeking individuals and organisations like banks to foray into the business of microfinance (Helms 2006). The primary criticism rose out of juxtaposing the concepts of poverty alleviation side by side with profit making; one is a social aspiration, while the other is a business objective.

Armendáriz & Labie (2011, p. 3) succinctly summarise competing views on microfinance and noted that some see microfinance as ‘a set of financial practices designed to serve the unbanked poor… for others, it is no more than a new wave of usurious practices reframed and glorified’. In this backdrop, the use of microfinance as a poverty alleviation tool became questionable, and its incorporation into the development agenda became contentious. In response to criticism, the microfinance industry embraced a philosophy of ‘double bottom line’, that is, to achieve the social objective of poverty alleviation whilst ensuring that microfinance operations are profitable too (Christen, Rosenberg & Jayadeva 2004, p. 2). This convergence of differing objectives has made MFIs unique entities; hybrid or a different form of social enterprise (Hudon & Sandberg 2013; Kleynjans & Hudon 2016).

Despite a plethora of criticism, microfinance provides much-needed capital for poor who are otherwise neglected by the traditional banking system (Turnell 2009). There is a need for poor people to engage in economic activity and they need to have access to not only credit but also to other financial services such as insurance and money transfer facilities to name a few. Poor are also provided with the opportunity to save as part of micro saving programs. If not for organised programs like microfinance, poor may become victims of predatory schemes and usurious money lenders (Bossoutrot 2005). Besides, credit to poor farmers and microenterprises has the potential of improving output and reducing poverty (Hulme & Mosley 1996), hence can have a direct impact on development.

One of the major social achievements of microfinance is high participation from women as most microfinance clients are women (Ledgerwood 1999; Remenyi 2004). Women are found to be not only good borrowers but also responsible contributors for the betterment of the family, in particular for children. In this context, De Hann and Lakwo (2010, p. 534) argued that the most notable achievement of microfinance is social emancipation, in particular through empowerment (Bali Swain 2013) of female borrowers. A study by Hartarska, Nadolnyak and McAdams (2013) in Eastern Europe and Central Asia found that MFIs have improved access to credit for microenterprises. Similarly, microfinance has impacted farmers lives positively in Indonesia (Kasali, Ahmad & Lim 2016). Moreover, microfinance is attractive to poor people because ‘it serves the desire of poor people to participate in and benefit from development directly and almost immediately’ (Remenyi 2004, p. 41). Microfinance has evolved and become a pivotal component of current development thinking and programs. The development path that involves a significant contribution from microfinance is termed as ‘microfinance-led development' (Remenyi 2004, p. 39). According to Olsen (2017) empowerment of the individual, economic and otherwise, posited in line with the Sen's (2001) approach to development as freedom is a major argument for the proponents of microfinance.

The Capability Approach (CA) espoused by Sen (2001) is intricately associated with this research proposition as it establishes the nexus between the microfinance and the sustainable development. Sen's formulation of the CA holds the expansion of individual freedoms as the central objective of societal development, hence improving capabilities and expanding choices for the individual. The Human Development Report that was published in 1990 embraced the new approach. It re-defined development as increasing peoples 'choices' and 'capabilities' (see Toye 1993, pp. 44-46; Sachs 2000, pp. 9-10). And, according to Sen, development necessitates 'the removal of major sources of lack of freedom: poverty as well as tyranny, poor economic opportunities as well as systematic social deprivation, neglect of public facilities as well as intolerance or over activity of repressive states' (Sen 2001, p. 3). Also, according to Malik (2015, p. 17) one of the greatest influences of the CA is that it 'endeavoured to bring equity, poverty and employment back to the forefront by developing sustainable human-development centred theory'. Therefore, Capability Approach to development confluence economic and social factors establishing the framework for poverty alleviation through the strategies like microfinance (Voola 2013; Michel & Randriamanampisoa 2018). Hence, microfinance is capable of propagating sustainable development (García, Muñoz & Fernández 2018).

Also, one of the important emerging trends to circumvent mission drift of MIFs and uphold ethical standards is a global certification program of MFIs called 'the Smart Campaign' Once the MFIs operationalise the Campaign's Client Protection Principles covering product design to collection practices, complaint process, etc., they are certified for compliance with Client Protection Principles.[45] The Cambodian Microfinance Association (CMA) actively supports this certification program, and HKL became a certified MFI in June 2016. This is an excellent trend and highly beneficial for the poor borrowers from an ethical point of view while helping to emasculate some of the criticisms against MFIs.

[45] The client protection principles are :'Appropriate product design and delivery; Prevention of over-indebtedness; Transparency; Responsible pricing; Fair and respectful treatment of clients; Privacy of client data; Mechanisms for complaint resolution. And, the MFIs are required to comply with 30 indicators called 'standards of care for client protection' (see www.smartcampaign.org).

It is important to be mindful that microfinance should not be ‘misconstrued for welfare or social assistance tool (Bossoutrot 2005, p. 1).’ Poverty alleviation also depends on a plethora of other factors such as poor having access to food, shelter, basic social services, a stable political environment, and market opportunities. Therefore, microfinance is not the proper instrument for all segments of the poor and most appropriate where some ‘forms of economic activity already exist as it may otherwise create an excessive debt burden for the destitute’ (Bossoutrot 2005, p. 2).

Therefore, it is evident that microfinance is one of the most controversial and contested development tools among many other methods of alleviating poverty. This fundamentally, *prima facie,* is due to the “business-like” nature of microfinance, and the proposition it presents by indebting poor people. Obviously, if there is another alternative way of alleviating poverty without giving loans to poor people, it would be the ideal proposition. However, the utopia of reducing poverty within the current political economy has become a challenge as discernible by the persisting poverty in the world and the efficacy of development available for poor people. Microfinance is not the panacea for development ills. Nor it is the solution for 767 million people living in extreme poverty under US$1.90 per day. Ultra-poor does not need loans; they require basic needs such as food, clothing, shelter, and medicine to live another day before thinking of accessing finance. Microfinance is for economically active poor, who have some form of mobility and the capability to engage in gainful employment or self-employment. They may not have access to stable employment due to lack of education/illiteracy or the opportunity; they may be involved in a sporadic/seasonal form of farming, labour work if any. If they are willing and determined to engage in a microenterprise or self- employment, they should be given the opportunity or the choice to access to finance and other support. Moreover, they should be given access to other financial services such as savings, micro-insurance and money transfers. On this basis, despite the shortcomings, microfinance is serving the poor. This is amply evident in a developing country like Cambodia around the city of Phnom Penh or in a rural province such as Pursat or Kompong Thom. For inner rural communes, which are predominantly inhabited by farmers and are far away from the provincial downtown, the only access to finance is through sub-branches of MFIs; no bank has the business viability or the interest to operate in such areas. Therefore, redressing the problem of financial exclusion and promoting access to finance for the poor is not only the basis for the emergence of microfinance but also the rationale for its very existence thus far. Therefore, the understanding of the concept of financial inclusion is important as one of the monumental achievements of microfinance is increasing access to finance for the poor.

## Financial Inclusion

In simple terms, financial inclusion is the ability to access formal financial services (Allen et al. 2016) and at the most basic level to have a bank account with a financial institution (Demirguc-Kunt et al. 2015).[46] Financial inclusion has become a fashionable word similar to sustainable development within the development sector. In addition to the interest of multilateral development agencies such as World bank and ADB, financial inclusion has attracted increasing focus from researchers, policy makers, and other financial sector stakeholders and G20 leaders who have committed to promote financial inclusion globally (see Allen et al. 2016). In this context, the World Bank's project 'Universal Financial Access 2020 initiative' aims to ensure people have access to at least a transaction account by the year 2020 as an estimated 1.7 billion[47] people do not have a basic account with a financial institution. According to the World Bank (2016) financial inclusion[48]means:

> Individuals and businesses have access to useful and affordable financial products and services that meet their needs- transactions, payments, savings, credit, and insurance- delivered in a responsible and sustainable way.

The core issue is financial exclusion; the notion of financial inclusion is the means by which financial exclusion is to be addressed. Financial exclusion refers 'broadly to the inability (however occasioned) of some social groups to access the financial system. At a policy level, it is part of the much wider concept of social exclusion and polarisation' (Carbo, Gardner & Molyneux 2005, p. 4). Therefore, financial exclusion is a facet of social and economic exclusion. According to Sen's (2001) capability approach to development, social, economic and political inclusion are fundamental to inclusive growth, and greater success could be

[46] Centre for Financial Inclusion has introduced an all- encompassing ideal vison for financial inclusion;
1. Access to a full suite of financial services- Including credit, savings, insurance, and payments
2. Provided with quality- Convenient, affordable, suitable, provided with dignity and client protection
3. To everyone who can use financial services- Excluded and under-served people. Special attention to rural, people with disabilities, women, and other often-excluded groups.
4. With financial capability- Clients are informed and able to make good money management decisions
5. Through a diverse and competitive market place A range of providers, robust financial infrastructure and clear regulatory framework (see Centre for Financial Inclusion: http://www.centerforfinancialinclusion.org)

[47] See Demirguc-Kunt et al. 2018.

[48] Moreover, according to the World Bank (2016) financial inclusion is an enabler for 7 of the 17 Sustainable Development Goals (see World Bank 2016a).

achieved with the 'expansion of social opportunities' (Sen 2001, p. 127). From the development perspective, the growing interest in the financial sector is due to the acceptance that access to financial services (commonly known *as financial inclusion)* is imperative for inclusive growth. The long-standing assumption was that monetary and financial sector development was a by-product of economic growth and not a pre-requisite for economic development (Geramidis, Kessler & Meghir 1991). Nevertheless, current thinking has shifted towards financial sector development and access to financial services is in fact, not only essential but a pre-requisite for economic growth (Wellons, Germidis, & Glavanis 1986; Geramidis, Kessler & Meghir 1991; ADB 2008; World Bank 2014). Access to financial services hence has become an integral part of development strategies (ADB 2008, World Bank 2014). As such, financial exclusion is seen as an impediment to growth.

Drawing on a range of estimates and survey results, CGAP (2009) has estimated that the number of bank accounts worldwide is 6.2 billion. However, as expected, most of these account holders reside in the world's wealthiest nations; 70% of adults in developing countries do not use formal financial services, compared to 20% of those in developed countries. Paradoxically, the banking sectors in developing countries often target only the wealthiest in the population, according to the report. Poor people often lack the official forms of identification, credit history, or even physical address to secure the most basic financial services (Financial Access 2009).

According to Turnell (2009, p. 319) access to credit is more important than the price of credit, he argues that:

> Microfinance creates means for greater employment and income –generation, allows the poor smooth consumption and meets social, religious and other obligations, offers financial protection from crises and disasters, encourages schooling and empowers the marginalized-especially women. Despite the plethora of models and methodologies that have been employed by these MFIs, the primary premise is the presumption that 'access to credit is more important to the poor than the price of credit.

According to Schneider (1997, p. 9), creating financial mechanisms enable the poor to participate fully in the market and political processes is a 'major objective of contemporary development assistance'. Establishing an inclusive financial system will broaden the opportunities, thus help to prevent the feeling of social exclusion amongst the poor. Bossoutrot

(2005) states that the microfinance approach to development is predicated on the assumption that low-income households and micro-enterprises, similar to any other economic agent, need to benefit from a wide range of financial products including credit, savings, money transfer, and insurance services. Access to these services can empower the poor to (Bossoutrot 2005:1) ‘take advantage of business opportunities, increase their earning potential, manage risk, and build assets’.

Therefore, financial inclusion is imperative in creating inclusive societies from the development perspective. The role of microfinance in the furtherance of financial inclusion, among other things, is not only logical but also evident. Nevertheless, MFIs are only a minuscule part of the global financial sector landscape, of which the banks are the dominant player. Despite banks’ reluctance to be an active and vibrant participant in the inclusive development proposition, the role resource-rich banks could play is profound. Therefore, to understand the banks, in the following section I will examine the financial sector landscape, how MFIs and banks are positioned therein, and the role of banks in microfinance in a broader sense.

## Financial sector landscape, [redacted]

The financial sector is primarily based on a *formal* and an *informal* sector representing the formal and informal economies, respectively (Lensink 1996). The definition of informality in the context of economy is subject to contestation (Farazi 2014). Nevertheless, the formal sector refers to organised urban-oriented institutional system that caters to the monetised modern sector. The informal sector is unorganised and non-institutional, dealing with the traditional rural, subsistence (non-monetised) economy (Geramidis, Kessler & Meghir 1991). The understanding of the informal and formal dichotomy is nuanced by the complexity of the financial sector; therefore, it is easier to comprehend the dispositions of the sectors by examining the nature of institution, operations/core business activities, and geographical localities (Geramidis, Kessler & Meghir 1991; Shem & Atieno 2001). Besides, due to the complexity and *quasi*-nature of some of the financial sector players like MFIs, this sector has been broadly divided into formal, semi-formal, and informal sectors as depicted in table 1 below.

Table 1: Financial Sector Landscape

| Financial Sector | | | |
|---|---|---|---|
| **Formal Sector** | **Semi-Formal Sector** | **Informal Sector** | |
| | Companies/non- bank financial intermediaries | Individual money lenders | Groups of individuals-organised |
| **Central Bank and Treasury** | Loan Companies | Friends | ROSCAs[49] |
| | Finance Companies | Relatives | chit funds |
| **Banks and Other Financial Intermediaries** | Housing Finance companies | Neighbours | informal credit unions |
| Commercial Banks<br>Merchant Banks<br>Development Banks<br>Savings Banks | Investment companies<br>Pawnbrokers<br>Indigenous bankers | Private Individual from upper-income groups | Self-Help Organisations<br>Family and Tribal Associations |
| Building Societies<br>Postal Savings Networks<br>Co-operative Banks/Mutual Banks | Informal finance companies<br>Investment companies | Landlords<br>Rural money lenders | |
| Social Security Institutions<br>Provident/Pension Funds<br>Insurance companies | Leasing and hire purchase companies<br>MFIs | Agricultural input dealers | |
| **Capital Markets** | | Produce traders | |
| Stock<br>Bond<br>Money<br>Foreign Exchange | | Urban curb market brokers | |

Source: Geramidis, Kessler & Meghir 1991; OECD 2014.

The prevalence of a larger informal sector is a conspicuous in developing countries (Lensink, 1996; McKernan & Moskowitz 2005; Farazi 2014) like Cambodia. According to Geramidis, Kessler & Meghir (1991, p. 23), the formal and an informal sector existing side by side within an economy is termed as 'financial dualism' and considered as a hindrance for development rather than a catalyst by traditional economists. The expansion and existence of informal financial sector are considered to be a response to the deficiencies, inefficiencies, urban bias,

[49] ROSCA stands for Rotating Savings and Credit Associations.

and excessive regulation of the formal financial sector (Geramidis, Kessler & Meghir 1991; Ghate 1992). In short, the informal sector is a result of neglect and denial of access to financial services for part of the population (Mhando 2018). However, informal sector plays a significant role in the development, and contrary to the assumption that economic growth results in contraction of the informal sector, it has become obdurately resilient as evident in a country like Cambodia. Mader (2015) argues that the informal sector has become a permanent feature of the financial sector. In this context, microfinance providers have become an important part of the financial sector landscape in developing countries in particular.

Providers of microfinance range from 'formal sector financial institutions' at one end of the spectrum and 'informal providers (mostly moneylenders)' at the other end, and between these two extremes some semi-formal/microfinance providers (Basu 2006, p. 5) are present. The spectrum depicted in table 2 is, in fact, a microcosm of the global landscape of microfinance providers;

Table 2: Continuum of providers of microfinance

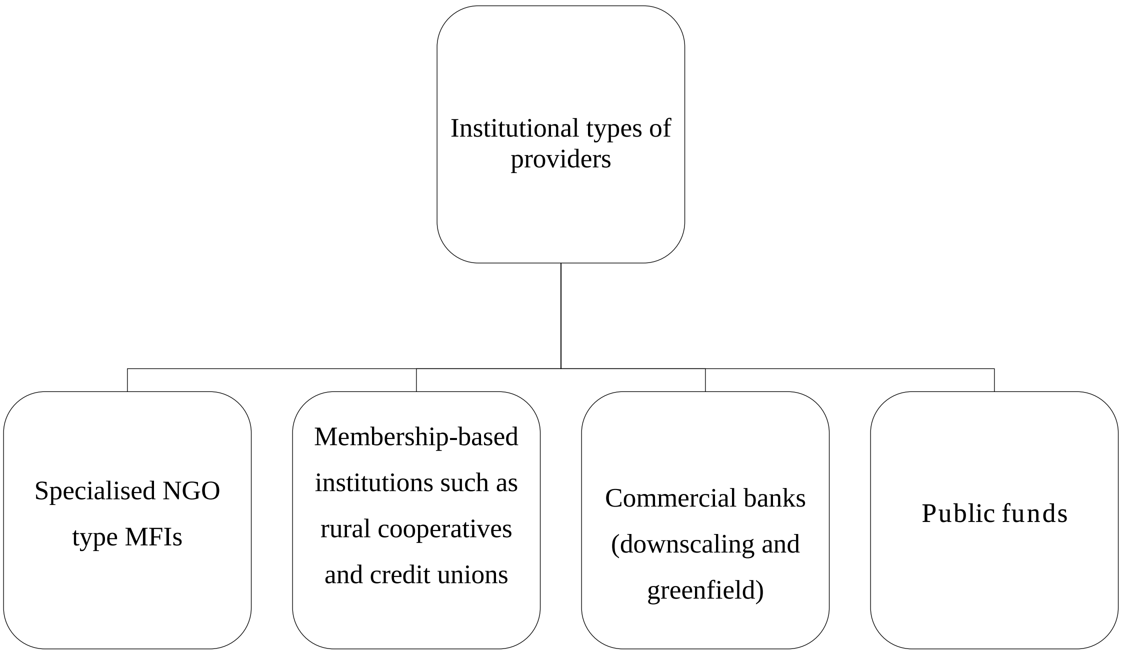
| *Formal* | *Semi-formal/microfinance* | *Informal* |
|---|---|---|
| Apex development banks | Microfinance institutions (MFIs)/NGOs | Moneylenders |
| Development financial Institutions (DFIs) | SHG-Bank linkage program | Trade creditors |
| Commercial banks | | Local shopkeepers |
| Regional rural banks (RRBs) | | |
| Cooperative banks | | |
| Insurance companies | | |

Source: Basu (2006, p. 6).

This shows that MFIs are primarily located within the semi-formal sector of the economy. MFIs are (Mersland 2009) diverse and complex institutions, and operate as (Hartarska & Mersland 2012, p. 19) 'either non-profit or for-profit organisations in which shareholders are quasi-owners (large institutional donors) or charities, and seldom regular private investors.' It is hence described as a unique form of the institutional type often similar to NGOs. Due to the unique and complex nature, MFIs are referred to as hybrid organisations or in the current context as social businesses (Yunus & Weber 2011; Hudon & Sandberg 2013; Kleynjans & Hudon 2016).

According to Bossoutrot (2005), Mersland (2009), and Asian Development Bank (2014) there are typically four institutional types of providers (regulated or unregulated) in the global microfinance delivery system (see Table 3):

Table 3: Institutional types of microfinance providers




Source: Bossoutrot (2005); Mersland (2009); Asian Development Bank (2014).

While MFIs are situated in the semi-formal sector; banks are part of the formal sector of microfinance providers. Nevertheless, as will be discussed later in detail, banks' involvement in the microfinance sector is very limited. The intricate nexus between the concept of money and banking is axiomatic. Since modern banking and finance rests on the availability of money it is imperative to examine the function of money to understand the banking sector and its role in microfinance.

## [redacted] money and banking

The banking sector is an economic agent and the function of money are hitherto inextricably intertwined. According to Foucault (1989, pp. 180-181) 'the domain, the ground and object of 'economy' in the Classical age is that of *wealth*, and the 'analysis of wealth' necessitated to understand notions of 'money, prices, value and trade'. Money act as a 'unit of account' to measure value in the economy, and it also functions as a 'store of value' that is a 'repository of purchasing power over time' (Mishkin 2009, p. 54). Money acts as a 'medium of exchange' replacing the 'barter economy' in which goods and services are exchanged directly with other goods and services. The core functions of money 'as a common measure between commodities and as a substitute in the mechanism of exchange, are based on the material reality' (Foucault 1989, p. 183). Money is also defined as a 'claim for real resources', however, in recent decades money has evolved from being simple 'means of exchange function' to a 'commodity on its own right' (Mouatt & Adams 2011, p. 41). Hence today, money is the 'core commodity of finance' (Coleman 2015, p. 86). The function of banking evolved around the institutionalisation of intermediation of money within finance and commerce as per historical metamorphosis of the banking system as discussed below.

## What is a bank?

Fundamentally, the banking sector is a founding pillar of the financial sector instrumental in creating financial intermediation in any economy. According to Freixas and Rochet (1997, p. 3), the first activity of banks was 'money changing.' Based on the etymology, the Greek word for bank is 'trapeze' which represents the 'balance' that early moneychangers used to weigh coins so that they could determine the exact quantity of 'precious metal' contained in the coins. Further, the Italian word for bank is 'banco' meaning 'bench' on which money changers used to place their precious coins. Modern banking originated during medieval and early Renaissance Italy; gradually dominated in Italy in the 14$^{th}$ century which then spread throughout the Roman empire and Europe during the fifteenth and sixteenth centuries. In the 17$^{th}$ century during the Dutch Republic, Amsterdam became the pivot of innovation for banking, followed by London during the 18$^{th}$ century.

The traditional role of a bank is to act as an intermediary between depositors and borrowers. Therefore, a bank is 'an institution whose current operations consist of granting loans and receiving deposits from the public' (Freixas & Rochet 1997, pp. 1-2). The word 'public' is decisive as banks provide unique services to the general public, namely 'liquidity' and 'means of payment' which differentiate them from other forms of financial intermediaries; hence strict prudential regulations are imposed upon them by regulators. Other basic functions include the business of transforming assets, creating diverse and broader financial instruments and products to cater to the varying needs of the market, and managing money. Banks are highly involved in ‘managing risks, and ‘processing information and monitoring borrowers’ (Heffernan 1996, p. 17; Freixas & Rochet 1997, pp. 1-2).

There are various forms of banks such as commercial banks, investment banks, savings banks, etc. as shown in table 1. However, the banks examined in this study, i.e. the National Australia Bank and ANZ Royal Bank are commercial banks**.**

Commercial banks mobilise resources from the public and use such resources for lending, discounting, and other financial operations. The resources comprise of demand deposits, short-term deposits and saving deposits, collected from both households and businesses. They play a larger role in the provision of credit and investment (Germidis, Kessler & Meghir 1991, p. 65). Commercial banks are the most regulated institutions within the financial sector and are consequently subject to strict licensing requirements. This is because they manage a significant portion of savings within the public domain and failure, or mismanagement of commercial banks can have devastating effects not only on the general public but on the economy at large. This is amply evident during financial crises such as the recent 2008-2013 Global Financial Crisis (GFC) (Santiso 2013), where most governments rushed to protect commercial banks in particular (Benedikter 2011; Institute of Social Banking 2014).

However, banks were instrumental in creating the GFC in the first place and since then there is a heightened criticism against the banking sector, bankers in particular. Continuing scandals involving banks and bankers have added fuel, a situation unfortunately of own making (Taylor & Clarida 2014). According to Colman (2015, p.86) ‘greed, incompetence, and dishonesty’ is easier to survive in the finance sector.[50] However, throughout history bankers and lenders, in particular, have been depicted as greedy and callous. In Dante’s Divine Comedy, usurers are consigned within the seventh circle of hell, peopled with vengeful Shylocks (Rodríguez & Santiso 2007). The banking sector is aware of the criticism, especially in the light of increased scrutiny by the regulators and the public alike. Globally there is a trend of ‘sustainable banking’,[51] nonetheless, the impact of such orientations is not sufficient to apprehend the

[50] Colman shows with evidence significant criminal financial activities by the bank as well by bankers. Chapter 5 under the heading ‘Crooks, scams and biases: grease of financial sector’ is especially interesting and includes large banking scandals that were reported in Australia too (see Coleman 2015).
[51] Banks are globally ranked based on the sustainability with the introduction of Dow Jones Sustainability Index. In 2017 Australian based Westpac bank ranked as the most sustainable banks for 10th year in a row (see Westpac Bank 2018). However, from the public point of view, such accolades have little impact on the perception of banks within Australia (see

systemic issues within the sector; in particular to improve the public perception of banks (Nitescue 2016). Also, the idea of ethical banking practice that emerged since the 2008 GFC is another encouraging sign.[52] Ethical banks operate on the ideal of 'banking on values' with a triple bottom line represented by 'three Ps', i.e. people, planet, and profits. Triodos Bank of Netherland is the most notable example of such a bank. However, 'social' and 'ethical' banking propositions are not yet mainstream nor have attained noticeable scale hence the impact of these banks is inadequate to impose a paradigm-shift within the global banking sector for good.

Mouatt and Adams (2011, p. 41) have argued that a conflux of innovation within the wider banking and financial sector is resulting in an unprecedented level of virtual wealth and as a result of this metamorphosis, the 'traditional banking sector' appears to be increasingly divorced from the 'real economy' and equally, the 'real economy' has evolved into something new and is not always well served by the traditional banking sector. Furthermore, as discussed prior, usurious practices and banks' resistance to serve the poor were the fundamental catalysts for the growth of the informal sector, and particularly for the emergence of microfinance spearheaded by NGOs and social activists.

From a technical point of view, it is important to understand the rationale as to why the banks are reluctant to serve the poor people let alone lending monies. Serving the poor is a high-risk proposition for banks primarily due to uncertainty about the repayment capacity of poor borrowers, because of their irregular/volatile income streams and expenditure patterns. In the absence of credit information, this drives up default risk. Such problems are exacerbated by the borrower's lack of collateral and difficulties in contract design and enforcement. Besides the transaction costs are high, mainly due to small loan sizes, the high frequency of transactions, the large geographical spread, the heterogeneity of borrowers, and widespread illiteracy (Germidis, Kessler & Meghir 1991, pp. 65-66). For private sector banks, their lack of rural branch network is an additional problem. The government policies have made things worse from the banks' perspective, creating a strict regulatory climate not conducive to lending to

Wishart & Wardrop 2018 ; Hargovan 2018).

[52] Following the 2008 financial crisis, banks that put people before profit have gained recognition and are growing in strength and number. They are called regenerative banking, ethical banking, values-based banking or sustainable banking; a growing number of banking institutions are reassessing their role in supporting the delivery of social, economic, and environmental impact. The Global Alliance for Banking on Values (GABV) calls these banking institutions sustainability-focused banks (see GAVB 2015).

poor in general; and rural banking in particular (Geramidis, Kessler & Meghir 1991; Robinson 2001, p. 9; Basu 2006, pp. 28-38; W. Smith 2006, p. 38).

Paradoxically, financial exclusion is more apparent in developing countries. According to Germidis, Kessler and Meghir (1991), the commercial banks in developing countries seem to favour large-scale borrowers in commercial and industrial sectors and focus their activities in urban areas. They termed this as the 'triple bias' in regards to both mobilisation and allocation of resources, which effectively limits the scope for effective financial intermediation due to a preference for urban over the rural, for large-scale over small-scale transactions, and for non-agricultural over agricultural loans (Germidis, Kessler & Meghir 1991, pp. 65-66).

Banks, similar to other businesses, have a window of opportunity to engage in social development, especially in microfinance as part of the Corporate Social Responsibility (CSR). According to Okoye (2009, p. 613) CSR is a contested concept like many other concepts in social sciences '…because it has attracted continual arguments about its proper meaning from its different users'. CSR is a concept that evolved on the premise that business entities are 'corporate citizens' in the society within which they operate, and they have a responsibility towards social issues like any other citizen whilst avoiding adverse environmental impacts (Brainard and LaFleur 2006, pp. 16-17). However, banks, being highly profitable/cash-rich organisations are most often do not do much to fulfil their corporate social responsibility. Even big banks such as large European Banks, according to Pérez and Rodríguez del Bosque (2012) use CSR as a tool deployed to create a corporate identity and corporate image. Though CSR is given prominent in their Annual Reports, in practice they fail to identify social needs required to be addressed. And 'the recognition of social duties, when carried out, is more vague and ambiguous in the banks' segment' (Pérez &Rodríguez del Bosque 2012, p. 156). Despite its controversial nature, the concept of CSR is important as banks ought to be involved in microfinance within their CSR frameworks due to their strengths in financial matters (Servet 2011).

## [redacted] banks in microfinance

According to Helms (2006), there is a trend of commercial banks and other financial service providers move down-market to cater to the poor and remotely located clients. Thus 'the border between traditional microfinance and the larger financial system has started to blur' and the meeting of such institutions in the middle, 'hold out the promise of serving more and more people' (Helms 2006, p. 5). These are encouraging signs. Nonetheless, considering the severe poverty persisting in the world and a significant number of people without access to financial services, banks do have a larger role to play. Banks are involved in microfinance in various forms, and large global banks such as Citi Bank, ABN Amro Bank, and HSBC do have footprints in microfinance, despite not being a mainstream activity.

State-owned banks like Bank Rakyat Indonesia (BRI) are considered as global role models for engaging in direct microfinance operations. Nevertheless, the state does have a responsibility for servicing the poor as such involvement of state banks in microfinance operations is encouraging but not a surprise. Private Banks do not have a perceived obligation to engage in a risky business like microfinance as they are predominantly focused on the creation of wealth for the shareholders. However, as discussed before, the commercialisation of microfinance has paved the way for private banks to consider engaging this 'market' for making profits while serving poor customer became normal/acceptable proposition.

Private banks are well positioned to advance the microfinance proposition with ease and competence as lending is their forte (Helms 2006). Banks involved in microfinance are broadly categorised as *"downscaling banks"* and *"greenfield banks"* (Bossoutrot, 2005, p. 17). Further, there is the third method by which commercial banks provide microfinance services, that is via *"partnerships"* with NGOs and MFIs which will be discussed later in this chapter in detail.

Downscaling is a process whereby existing mainstream banks, state-owned or commercial, enter the microfinance market and target lower-income individuals or smaller businesses (Bossoutrot 2005; Guichandut 2006). As noted by Robinson (2001) and Helms (2006), BRI is the most appropriate example which defies conventional wisdom about financing the poor, and such a concept made Indonesia a world center of sustainable microfinance. Indonesia could achieve such commendable success because of wide coverage (outreach) and institutional-self-sufficiency (profitability) (Helms 2006, p. 5; Siebel & Parhusip 2003; Robinson 2001, p. 67).

BRI is a traditional commercial bank established over a century ago (1895) and serves almost all market segments in the banking industry, including micro, small, medium-size, and large businesses, and both individual and corporate clients. The micro banking division of BRI is known as unit 'Desa system' which was set up purely to cater to the low-income people in the

1970s. It provides subsidised government credit to rice farmers. The micro banking unit grew from strength to strength and became a self-sufficient business entity within the bank and also contributed immensely to the other traditional banking divisions within the bank during difficult economic periods. BRI has more clients than any other bank in Indonesia due to urban and rural penetration caused by micro banking: small loans and saving services (Robinson 2001, pp. 58-59).

When an MFI/NGO providing microfinance gradually grows and transforms into a licensed commercial bank, it is called a Greenfield bank. Bolivia's BancoSolidario, known as 'BancoSol,' was created by PRODEM, an NGO that provides commercial credit to micro-entrepreneurs. It is the first bank in Latin America built to provide financial services for microenterprises, profitably, on a national scale (Robinson 2001, p. 67; Ledgerwood & White 2006). BancoSol is a genuine success story of a Greenfield bank, which was set up from the outset to cater to the financial needs of microenterprises. It managed to achieve sustainability as a commercial enterprise amidst serving a social cause of helping the poor. The largest commercial bank in Cambodia, ACLEDA bank which was established in 1993 as a national NGO, a jointly supported microcredit project of ILO and UNDP, gradually transformed into a fully- fledged commercial bank in 2003 (National Bank of Cambodia 2018), proving to be another excellent example.

The third method by which commercial banks are involved in microfinance is in the form of a partnership with an NGO or MFI (Helms 2006). Partnerships between MFIs and banks are fundamental to the research proposition; hence in the next section, I will examine the concept of partnership in a broader context.

## Partnerships [redacted]

The term *partnership* is used interchangeably with terms such as *alliances*, *strategic alliances*, *collaborations*, and *networks* in the business literature. The word partnership is considered to be a 'loose metaphor' (Andersen 2008) with a 'very high level of ambiguity' (Mackintosh 1992) and has become a 'fashionable political slogan' (Metcalfe & Lapenta 2014). Furthermore, 'an understanding of characteristics associated with partnerships is lacking' and therefore comprehending the meaning of the term partnership is challenging (Mohr & Spekman 1994, p. 135).

According to Andersen (2008, p. 3), 'partnerships can be observed as an attempt to find a functional answer to increasing dependence between societal systems, which at the same time are becoming increasingly different from one another.' Partnerships are purposive relationships to share resources and capabilities for mutual benefits (Mohr & Spekman 1994; Gulati 1995) and are 'voluntary arrangements between firms involving exchange, sharing, or co-development of products, technologies, or services' (Gulati 1998, p. 293). In this context, service industries such as banking and insurance, these capabilities include the sharing of specialised knowledge/know-how; banking is considered a knowledge industry (Mori & Mersland 2014).

Andersen (2008), and Metcalfe and Lapenta (2012) argue that the concept of partnership between institutions or organisations is not a new concept. According to Andersen (2008), before the Second World War, the concept of partnership was associated with relationships between individuals based on goodwill and trust, especially between friends or relatives. Partnerships between companies came into the limelight during the 1960s and 1970s as 'goodwill-driven relations' (Mowery 1987, p. 245). The new wave of inter-organisational corporation became an innovative concept during the mid-1980s in the form of networking to enhance synergy between the companies.[53] Since the mid-1990s the concept of partnership became an international phenomenon focusing on cross-sectoral cooperation. The wave of Public-Private Partnerships (PPPs) promoted cooperation between the public sector and the private sector for mutual benefit and provided the background for the formation of cross-sector development partnerships 'cutting across functional systems of communication' (Andersen 2008, p. 347). The cross-sectorial partnerships in fields such as economic development, health, education, poverty alleviation, and environmental sustainability became a method of addressing complex issues (Manning & Roessler 2014; Andersen 2008) which some referred to as "social alliances" (Sakarya et al. 2012 as cited in Manning & Roessler 2014, p. 527). Cross-sectoral partnerships for social development have become extremely important for example the seventeenth, or the last goal of the new Sustainable Development Goals (SDGs) is termed as 'partnership for the goals' suggesting the necessity for broader partnerships to achieve the rest of the 16 SDGs starting with the first goal of eradicating poverty in the world.

[53] This was especially evident in Italy, USA and Denmark (see Andersen 2008).

Understanding the rationale as to why organisations are enticed to form partnerships with other organisations is of paramount importance for this research. Austin and Seitanidi (2012a, p. 727) argued for the case for business and Not-for Profit (NPO) partnerships saying that 'the growing magnitude and complexity of socioeconomic problems facing societies throughout the world transcend the capacities of individual organisations and sectors to deal with them adequately'. The fundamental logic for an organisation to join another organisation is to achieve an objective that they are unable to achieve on their alone or 'resource complementarity', that is to obtain the resources each lacks but other possesses (Austin & Seitanidi 2012a, p. 729). From a business perspective, the primary motivational factor is to gain a competitive advantage in the market place. Accessing new markets, technologies, knowledge, and skills and the need to enhance the range of products/services are other factors influencing firms to form partnerships (Mowery 1987; Mohr & Spekman 1994; O'Reilly & Brunette 2014). Therefore, businesses form partnerships with each other to achieve various business objectives. Nevertheless, as banks are business entities with sole objective of profitability whilst MFIs are hybrid/quasi-business entities with profitability, as well as poverty alleviation as a goal, it is possible to form partnerships with the purpose of achieving the above-mentioned objectives of typical businesses plus the social objectives as is evident in the case of cross-sectorial development partnerships similar to PPPs. The only difference is that such partnerships require complex reconciliations of objectives alignment and may have a strategic development orientation. Moreover, if the partners are conscious as to the each stage of the partnership cycle such as (a) the formation phase; a firm deciding to initiate an alliance selects an appropriate partner, (b) the design phase; firm (and its partner) set up appropriate governance to oversee the alliance, and (c) the post-formation phase; firm manages the alliance on an ongoing basis to realise value, it is possible to form successful alliances (Gulati 1998; Acar, Guo & Yang 2012). However, there is limited research conducted on real motivations behind social alliances of formal business and voluntary organisations, let alone formal banks and MFIs.

[redacted]

[redacted]

According to Manning and Roessler (2014), and Mohr and Spekman (1994), one of the challenges in forming a partnership between a corporate partner and an NGO or a government agency is the difficulty, at least initially, to develop an awareness of social issues as a precondition for collaboration. Other challenges in cross-sector partnership include the lack of understanding about the potential partner, cultural incompatibility, and institutional dynamics. Furthermore, partnerships increase the complexity of organisational operations, impact autonomy, and result in information asymmetry, all of which are considered to be drawbacks of partnerships (Mohr & Spekman 1994; Manning & Roessler 2014).

Nevertheless, with interest to move down market by the formal banking sector (Helms 2006) and with the promotion of cross-sectoral partnership like Public-Private Partnerships or PPPs for development, there have been strategic reconciliations of the formal and informal sector financial institutions. Based on the same conceptual framework of development collaborations, partnerships may be created between institutions from different tiers or segments of the financial sector (Gallardo, Goldberg & Randhawa 2006), The need for broader partnerships among varying sectors is a long-felt need. This is due to the scale and magnitude of social issues that the world is confronting, in particular, poverty, which is the cause of many other social problems. According Scott (2003) NGOs often do not reach the poorest; they are too often unaccountable to their target groups and other stakeholders; they are not always efficient, effective, flexible or innovative, and they have trouble proving that policy changes can be attributed to their efforts (see Scott 2003, p. 20). Hence, he emphasised that broader partnerships are required between NGOs, governments and private companies to be able to eradicate poverty.

According to Malik (2015), there is an emerging trend of partnerships between NGOs and the corporate sector. Large corporations, ‘particularly multinational corporations (MNCs) become increasingly concerned about the impact of their activities in less developed countries’ (Malik 2015, p. 116). Hence, there is a shift towards forming partnerships between private companies and voluntary organisations. Such partnerships are possible and are an important necessity (Guichandut 2006).

In some cases, the assistance of third-party organisations is necessary to expand outreach, broaden clients’ access to varied financial products, and achieve financial sustainability. The experience of New Rural Bank of San Leonardo in the Philippines demonstrates that development partnerships can be instrumental to a newly-established licensed rural bank to quickly reach scale, size, and area of operations consistent with commercial viability, and financial self-sufficiency. Without the commitment of long-term resources from development partners, San Leonardo's goal of attaining sustainability would have involved a long period with less certainty of reaching profitability (Seibel & Parhusip 2003; Gallardo, Goldberg & Randhawa 2006, p. 23). Moreover, drawing from the alliances formed by the rural financial institutions (RFIs) leveraging business objectives is possible; according to the Gallardo, Goldberg, and Randhawa (2006, p. 2):

> Global experience indicates that a number of rural finance institutions (RFIs) have leveraged relationships with other organizations to achieve one or several objectives. These objectives generally fall into the same five categories of objectives found in business world strategic alliances: (i) expand outreach and market service areas, (ii) reduce and manage transaction costs, (iii) broaden clients' access to varied financial products, (iv) acquire new skills for management and staff, and (v) access additional technical and financial resources to achieve or enhance sustainability. At one end of the spectrum of relationships, some are development partnerships while, at the opposite end, others are strategic alliances.

As discussed earlier, formal banks are private enterprises primarily set up for the maximisation of profits, and the resultant shareholder value. In this context, partnerships between formal banks and MFIs are a challenging proposition. According to Calton et al. (2013, p. 722):

> Conventional bankers whose mental maps do not support the idea of ''partnering'' with people living in poverty find that they make little headway in micro-lending... By creating alignment among these often competing interests, the alternative mental maps offer the possibility of resolving tensions while simultaneously serving social and economic objectives. In so doing, not only do they have significant strategic potential but also do they have the possibility for high profitability.

However, as argued by Calton et al. (2013), once the mental maps in relation to resistance within banks are altered, it is possible to have a partnership which serves social (servicing the poor/financial inclusion, poverty alleviation) as well as economic (profits) purposes, whilst positioning the organisation in a significant strategic place. The important factor is the willingness on the part of the banks as the balance of power is rested with banks *vis a vis* MFIs. Also, it is imperative to have a regulatory environment that is conducive or have high-level policy directives to support partnerships between banks and MFIs as a prerequisite evident from the existing cases.

One of the recent studies conducted in Brazil by Diniz et al. (2014) examined how the information and communication technologies (ICT) platform helps to enhance microfinance operations through the partnerships of commercial banks and local MFIs within the context of the Brazilian corresponding banking model. Brazilian corresponding banking model refers to a program which encourages commercial banks to provide financial services through lottery outlets, post offices, and small retailers to provide financial products/services in economically underdeveloped areas with the use of ICT. The case examined is the partnership between an accredited MFI, Banco Palmas and two major banks-Banco do Brasil and Caixa Economica Federal (Diniz et al. 2014). The research focused purely on the ICT; that is how the communication technology has been used to facilitate savings and money transfer systems and did not cover broader parameters. On the other hand, the research has a bias towards commercial banks as it focuses on the downscaling strategy of commercial banks in Brazil with the use of ICT as per the corresponding bank model espoused by the Central Bank Brazil. Moreover, with the increased/stricter global banking regulations in relation to 'Anti-Money Laundering' (AML) and 'Counter-Terrorism Financing'(CTF) banks are far more careful and vigilant in using the corresponding bank model as banks are responsible for 'Know Your Customer'(KYC) policy which ensure they have identified the customer at the time of account opening and dealing with them on day to day basis.[54] In this context, banks subject to stringent regulatory and compliance standards, and the fines for non-compliance or breach of these laws are exorbitant in addition to the reputational risks. Therefore, formal banks are cautious and reluctant to associate with less regulated institutions like MFIs representing the informal sector as they are exposed to vulnerabilities and risk paradigms of that sector.

India is a leading incubator for innovative partnership models for banks and MFIs. A large poor population dispersed across the country demands such partnerships for the provision of financial services. The original bank-led partnership model for microfinance was derived when the National Bank for Agriculture and Rural Development (NBARD) in India financed Self-Help Groups (SHGs) through the SHG-Bank linkage program (Kamath 2008; Kaur & Kohli 2012). Basu (2006, p. 6) refers to this as the 'linkage approach,' which involves linkages between banks, NGOs and SHGs. Under this approach, women's SHGs are linked to the rural branches of commercial banks, Regional Rural Banks (RRBs), and cooperative banks (Seibel

[54] The laws relating to banks became stricter globally as a result of the 11 September 2001 (known as 9/11) terrorism attack in USA. Hence, the account opening, identification process, and funds transfer are much stricter to avoid terrorism financing and money laundering. Banks are very careful in using third party organisations for extension of banking services as result of these changes now (see Norton & Shams 2002).

& Parhusip 2003; Basu 2006, p. 6; Bali Swain 2012). Following the NBARD initiative, Reserve Bank of India promoted the SHG-bank linkage approach among the other commercial banks showing how the regulators could be instrumental in facilitating /supporting such programs.

Another example is that of ICICI bank, which has become one of the largest banks in India. Moreover, it is one of the leading banks in the world in relation to forming partnerships with NGOs and MFIs for the provision of microfinance services. ICICI bank engages with MFIs, NGOs and directly with borrowers (via SHGs) through partnerships. ICICI’s engagement/partnerships could be categorised under three models. The first model is the self-help group (SHG)-bank linkage model where banks directly deal with SHGs. The second model is the financial intermediation by a microfinance institution where ICICI directly funds the MFIs for their funding requirement for lending. The third model is the partnership model where MFIs lending monies on behalf of the ICICI and the records of loans are in the books of ICICI and not on MFIs (Ananth 2005; Kamath 2008; Kaur & Kohli 2012).

Also, in India, Mann Deshi Mahila Sahakari Bank (MDMSB), an MFI based in the city of Mhaswad, entered into a partnership in 2006 for the provision of microfinance services with HSBC (one of the largest multinational banks in the world) in 2006, (Shinde 2014). In the developed country context, ABN AMRO bank based in the Netherlands, also one of the largest banks in the world has entered into a partnership with Qcredits, an organisation that is engaged in microfinance in the Netherlands. This partnership is through the ABN AMRO Foundation, which is the bank's vehicle for managing corporate social responsibilty (ABN AMRO 2014).

The partnership between Good Shepard Microfinance and National Australia Bank in Australia, and Hattha Kaksekar Limited and ANZ Royal Bank in Cambodia are two examples of partnerships that will be discussed in the next chapter in detail.

Overall, it is evident that MFIs and banks form partnerships in various forms. The ‘SHG-bank linkage’ approach at its core is the direct form where the bank is partnered with a group of borrowers/SHGs as the name suggest. The model espoused by the ICICI Bank in India is where the banks engage with an MFI as an intermediary/partner institution lending to SHGs (Bali Swain 2012). Therefore, the linkage approach has contributed immensely to the promotion of microfinance partnership concept especially among the banks in India. On one hand, partnerships between MFIs and banks have immense potential to increase the financial inclusion. On the other hand, such partnerships have the capability of strengthening partnering MFIs to negotiate with tenacious challenges encountered by them within the microfinance sector. In this context, it is necessary that we examine the major challenges faced by the MFIs, and how MFI-Bank partnerships may help MFIs to overcome those challenges.

## [redacted] challenges of MFIs [redacted]

As discussed earlier, MFIs are considered to be unique institutions engaged in quasi-banking activities.[55] They are predominantly NGOs/Not-For-Profit organisations or have transformed as MFIs still possessing embedded characteristics of NGOs/Not-For-Profit sector. There is a plethora of challenges for providers of any form of services to the poor people; the greatest challenge for the provision of financial services to the poor is reconciling outreach and sustainability (Harper 2003). The outreach also refers to as 'scale'[56] occasionally in the literature and is measured by the number of borrowers while sustainability is measured by the level of profitability[57] (Helms 2006; Hartarska & Mersland, 2012, p. 22).

Outreach is the extent to which the financial system and their instruments reach the poor directly. Reaching greater numbers would help the poor to increase their participation in market processes and in turn empower them in political processes. Increased outreach is key for poverty reduction (Schneider 1997). Harper (2003) argues that the debate on poverty outreach will never end, as microfinance 'generally does not, and probably should not, directly reach the very poorest people' (Harper 2003, p. 7).[58] As discussed earlier, microfinance is for the economically active and not for the ultra-poor who require direct assistance through welfare arrangements to meet the basic needs

---

[55] Non-Government Organisation based Microfinance Finance Institutions (NGO MFIs) have spearheaded the development of the microfinance industry in many countries of Eastern Europe and Asia. Most were initially established and capitalised by donors. Most NGO MFIs are registered as non-commercial organisations. As such, their operations are governed by the civil code and the law on non-commercial organisations. Confusion has arisen from the fact that MFIs operate under the framework of non-commercial organisations but, in fact, carry out quasi-banking commercial activities by lending money and charging interest on their loans (Bossoutrot, 2005, pp. 41-42).

[56] Helms argue not only the scale (outreach) but the depth meaning reaching out to more poor people is important (see Helms 2006). This is important to void mission drift by MFIs to keep them within the scope of reaching out to poor people than just expanding their business.

[57] However financial performance is measured by the return on assets (see ibid).

[58] According to Harper practitioners use the term ''the economically active poor'' to identify the poor people reached by the MFIs (see Harper 2003, p. 7). These poor people are not the poorest segment within the poor.

To be sustainable or financially self-sufficient, any financial institution should be able to cover at least 'operating costs, including loan loss provisions, the cost of funds, and inflation through the income earned from fees and interest' (Rhyne & Otero 1994, p. 17). The importance of sustainability is that it will, in turn, facilitate the MFIs to reach scale (Hamada 2010), and it is imperative to ensure continuity in the provision of financial services; however, in reality, some microfinance lenders may never become sustainable (Bossoutrot 2005).

Similar to any business enterprise, microfinance lenders are subject to a variety of internal and external factors that can impact their operations and restrict their chances of reaching sustainability. These factors may include lack of professional skills, poor governance, unfavourable market conditions, and unfavourable operating, legal and political environment. Also, (Bossoutrot 2005, p. 57) 'some microfinance operations set up in economically depressed or postconflict areas may be developed from the onset with a strict poverty alleviation focus that precludes profitability.' Also, another major challenge for MFIs is the lowering cost of services to the poor (Helms 2006) which stems from the high operational cost/labour intensive nature of provision of services, and some argue that it is due to inefficiency which is inherent to non-private organisations (Scott 2003).

Armendariz and Morduch (2010, p. 5) argue that the claim most MFIs today are both serving the poor and making profits is a 'myth' while in reality 'profitability has been elusive for many institutions'. Good banking practices do matter for MFIs to move forward and to be profitable; hence partnerships with commercials banks provides an excellent opportunity for the MFIs to learn good banking practices within the financial services industry, necessary for their growth and survival.

Schneider (1997) carried out a study focusing on the issues in relation to the 'transaction costs of lending to the poor' and the 'transaction cost to the micro-borrowers'. The study compared the transaction cost of banks in lending to the poor through various channels and found that transaction costs were much lower where banks used NGOs and SHGs[59] as intermediaries. It also suggested that the use of such intermediaries significantly improved the commercial

[59] Promotion of SHGs is likely to give rise to a range of benefits in addition to access to credit. Participants are likely to benefit from the training and skills that they acquire through participation in groups. While it could be argued that they should be paying for these benefits, their low income and the heavy subsidies typically given to other forms of education and training in many countries provide for a strong argument for public support. Moreover, there are likely to be significant positive externalities in terms of community development, leadership etc. which do not accrue to the individual participants (see Schneider 1997, p. 82).

viability of lending to the poor for banks. While more research is needed, looking at a large number of cases and more mature programmes, the results support the central premise of the 'Banking with the Poor' project which is the notion that a linkage with NGOs and SHGs can enable banks to provide credit to the poor on a commercial basis (Schneider 1997, p. 82).

The dearth of sound leadership with strategic management skills is another challenge in the microfinance industry and (Mondal & Peters 2012, p. 8) 'microfinance's ability to serve the poor may be in jeopardy unless leadership within the microfinance industry recognizes and responds to the current crossroads.' The financial sector markets are sophisticated and complex hence competent and professional leadership is an imperative for MFIs, especially due to its assimilation into the financial sector proper as a result of phenomenal growth during the last two decades. Therefore, there is a need for improvement of standards of the leadership and management expertise within the microfinance sector thus partnership with banks has the real potential of enhancing/improving the skills of leaders in the microfinance sector as a result of learning and transference of skills from the banking sector to MFIs.

According to Mori and Mersland (2014), the lack of governance was found to be the most important risk factor in the industry. Good governance is required to ensure the sustainability, strategic vision, and transparency of the organisation (Mori & Mersland 2014). However, there is hardly any qualitative research available to understand the broader issues in relation to organisational dynamics, and the impact on the organisation when partnering with a commercial bank in relation to leadership and governance. Nevertheless, such partnerships naturally demand a high level of governance and compliance framework from the MFIs as banks are highly regulated institutions subject to tight supervision; thus, any partnership they entered into imperatively sensitive to compliance. This was vividly evident in the two case studies that have been examined for this research.

In the context of partnerships, differing priorities and expectations associated with financial intermediation and their social goals can easily conflict with each other. They can also be managed and complement each other when the specific functions of each are respected and kept sufficiently apart (Schneider 1997, p. 14). Therefore, strategies discussed, such as 'strategic alliances,' 'partnerships' or a 'linkage-approach' between banks and MFIs are immensely beneficial to circumvent negative factors affecting MFIs while helping to enhance the outreach and sustainability. At the same time, microfinance institutions will be able to tap into and channel funding/capital sources, share resources, use areas of expertise, learn and build human resource capacity.  Also, traditional banks which are not willing to bank with the poor due to various self-defined risk parameters and cost issues involving small transactions will be able to reach them and enhance their business through microfinance institutions. The most profound impact on the banks is the positive impact on the image, thus the upliftment of their corporate image in the society. These kinds of partnerships will be mutually beneficial; while this approach is one important way in which the banking sector will be able to redefine its place in social development.

On the other hand, a partnership between the MFIs and banks jointly will be able to solve the issue of financial exclusion. As discussed before, microfinance does play a monumental role in the financial inclusion space. Lower transaction cost and proximity to delivery channels like branches are enablers for financial inclusion (Allen et al. 2016).[60] Therefore, the partnership will be able to share networks/delivery channels of MFIs and banks thus increasing the outreach, which is a ‘quick-win’ and a tangible outcome in reaching more people thus increasing financial inclusion.

## Conclusion

The aspirations behind microfinance are not new. Since the 1970s, microfinance has evolved to become an intricate and integral part of current development strategies.  At the outset, the primary objective of MFIs was to alleviate poverty, yet as a result of changes in the global political economy, among other things, MFIs have been compelled to re-invent themselves. As a result of depleting donor funds, NGO based MFIs have faced immense challenges of sourcing funds/capital. The standing for MFIs within the financial markets is limited because MFIs are part of the semi-formal sector, a sector that is yet to gain credibility as a recognised part of financial markets that are predominantly controlled by formal financial institutions like banks. Such factors influenced a trend of commercialisation that forayed in the 1990s; hence MFIs have been compelled to make profits, not only to qualify to access funds from the financial market but also for their own survival/expansion as well. The addition of the profit objective

[60] Allen et al. argues that stable political environment and strong legal rights are also extremely important for improving financial inclusion (see Allen et al. 2016).

along with the social objective of poverty alleviation has resulted in defining MFIs as organisations with a ‘double bottom-line’.

Banks have evolved with the concept of ‘money’ and have become the most vital part of financial intermediation and the formal financial sector of the economy. Due to their direct engagement with the public as the primary deposit mobilisation machinery within the financial services industry, banks are highly regulated in order to protect the general public interests. Also, the safety of the banks ensures smooth functioning of the economic activity. However, the private banks operate as profit maximising corporations, servicing primarily to enhance the shareholder wealth with the single objective of making profits. Banks have been in the limelight for many centuries attracting criticism as a powerful organisation lacking social consciousness. There is a trend of ‘sustainable banking’, especially as a result of global ranking programs like the Dow Jones Sustainability Index. However, public trust is still an issue, and little has changed regarding public perceptions. Another notable trend refers to ethical banking proposition where a group of banks promote ‘banking on values’ especially with the concept of the triple bottom line; people, planet, and profits, however, those emerging ethical propositions are yet inadequate to make a paradigm-shift in the banking sector for betterment.

Semantically, the word partnership has evolved as a business term. During the 1960s -1970s partnership was goodwill driven whereas in 1980s it became a business strategy to exploit the synergetic capabilities of organisations. In the 1990s the idea of cross-sectoral partnerships became an important concept spearheaded by the wave of Private-Public Partnerships between various sectors such as public, and voluntary.

The existing body of knowledge sheds little light on the partnership between the corporate sector and voluntary organisations/NGOs, let alone on partnerships between banks and MFIs. As discussed, the only notable study is a Brazilian case in relation to the impact of ICT on a partnership between two commercials banks and MFIs; nevertheless, this study is from a business perspective confined within a special program initiated by the Central Bank of Brazil. Moreover, Indian partnership models such as SHGs-banks linkage model innovated by the NBARD’s and ICICI Bank’s forms of collaborations with MFIs for the provision of microfinance services are conspicuous examples of existing limited partnerships of this nature globally.

Similar to any other business alliances, partnerships between MFIs and banks are considered as symbiotic relationships where both parties are supposed to be reaping reciprocal benefits out of the partnership. Nevertheless, there is a nuanced expectation that such relationships should help MFIs in particular, to confront challenges faced by them, chief among them are increasing outreach and maintaining sustainability. Therefore, these partnerships ostensibly preordained to strengthen the institutional and human resource capacities of MFIs, help reduce costs, improve access to capital thus contribute to improving the bottom line profits/sustainability which directly facilitates the outreach. One other imminent contribution of partnerships is the impact on financial inclusion, which in turn solicits the opportunity for formal banks to engage in addressing social issues. In this context, partnerships between MFIs and banks will be able to contribute to reducing poverty and financial exclusion while increasing choices for the destitute/neglected populace; therefore, directly contributing to the inclusive development.

Chapter 3

# [redacted] *a case study in Cambodia*

## Introduction

In this chapter I will be presenting a comprehensive analysis of the Cambodian case study. The purpose of this chapter and the succeeding chapter is to address the first research question; 'what are the fundamental motives and factors that influence microfinance institutions (MFIs) and commercial banks to form partnerships, and what are the operational structure and dynamics of such partnerships?'

Cambodia is a post-conflict developing country. Social, political, and economic structures were decimated during the brutal Khmer Rouge regime under its notorious leader Pol Pot, who was responsible for the genocide of over two million people. As a post-conflict developing country, access to finance was a dire need for rebuilding the economy and accelerating development. In this backdrop, the microfinance sector was pivotal for providing finance for poor farmers in particular and has been a significant contributor to the reconstruction of the economy. In present-day Cambodia, microfinance sector still is a conspicuous and vibrant part of the financial sector landscape hence a key development actor. Therefore, the microfinance partnership is contextually pertinent to the development and poverty alleviation endeavours.

The partnership examined between HKL and ARB is a revolutionary alliance in a country where financial dualism still vividly exists with a clear delineation of formal and informal sectors. Besides, MFIs are still considered as less-trustworthy by the banks as inferior institutions. Therefore, a reputable bank partnering with an MFI is a special phenomenon; touted by the regulators as the long-awaited bridge between the informal and formal financial sectors in Cambodia. Therefore, examination of this partnership provides immense insights regarding microfinance partnership from the developing country perspective. Moreover, it helps understanding of newly formed partnership that characterises the negotiation and formation phases within the partnering cycle. The genesis and motivations for the partnership were commercially driven yet beneficial to the MFI for enhancing sustainability through cost-reduction. Moreover, the partnership model examined offers a unique case to be replicated by others in future.

First, I will present an economic and poverty profile of Cambodia followed by an introduction to the financial sector and regulatory framework within which the partnership operates. Then, I will explore the microfinance landscape of Cambodia in detail before introducing the partners of the case study namely, HKL and ARB. This will be followed by an examination of the genesis and formation of the partnership including the objectives and motivations of each partner, dynamics of the partnership, and the operational model drawing from the field data.

[redacted]

[redacted] 3: Map of Cambodia


Source: Nations Online Project.

[redacted]

---

[redacted]

[redacted]

[redacted]

## [redacted] Poverty Profile of Cambodia

[redacted]

[redacted]

Poverty is still a major challenge. Cambodia has a poverty rate of 14 percent (ADB 2018). Furthermore, 70 percent of the population still live on less than USD $3 a day hence remain just above the poverty level and vulnerable/at the risk of falling back to absolute poverty due to unforeseen socio-economic shocks (ADB 2018). According to World Bank (2018) associated with the poverty are the challenges in health and education; 32 percent of children under five are stunted and secondary level school completion is only 57 percent, well below the average for lower-middle income countries. Moreover, 70 percent of the population does not have access to clean water and 58 percent do not have access to decent level of sanitation (World Bank 2018).

Exacerbating complexity of poverty dynamics, 90 percent of poor are living in rural areas (World Bank 2014). According to ADB (2014) rural poverty is a profound issue. Sok (2017, p. 6) argues that 'the current pro-poor growth development has failed to provide sustainable livelihoods to the majority of the rural population in Cambodia which currently survives on subsistence agriculture and unstable, low wages'. She also states that in addition to the higher income inequality, other major concern for rural poor is the lack of assets to improve productivity (Sok 2017). As a 'coping strategy' of poverty, some poor people migrate, in particular to Thailand, through porous borders as illegal migrants seeking temporary means of income sources (Bylander 2015, p. 141). In addition to the statistical evidence, for an ethnographer, poverty is physically evident. The school aged poor children begging with torn-clothing amidst busy traffic and dust remind the observer that poverty is real and present.

Despite poverty, the Cambodian economy has been growing at a consistent long-term rate of seven percent and is expected to grow at the same rate from 2017 onwards for the medium term (NBC 2017a). The sectors that drive the economy are textile (apparel), tourism, construction, and real estate. One of the major challenges for the country's monetary policy is the dollarized economy as a high percentage of the transactions in the economy are conducted in US dollars instead of local currency, Cambodian Riel. For example, street vendors and 'tuk-tuk' drivers accept US dollars.[62] I found that any transaction can be done using US dollars and the vendors would give you change either in Riel or a combination of Riel and the dollars. Currency exchange outlets are easily accessible.

The agricultural sector is an important part of the Cambodian economy as ninety percent of people are living in rural areas and dependent on agriculture for their livelihood (WB 2018). As a result of extreme seasons/natural hazards (droughts and floods in particular) Cambodian farmers are subject to severe vulnerabilities (Sok & Yu 2015). And, Mochizuki et al. (2015, p. 332) argues that despite the dire need to improve the inadequate irrigation infrastructures, there is a lack of concentrated effort by the authorities due to 'cognitive, institutional, and economic barriers'. A senior official of an MFI was very critical about the inadequate support extended to agricultural the sector by the authorities. MFIs are key financiers for the poor farmers in rural areas in the country and they do not want farmers to fail. Therefore, MFIs play a key role within the development-focused financial sector of Cambodia.

## Financial sector [redacted]

The financial sector of Cambodia had to be built from ground zero because during the Khmer Rouge regime, the country's Central Bank, the National Bank of Cambodia was closed and sanctioned the use of Khmer Riel, the local currency (NBC 2015). The financial sector is regulated and supervised by the National Bank of Cambodia (NBC) as the nation's central bank. NBC broadly categorises the financial institutions into four types: Commercial Banks (the minimum USD $75 million paid-up capital); Specialised Banks (the minimum USD 75 million paid-up capital); Microfinance deposit-taking Institutions (MDI) (the minimum capital USD $30 million) and Licensed/Registered Microfinance Institutions (the minimum capital US $1.5 million (ABC 2018). The snapshots of the financial sector institutions as per the 2017 Annual report of NBC are outlined below in table 4.

[62] As explained in note 38, 'tuk-tuk' is a autot rickshaw/taxi that is being used in countries such as Cambodia and Thailand.

Table 4: Snapshot of Cambodian financial sector

| Banking Institutions | | Microfinance Institution | | Other Institutions | |
|---|---|---|---|---|---|
| Commercial Banks | 39 | Deposit Taking Institutions | 7 | Representative Offices | 6 |
| Specialised Banks | 15 | MFI | 69 | Leasing companies | 11 |
| | | Rural Credit Operators | 313 | Third Party Processors | 15 |
| | | | | Money Changers | 2,476 |

Source: NBC 2017.

The National Bank of Cambodia (NBC) is the licensing and primary supervisory authority for banks and MFIs. The primary law that governs is the Banking and Financial Institutional Law, and there are two separate Prakas (proclamation/decree/regulation) for banks and MFIs. The Prakas B7.00-06 issued by the National Bank of Cambodia (NBC) in 2000, stipulated the registration and licensing requirements of MFIs in Cambodia as per the table 5 below,

Table 5: Registration and licencing requirements for MFIs

| Registration is compulsory* | A Licence to operate is compulsory* |
|---|---|
| Loan portfolio outstanding equal to or greater than KHR** 100 million. | Loan portfolio outstanding equal to or greater than KHR 1,000 million |
| Savings mobilized from the general public amounting to KHR 1 million or more. | 1,000 borrowers or more. |
| 100 depositors or more. | Savings mobilized from the general public amounting to KHM100 million or more. |
| | 1,000 depositors or more. |

Source: NBC 2017 and CMA 2017.

** That meets one or more of the criteria. ** Khmer Riel.*

Also, licensed MFI must comply with the following prudential regulations (see NBC 2017; CMA 2017).

(a) Capital guarantee deposit of 5% percent of capital;

(b) Reserve requirement of 5% of total voluntary deposits;

(c) Capital adequacy ratio of 20%;

(d) Maintenance of liquid assets of at least 25% of total voluntary savings;

(e) Aggregate loan commitment to an individual borrower or a group of borrowers that does not exceed 10% of new worth

However, in addition to the licensed MFIs, there are a significant number of unlicensed microfinance providers. These unlicensed MFIs are predominantly NGOs which are registered with the Ministry of Interior. They are referred to as 'rural credit operators'. They are fundamentally set up for various social projects, with microfinance operations under the banner of 'helping people in rural areas' for creating jobs and supporting businesses. On this basis, they are able to provide microfinance operations without registering with the NBC avoiding stricter controls. Unlicensed NGOs are NBC's concern, and the Ministry of Interiors have jointly issued a Prakas (decree) asking such operators to register with the NBC so that they have a better understanding of all forms of microfinance providers. In order to restrain predatory lending practices, NBC introduced an interest rate ceiling of 18 percent in March 2017. This move has been criticised as a political manoeuvre rather than based on market conditions and insights. The concern is that high interest rates are charged for smaller loans; hence there is concern whether this will compel the MFIs to stop offering small loans to the most vulnerable people.

The majority of the respondents were confident and satisfied in relation to the role of NBC as the primary regulatory body. However, there was criticism from one senior MFI manager who was not happy with the support and guidance for implementation of risk management and compliance frameworks for MFIs. He opined that NBC had 'little knowledge' hence unable to support MFIs in this regard. Apart from NBC another important institution that operates as a self- governing peak body for MFIs is the Cambodia Microfinance Association (CMA).

CMA is the apex representative body for MFIs, established in 2004 as an NGO registered with the Ministry of Interior. The Law on Banking and Financial Institutions introduced a new regulation stipulating all financial service providers to be a member of a single professional association similar to the Association of Banks in Cambodia (ABC) which required compulsory membership from all banks (NBC 2018). Subsequently, in 2007, the NBC recognised CMA as the representative body of MFIs. Linking CMA to the professional financial services sector, CMA became a member of ABC. For all MFIs registered with NBC, becoming a member of CMA is compulsory. And, as the apex body of MFIs, they regularly engage with the government and NBC for policy issues whilst being the front organisation for advocacy.

### [redacted] microfinance sector

[redacted]

The microfinance sector in Cambodia has grown tremendously during the last ten to twelve years. According to a senior manager of an MFI in Cambodia, the microfinance sector was unknown and not trusted by the community, while this was not the case 10 years ago. The program director of an international organisation involved in microfinance stated that he had seen 'massive development' regarding the evolution of microfinance as a professional and vibrant sector during the past decade. Corroborating this from a banker's perspective, a senior banker with international experience, stated that MFIs in Cambodia are 'very visible and very large' and a 'very important part of the financial economy'. He also stated that the selected large MFIs are well managed and considered as a 'noble business model'. A senior executive of an MFI who is considered a pioneer in the Cambodian microfinance sector believes that the sector has had a considerable influence on the development of Cambodia, especially in rural areas through uplifting living standards. According to him, the major contributory factors for the growth of the sector are: support from international development programs; a political environment that encourages a free market; support and intense involvement of the financial sector regulator (NBC)/government; and the sector is led by private microfinance entities/private investors rather than public/state. He was of the opinion that if the microfinance sector is spearheaded by the government, it would not have sustained. A snapshot of the microfinance sector is given below in Table 6.

Table 6: Cambodian microfinance sector (as of December 2017)

| | |
|---|---|
| Number of MFIs | 70 |
| Number of Borrowers | 1,849,246 |
| Loans (in USD) | $4.256 million |
| Number of Depositors | 1,955,575 |
| Deposit (in USD) | $1,999 million |

Source: CMA 2018.

The microfinance sector in Cambodia is facing a myriad of bottlenecks and issues; chief among them is the intense competition within the sector due to new operators entering the market and the saturated market conditions, felt by almost all the senior executives/respondents of MFIs. Competitive forces within markets are good for the consumers. A senior executive of an MFI noted that the bargaining power of customers is high and increased market knowledge is favourable 'but when it becomes beneficial for customers it becomes a concern for the institution'. He states that competition is further intensified as a result of some banks moving down-market and catering to microfinance clients. Another factor that complicates the microfinance market therein is the significant number of small NGOs operating as 'credit operators' in rural areas, not registered with the NBC hence evading supervision and control.

The penetration of a larger number of MFIs in a saturated market has egregious externalities. Some providers use less stringent credit criteria with less emphasis on repayment ability or cash flow; seemingly some reduce loan conditions to facilitate more loans. As a result, over-indebtedness surges among poor people; it is quite common for people to have three to four loans with different lenders. Besides, mission drift has become an issue as MFIs use strategies to increase profits with less emphasis on catering to deserving low-income people. As noted prior in Chapter two, programs such as the SMART campaign, certification of MFIs for ethical treatment of clients and appropriate product offering are timely interventions in order to reinstate moral and ethical lending practices. According to a senior officer at CMA, the main dilemma for MFIs is to balance the notion of social solidarity with that of profitability. As a result, they actively support the implementation of the ‘Smart campaign’ among member to become certified for client protection principles.

Increased competition and new entrants to the market create further issues for MFIs from a Human Resources (HR) perspective as the new entrants recruit/absorb experienced staff from established MFIs. Therefore, one MFI HR executive stated that whilst they have invested heavily in the training and development of their staff, the new MFIs will obtain the benefits by recruiting experienced staff from established MFIs. In this context, the apex body for MFIs’, CMA is leading the skill development and training for MFI staff which is extremely useful.

Furthermore, as a result of a lack of literacy[63] and education among the general populace, especially in rural areas, popularising cost-effective technology for micro-banking is also difficult. Despite the increasing rural trend of using mobile banking using phones, some of them still use an agent/third party to help them ‘for a fee’ as they are unsure or unconfident when using technology. According to one of the senior officers, there was an instance where a client was unwilling to use the ATM due to lack of confidence or trust in the machine and therefore wanted to come to the branch for all financial transactions.

Similarly, the banking sector has its own difficulties despite significant growth.[64] Some of the international bankers are skeptical about the banking system in Cambodia. One bank executive stated that the banks are not ‘open and transparent’ and ‘I would not trust most banks in Cambodia as credit ratings are still not published and audit controls and risk controls have not been properly scrutinised’. Another senior banker stated that there is a significant gap compared with the international standards around policy, processes, and credit appetite that the banks in Cambodia subscribe to; particularly he had concerns over the ‘irrational pricing’ and ‘challenges around the risk base and risk appetite positions’ of the banks. A high level of competition is the major challenge for the sector, and a significant number of banks ostensibly create an overcrowded market according to the senior bankers.

[63] According to 2015 statistics, literacy rate in Cambodia is 80.53 percent (see UNESCO 2019).

[64] According to the NBC, the banking sector recorded a healthy growth in recent years and in 2016 experienced a decent growth at a lower pace. Bank assets reached to USD $27.8 billion with a growth of 17.4 precent, while deposits stand at USD $15.4 billion US dollars with a growth of 20.7 precent. Credit supplied by the banks increased to USD $17.6 billion with a 18.3 percent increase (See NBC 2017b).

In the context of economy, financial sector, and microfinance landscape discussed above, Hattha Kaksekar Limited and ANZ Royal Bank are prominent and respected financial institutions in Cambodia. The partnership between aforesaid institutions is the first MFI and bank partnership therein.

## Hattha Kaksekar Limited

The current President and the Chief Executive Officer of the HKL is the pioneer figure who was instrumental in transforming HKL from a small rural credit component of a development program to the fourth largest MFI in Cambodia (CMA 2015). It is appropriate to refer to him as the father of HKL. In 1992, following research conducted by the Cambodian-Canada Development Program (CCDP) in relation to the economic and development needs of Cambodia, a food security project was established by OCSD/OXFAM-Quebec in the Pursat province which is situated 189 kilometers north-west of the capital Phnom Penh. The project started in 1994 with development programs focusing on agriculture, education, infrastructure, and rural credit. The credit program targeted rural people in four communes of Pursat province and became successful within a year; hence the project team decided to separate the credit program from other development programs while setting up an NGO. In 1996 an NGO was registered with the Ministry of Interior under the name 'Haththa Kakseker', (meaning 'farmer's hand') or 'helping hand for the farmer' in Khmer. The Head Office was originally established in the Pursat province and successfully expanded from one province to another, specialising in providing credit to rural people, farmers in particular.

In the year 2000, in response to a Prakas (decree/regulation) of NBC, all microfinance operators were required to transform into cooperatives or limited liability companies. Hence, the NGO was transformed into a limited liability company known as Haththa Kakseker Limited with the incorporation of new shareholders in 2001. Another major milestone was becoming a Micro-Finance Deposit Taking Institution (MDI) after obtaining a deposit-taking license from the National Bank of Cambodia. HKL has a branch network of 157 (57 branches and 100 Sub-branches) across 25 provinces with 102 ATMs (HKL 2017). HKL was also the first MFI to introduce mobile banking in rural areas.

The vision and mission of HKL provide an understanding of the strategic direction of the organisation. According to HKL's 2015 Annual Report, the vision and the mission respectively are:

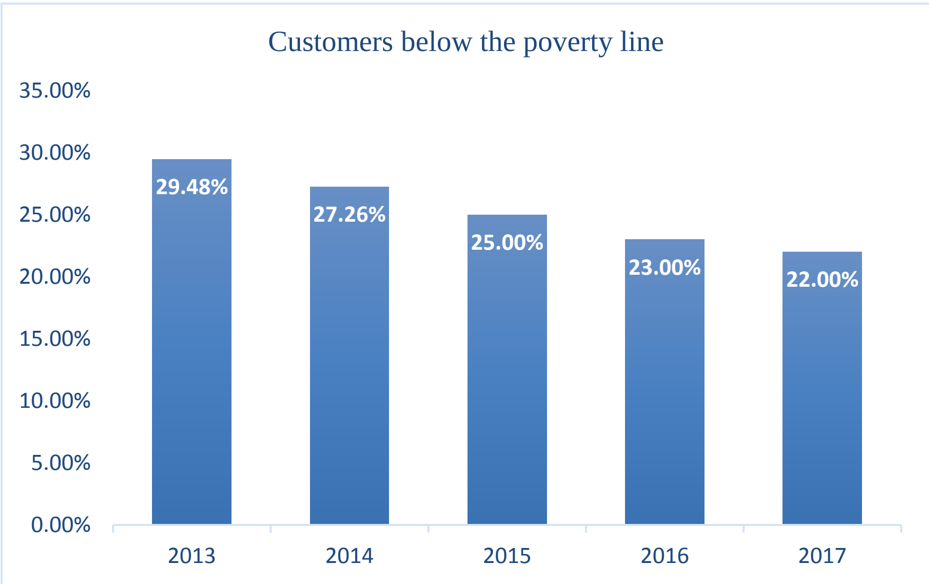
**Vision**

To be the leading, sustainable microfinance provider, helping clients to succeed in their businesses by providing suitable financial services to contribute to the development of Cambodia.

**Mission**

HKL is committed to long-term social and financial sustainability and improving the income of its clients. HKL provides loans, savings, and other inclusive financial services countrywide, in particular to women and low-income families in rural areas.

Figure 4: Progress Out of Poverty




Sources: HKL 2015 & HKL 2017.

HKL provides a wide range of services to its clientele such as loans, savings and deposits, and local money transfer services. As of 31 March 2017, HKL had 116,716 active borrowers and 220,301 active depositors. Since 2012, HKL has used the Progress out of Poverty Index (PPI) in order to measure clients' improvement in terms of coming out of absolute poverty (HKL 2015). In 2013, 29.48 percent of the customers of HKL were living below the $2.50 poverty line and that number has decreased to 22 percent in 2017 (HKL 2015; HKL 2017). This is a 7.48 percent decrease within 5 years indicating a trend in improvement in the standard of living for people moving above poverty line (figure 4). As mentioned previously, HKL is highly involved in providing credit to rural farmers. HKL also started providing small and medium enterprise (SME) loans in addition to traditional microfinance services. This was primarily driven because of high demand for SME loans. If HLK have products and services to meet the needs of the customers who have improved the size/scale of their micro-businesses (no longer ‘micro’) due to growth, and moving into SME segment, HKL will be able to retain such customers rather than letting them go to banks who traditionally cater to such segments. However, financing of SME sector is a highly competitive business as traditional banks are actively catering to this segment. Also, the SME sector is a growing segment in Cambodia in tandem with economic development. Senior leaders of HKL reiterated that SME loan offering is not a mission drift but is in support of the strategy of the government which promotes the expansion of SME lending in rural areas, and HKL is better positioned in such areas than banks to cater to these clients.

HKL has a robust management structure with highly-qualified and experienced senior management staff. A significant development within the organisational structure is the setting up of a Social Performance Management division in order to ensure accountability of the social mission of HKL. This department intends to track performance in line with the intended mission of the organisation. One of the major initiatives of this department was the implementation of ‘Client Protection Principles’ under the SMART campaign (CMA 2017). As discussed in chapter two, under the SMART Campaign, MFIs had to undergo a certification process adhering to the Campaign’s Client Protection Principles, covering product design to collection practices, complaint process, etc. HKL became a certified MFI in June 2016. The setting up of the Social Performance Management division was a testimony to HKL’s commitment to minimising the mission drift. Furthermore, pressure from international funding agencies and global advocacy for ensuring the protection of poor customers were the reasons for MFIs to re-visit their operational model.

As a new department, there were internal challenges to implementing social management concepts within HKL. A senior executive stated that the challenge was within middle-level management as they did not understand the social management agenda as it was a new concept within the organisation. It is less of an issue with the lower level/grass-root staff as they generally follow guidelines stipulated by the head office after providing appropriate training. The senior-level manager further stated:

> Sometimes the middle management does not understand what the social performance is despite we get them involved and train them. However, to achieve our department's objectives, we need support from the senior management because they need to establish the balance between financial and social outcomes.

Despite the internal hurdles, HKL is moving in the right direction by adopting and embedding social performance principles ensuring its social obligations as an MFI are preserved, restraining the mission drift. The new initiative is a good example for other smaller MFIs which regard HKL as a respected leading institution in the field.

The evolution of HKL from being an NGO to a leading, well established, highly sophisticated MFI is a reflection of successful development of microfinance in Cambodia. Similarly, ANZ Royal Bank, the other protagonist of the partnership, has been instrumental in creating the commercial banking sector in Cambodia and hence is equally important from the perspective of the development of the financial sector therein.

**ANZ Royal bank**

[redacted]

Also, ARB as a bank with international standards made a significant contribution to the improvement of standards of the whole banking sector by working with the National Bank of Cambodia. According to a senior banking executive, one of the major challenges in operating in a country like Cambodia is the bridging/reconciling of 'internal standards' (Cambodia) and standards set by ‘the home’ (Australia) by their respective regulators, NBC and Australian Prudential Regulation Authority (APRA). [redacted]

[redacted]

## [redacted] evolution of the partnership

‘ANZ, MFI Partner to Bridge Financial Sectors’
-*The Cambodia Daily 10 June 2014*

The partnership between HKL and ARB is the first of its kind in Cambodia. The partnership was hailed by the country’s Central Bank, NBC, as a bridge between the informal and formal sectors. The Cambodia Daily (2014) reported that:

> NBC has long been trying to “break the wall” between the microfinance sector and banking system… “In the past, it was very difficult to connect the banking systems and microfinance. There were a lot of issues of confidence between the sectors among each other” (10 June 2014).

Therefore, a partnership of this kind was a ground-breaking phenomenon within the Cambodian financial sector. The partnership was initiated by the ARB as a commercial strategy, and as stated by a senior executive of ARB ‘the drivers and the genesis of it were very much commercial’.

In Cambodia, ARB has 17 branches in five major provincial cities. However, this is a small number compared to larger operators like ACLEDA bank which has 259 branches. Therefore, ARB recognised that there was a segment of customers having a wide presence in the country either themselves or through their distributors or suppliers whom ARB could not provide a full range of banking services. Explaining such a shortcoming an ARB manager said:

> We bank a lot of MNCs that sell to distributors all over the country, many of whom are in areas where we do not have a presence. So, really the logic was to meet the needs of our clients who were collecting funds in areas where we did not have a presence and meet their needs through having a counter - a counter where they could deposit and remit funds back into the ARB beneficiary account (MNC client’s account). Therefore, there was an enormous value from our side in providing another service to our clients, specifically to facilitate them to collect the funds on the same day and at the same day value. We could not do it because we had limited geographical presence and did not have the appetite to establish any additional branches.

The above comment is instructive as large corporate customers of ARB such as Coca-Cola, Cambodian Beer, or a Petroleum Importer, who have distributors in the far-flung provinces of the country had to open accounts with other banks to accept payments from those distributors. This means ARB customers ended up opening accounts with other banks, who were competitors. In this context a senior executive of ARB said:

> They had to open accounts to get their cash quicker and make the process seamless. So, we could see the long-term potential impact on our transactional banking business with key customers and the visibility that we could get over the cash flow potentially being compromised[65]. So, over time, that impact can get bigger and bigger.

As such, ARB was compelled to find options to combat this threat and offer a solution to the customers.

[65] For business customers, having visibility of the cash flow is extremely important for banks, this is generally monitored through the transaction accounts of the customers. Hence, if the customer has multiple accounts with other financial institutions, bank loses the understanding of the customer’s cash flow intricately.

The ideal solution of extending the branch network was not in congruence with the bank's strategy. Therefore, the bank considered ways of virtually extending the network; a point of presence and a channel in a place where the bank was not physically present. Strategically, any solution had to be operationally effective both from a process and a risk point of view. And, in order to ensure high level of customer service, the process must be automated as a far as possible with fewer manual interventions. Therefore, ARB was considering the idea of what they called the 'network extension partner'. The Chief Executive Officer (CEO) of the ARB explained the rationale of the bank as follows;

> I deliberated extensively and looked for a partner that met strategic and operational objectives. From the strategic point of view, I sought two things. Firstly, a partner that clearly understands the reciprocal benefits. Secondly, a partner that shares the same long-term goals and values as ours. And, from the operational perspective, I have to ensure that the partner brings operational efficiencies while operating risk is covered; straight through processing of transactions, and enhanced customer experience.

As the first step, ARB considered three to four other banks with large branch networks. However, those banks were competitors, and for all intent and purpose, ARB was not inclined to consider a proposal of this nature. The bank was subsequently interested in MFIs fundamentally due to industry growth, the emergence of reputable institutions, large branch networks, and more sophisticated technology platform known as Core Banking Systems now being accessible to MFIs.[66] In this context, ARB went through a process of identifying candidate MFIs followed by a basic diligence exercise. Then, a team led by the CEO of ARB visited all of them one by one and explained high-level intentions to gauge whether MFIs were interested in the concept. There were two MFIs who were interested, who could see a reciprocal benefit that could enhance the business of each other; ARB decided to continue discussions with those.

ARB initiated in-depth discussions with the two MFIs that responded positively. These discussions were an important phase of the partnership formation that also demonstrate the rationale of the bank's approach in partner selection. A senior executive of the bank stated that they were fundamentally exploring 'who can we work with the best'. In other words, bank was evaluating compatibility of the partner for the proposed operating model of the partnership rather than the compatibility of factors like technology. At the same time, the CEO of the bank

[66] Core Banking System or know as CBS is the central Information Technology platform of a financial institution.

was having executive-level discussions with the senior leadership of MFIs to understand their strategies and direction. According to the CEO of ARB the purpose of the discussions was:

> To get a sense of MFIs strategy, what target segments they had, what parts of the country they were operating in, their future plans, and what were their values? Why they chose a certain customer segment and not others, and what motivated their strategy? From those discussions, I started to get a clear idea that HKL was a good fit strategically in terms of the values of the organisation, and their customers choice which I thought was based on the principles of equity and fairness that not all MFIs actually follow.

The compatibility of technologies was the next crucial factor in selecting the partner, and both MFIs had the potential for technological compatibility.  However, one MFI had the ambition to be a bank hence ARB thought it was 'not a good idea'. The immediate threat of competition superseded the technological compatibility. Therefore, the negotiating team of ARB selected HKL as the most compatible partner. The charisma and openness of HKL's senior level management were a 'comfort factor' for ARB. A senior executive from ARB opined that:

> The best thing about HKL was that their Chief Executive Officer and the business were very open with us. They knew what they wanted and could guess what we wanted. There was a level of sincerity that I never felt from all the other MFIs. They knew where we were strong.

From the MFI's perspective, HKL and ARB had a pre-existing relationship as HKL has approached ARB for liquidity support for operations. For financial institutions 'liquidity represents the capacity to secure the necessary funding' (Soprano 2015, p. 2). One contrasting point to note is that from the bank's perspective, the motivation was purely commercial whereas HKL considered the proposal not only for profitability but also as a 'social obligation' to benefit poor borrowers. From the MFI's perspective benefits to the end-customer is a social benefit whereas for the bank this is a commercial benefit: demonstrating the contrasting thinking of community sector/MFIs compared to banks/private sector.

The management team of HKL had to obtain board of directors' approval to proceed with the partnership. There were extensive discussions at the board level with regards to the benefits of the partnership. Based on the significant benefits in the area of liquidity management and the potential for an increase in the customer base, the board consented to the partnership. However, from the bank's perspective, it was a smooth process. A senior executive of ARB commented on their board approval stated that 'we did as we do with all strategic decision, take it through our board but they could see the strategic rationale of it pretty clearly. They thought from a customer point of view this made a lot of sense and it was not difficult to rally their support around that idea'. Therefore, both institutions were managed to garner support from their respective boards. The other major hurdle for the partnership was obtaining the consent of the National Bank of Cambodia (NBC), the regulator of the financial institutions. Moreover, there was no such example of partnership to follow, nor was there any guidelines available. HKL was not certain whether NBC would approve the partnership. However, NBC though was cautious to approve the partnership finally supported it once the full mechanics of the partnership were in place.

After both parties had agreed to the terms and conditions of the partnership, a formal agreement, a Memorandum of Understanding (MOU) was signed between HKL and ARB on 9 June 2014 with the participation of NBC senior officials as witnesses. The signing of the MOU was given publicity, and NBC was very pleased with such a partnership between the informal and formal sector. In the formal speech by the Director General of NBC at the ceremony, as quoted earlier, he made a comment that NBC has been trying to "break the wall" between the microfinance sector and banking system for a long time. Therefore, the partnership is a significant milestone in the history of Cambodian financial sector.

The CEO of HKL stated that after the publicising the ceremony of the partnership, there were a lot of questions from the market as to why HKL established a partnership with a commercial bank. He stated 'my response was we had the partnership for the benefit of ARB and HKL customers'. Further, he rejected the perception that a partnership with a bank would constitute a mission drift. He stated that:

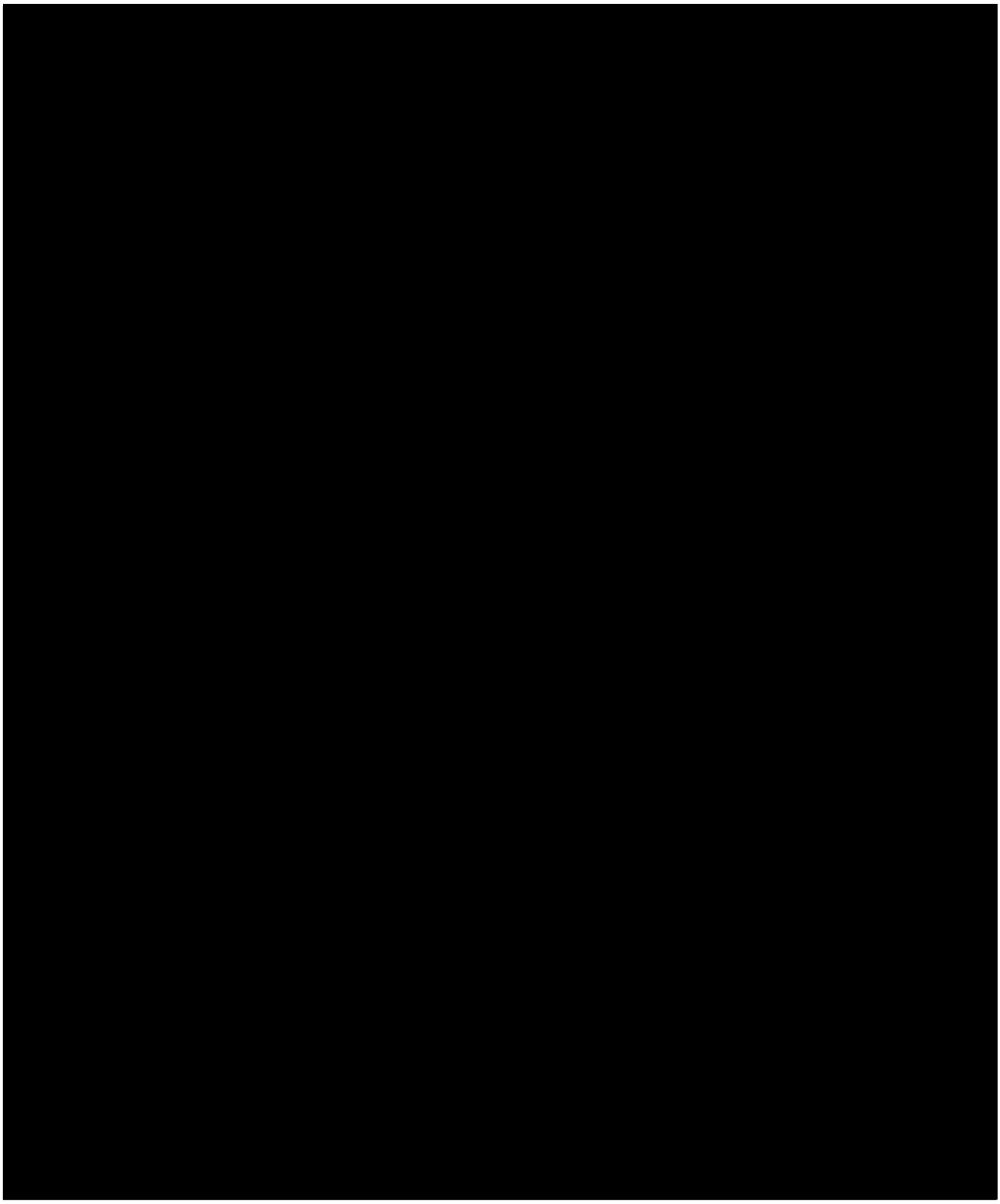
> We wanted to develop the economy of the country by providing sound financial services to the rural and urban people of Cambodia. We are committed to both social and financial objectives. For future sustainability, we also have to look for financial income; right now, we are balancing between the social and financial objective, and social objectives also have to balance with the financial objective.

In short, HKL had to deal with the traditional perceptions in the society that MFI's partnership with commercial banks can lead to their mission drift.

## Partnership Model [redacted]

The first stage of the partnership is structured around what is termed as 'payment and collection services': the core concept is the collection and payment of funds of ARB customers at HKL branches which in turn facilitate liquidity management of HKL as shown in Figure 5 below. [redacted]

Figure 5: HKL-ARB partnership 'payment and collection' model



Source: Author.

Those retailers/distributors located in rural areas have to open an account with HKL for the purpose of sending and receiving monies to and from large ARB clients like MNCs. This way, HKL could get new customers and build relationship with the richer segment of society hitherto outside HKL's reach to become their clients as depositors. Clients' cash deposits with HKL increase their *liquidity*[67] that they required for the branch for smooth and efficient functioning without having to transfer money from the head office in Phnom Penh. For HKL this was a cost-effective way to obtain funds as they did not have to transfer physical cash to rural areas accruing significant cost. This was an efficient way to transfer funds considering the time it takes to transport funds from the head office in Phnom Penh to a rural branch. Similarly, when an ARB customer wanted to pay to countrywide retailers, they would send money to the HKL via ARB again facilitating the large fund requirement of HKL at the head office, hence again meeting liquidity needs. MFIs and financial institutions require funds on daily basis, which they borrow every day paying the cost to the so-called 'money market' and inter-bank/financial institutions. Therefore, receiving funds from ARB allowed HKL to meet the cash requirement and thus reducing the cost on daily basis. The first stage of the model was intended for these purposes.

In a nutshell, the basis of the fundamental model is to facilitate HKL branches as a point of transaction for ARB whilst directly benefiting HKL from the liquidity/cash management perspective. The benefits for HKL are discussed extensively in Chapter 7 in detail. Also, they refer clients to each other. If ARB has a client that does not meet their criteria as a bank, for example, seeking a smaller loan, they refer such clients to HKL and *vice versa* when a customer seeks a larger loan that HKL is unable to consider, they refer the client to ARB. Another quick win for HKL is the opportunity to provide payroll services for smaller clients referred by ARB. Managing the payroll is a banking service where the financial institution manages the salaries of the staff on behalf of the employer. This way HKL has acquired some clients from ARB who pay a fee to HKL to manage the payroll.

The new clients also boost the deposits for HKL as they are able to use HKL for both savings and deposit needs which in turn help HKL to have cheaper capital/funds allowing their business model to remain sustainable. Sharing of ATMs between HKL and ARB also doubles the number of ATMs for HKL clients: increase the outreach immediately to customers as another

[67] The feasibilty study that carried out by ARB to detrmine liquidity requrement of HKL and its branch network was an intense exercise. ARB first gathered information from HKL's business heads, in particular heads of IT and Treasury departments to ascertain the cash balances that need to be maintained at each branch and provincial levels to avoid shortage of cash at any given point of time. Then, they mapped the common provinecs in which ARB customers were trading and business volume they generate. And, analysed wether ARB customers were collecting or paying at a given location to detrmine the outflow or inflow of cash so that HKL would be able to compare that with the liquidity balances in those provinces. What they found was that even though there was a limited number of customers, volumes were significant. Therefore, HKL was comfortable in rleation to the liquidity benefit.

channel of banking services. The model based on collection and payment services spans across many areas.

## Operational structure

The operational model of the partnership is founded upon the linking of information technology (IT) platforms, that is, the interfacing of the Core Banking Systems (CBS) of HKL and ARB. For linking of IT/CBS of MFI and the Bank, both systems required to be attuned to each other, however, upgrading or amending banking CBS is not only a daunting task but an expensive and time-consuming exercise. Especially with ARB being a part of a global network, changes to CBS not only require a chain of internal approvals but also the external vendor's approval. Therefore, HKL upgraded/amended its CBS to make it compatible with ARB so that systems could be linked, and information could be shared in a timely manner. A file-share capability was created to allow this to happen. Banks do not let other parties access their systems due to high-security related concerns, yet as a result of the partnership, a bank and an MFI managed to share IT systems with each other establishing trust generated between the two parties as a result of the partnership.

For operational purposes, staff members of HKL and ARB communicate with each other on a daily basis. Formally, staff from the respective teams of each partner meet on a monthly basis to discuss the operational issues and solutions for improvement of processes. These meetings are conducted similarly to a steering committee meeting: Products Development, Finance, and Treasury departments of HKL and Treasury and Transaction banking departments of ARB manage the day-to-day operation of the first phase of the partnership, the 'payment and collection' service. The distributors or agents (retailers) of large ARB clients, who have opened the accounts at HKL, technically deal with the HKL branch for deposit funds for ARB client or to receive funds from those clients. For example, when those agents, deposit funds with HKL, the HKL head office loads or exchanges an electronic file to the ARB system at the end of the day. Then ARB immediately downloads the file and makes the payment to their customers. Similarly, when a bigger client deposits money with ARB, ARB remits it to HKL and HKL instructs the respective branch to make the payment to the customer.

As a result of bank introducing new customers to HKL, the bank not only trains HKL's staff to deal with the new customers but also helps them set up separate deposit counters with a view of servicing customers efficiently; previously all the services were provided by the same counters/staff.

As noted before, referrals of clients to each other are conducted with the respective main contact of each institution. The new payroll services are accommodated with the existing infrastructure. Similarly, for other planned services such as sharing of ATMs and international money transfer services to poor/rural customers of HKL using ARB international network fundamentally require technological linkage and could be accommodated with the existing technological infrastructures of both institutions.

## Conclusion

Cambodia began the development process with minimum economic and financial structures following the brutal and destructive Khmer Rouge rule. As a post conflict developing country, poverty is a major problem in Cambodia. In addition to the absolute poverty, significant number of people live just above the poverty line hence vulnerable to falling back in to poverty. The majority of the poor is rurally dispersed and live on subsistence agriculture hence complicates dynamics of composition of the poverty. Economy has been growing gradually yet has not been sufficient enough to improve the living standards of the poor in a major way.

Microfinance played a pivotal role in the development, especially of agriculture credit for small and poor farmers across the country during the last twelve years. The presence of microfinance providers can be seen throughout the country conspicuously as a ‘land of microfinance’. Hence, Cambodia is an ideal microcosm for examination of microfinance from a developing country’s context. The microfinance sector as a whole and microfinance institutions, in particular, are confronted with immense issues which in turn affect the poor people, one way or the other. The greatest dilemma the microfinance providers face in Cambodia is the pressure on profitability impacting long-term sustainability. Besides, as a result of penetration of large number of microfinances provider and unregulated ‘rural credit operators’ intense competition among the MFIs poses a serious concern as it promotes unethical lending practices. With a vivid delineation of formal and informal financial sectors, MFIs are still considered as less-trusted financial institutions.

In this backdrop, an MFI partnering with a bank to gain resources and know-how becomes an important proposition. As such, the partnership between HKL and ARB, which is the first of its kind in Cambodia, has been recognised as an instance of bridging the informal and formal sector finance institutions where there was no precedence of such partnership or knowledge sharing.

The case study reveals the dynamics of early stages of a partnership cycle of an MFI and bank, that is, partner selection, negotiations, and implementation. The partnership was initiated by ARB as part of a commercial strategy of finding a way to virtually extend the network/channels where the bank was not physically present. HKL was selected after strategic deliberations. HKL agreed as it recognised the reciprocal benefits, especially in the areas of liquidity management that refers to the reduction in costs associated with borrowing, transportation, and cash -holding. Also, anticipated attracting a new segment of cash-rich customers for mobilising savings- a cheaper form of capital. The cooperation presented an opportunity to increase the income through the provision of services like payroll management for smaller ARB clients. Furthermore, sharing of each other’s ATMs increase the outreach and future opportunities like facilitation of international money transfers are in the pipeline for the benefit of the poor families living in rural areas whose family members have crossed the borders of Thailand or Vietnam for ad-hoc work.

The operational model is based on interfacing MFI’s and the bank’s Core Banking Systems/Information technology platforms. The operational teams are closely interacting on a daily basis and meet regularly to steer the partnership; a true operational partnership between an MFI and a bank. Anticipated benefits to the MFIs in cost reduction and an increase in income ostensibly will help the poor borrowers; the sustainability of HKL is imperative for continued services in the rural areas where banks are not present nor will consider servicing low-income people, especially for the rural farmers who form the majority of HKL’s client base.

Chapter 4

# [redacted] *Case study in Australia*

## Introduction

In the preceding chapter, I explored the case study in Cambodia from a developing country perspective while addressing first research question. In this chapter, whilst addressing the same research question, I will be discussing the case study of Australia from a developed country perspective. Australia is one of the most advanced economies in the world; modern Australia is a young country, yet the indigenous people inhabited the land for thousands of years. The reconciliation of the indigenous peoples' social, political, and economic aspirations with that of the non-indigenous population is one of the most crucial challenges. Poverty and the noticeable gap in life expectancy between indigenous and non-indigenous people tells that development does not necessarily benefit everyone living in the 'lucky country'. As such, relative poverty and disadvantaged indigenous peoples' living standards are problems for Australia irrespective of the recognition as a developed state. Also, surprisingly, high financial exclusion warrants a compelling case for microfinance. Therefore, despite the limited attention, microfinance has a profound role to play in modern Australia. In this context, the partnership between the most prominent MFI in the country with one of the largest banks in the world is an ideal case study in order to better understand the dynamics of a partnership in a developed economic system where the informal financial sector is inconspicuous.

[redacted]

[redacted]

Microinsurance has been recognised as a pivotal safety component for poor people in negotiating harsh unforeseen calamities in life. Therefore, the better understanding of an innovative microinsurance scheme/model is pertinent as the provision of microinsurance is amongst the gamut of services overtly under microfinance for all intent and purposes.

[redacted]

[redacted]

Figure 6: Map of Australia


Source: Nations Online Project.

Australia is the world's smallest continental land mass and the largest island with a size of 7,692,024 square kilometers. It is the sixth-largest country in the world with a population of 24.385 million.

According to Australians, the country is known as 'the lucky country'. This is due to the unprecedented development Australia encountered during her short history and the opportunity she provided for millions of migrants to contribute and share the success. Also lucky as the country is endowed with massive deposits of natural resources from gold to energy resources such as coal and natural gas, to mention a few. The resources that came into the possession of the white conquerors, in fact, brought 'the luck' as a result of the enormous wealth it generated.

[redacted]

Robbins argues (2015, p. 172) 'Australia is still struggling to address the socio-economic disadvantage of the Indigenous population. Aboriginal disadvantage presents one of the most serious and pressing social justice challenges for Australian governments- one that requires a sustained and focused policy response at both national and state level'. Another contentious political issue is the non- recognition of the indigenous people in the Australian Constitution thus far,[70] similar to countries like Canada (Short 2005 & 2008). Among other things, financial exclusion is also higher amongst the indigenous population compared to that of the non-indigenous population; 43.1 percent of indigenous people were either severely or fully financially excluded compared with the 17.2 percent of the non-indigenous population.[71] Hence, there is a convincing case for microfinance in Australia, despite being a developed economy.

---

[68] Torre Strait Islanders are Melanesian peoples with a unique culture and identity. When referred to as Aboriginals or indigenous people or First Australians, it encompasses the Torres Strait Islanders too.

[69] The life expectancy of Indigenous population born between 2010–2012 compared with that of the non-Indigenous population: for males 69.1 years compared with 79.7 years and for females 73.7 years compared with 83.1years (see Australian Institute of Health and Welfare 2016).

[70] Constitutions of states of New South Wales, Victoria, and Queensland have recognised the Aboriginal and Torres Strait Islander peoples. A referendum has been contemplated to amend the Constitution as part of political reconciliation process; nevertheless there is no firm agreement among the political actors thus far (see Australian Human Right Commission 2017).

[71] The statistics are as of 2011 reported in 2012, the last year in which this was separately identified. However, in 2012 overall financial exclusion was higher at 17.7 percent of the population and in 2013 dropped to 16.9 percent. Therefore, it is plausible the movement in figures for non-indigenous people are in line with the overall trend (see Connolly 2012; Connolly 2013; Connolly 2014).

## [redacted] poverty profile of Australia

Australia is the thirteenth largest economy in the world.[72] According to the World Bank (2019b), Australia is categorised as a high-income country with a GDP of USD $1.323 trillion. The average household net-adjusted disposable income per capita is USD $33,417 a year, higher than the OECD average of USD $30, 563 a year (OECD 2019). Gross national income (GNI) is USD $51,360 per capita (World Bank 2019b). In all measures, Australia is considered as one of the most developed nations in the world.

The gold rush and migration influx provided the impetus to drive the Australian economy for almost 150 years (Bowie 1988; Clay & Jones 2008). In recent years, since the early 2000 a commodity boom (generally referred to as the resources boom) led by resources, triggered another ten years of unprecedented growth of the economy.[73] The resource boom attracted large investments in the sector whilst stimulating peripheral economic activity thus providing growth and decent budget surpluses year on year. As a result, even during the Global Financial Crisis (GFC) between 2007-2009 Australia recorded unprecedented investment in resource sector especially in coal, iron ore, and natural gas contrary to the behaviour of other economies worldwide (Jorgenson & Vu 2015). Unlike many other developed countries, the budget surplus created during the resource boom period enabled Australia to survive and sustain the growth rates during the GFC.

Nevertheless, based on readings of the economy the resource boom has come to an end. World demand for natural resources is still reasonably strong, but prices have collapsed and stayed low for a sustainable period thus creating massive decreases in income for the mining sector in general. The effects are felt across the economy- government revenues in particular. The economy is at a crossroad; economists and politicians identify the current economic situation as a transitionary period where the economy is transitioning from resources led-growth to wider industries and sectors led-growth, among which the services sector, including banking services, playing a pivotal role. According to the Australian Industry Report (2015), sixty percent of the GDP in 2014-15 represented the growing service sector led by the four enabling service groups;

[72] Also, Australia is the fourth largest economy in Asia (see World Bank 2019b & Department of Foreign Affairs and Trade 2019).
[73] The Australian resource/commodity boom was a direct result of ten years of rapid economic growth of China that started in the early 2000s. Prices for commodities started to decline in 2015 due to excess supply compared with the reduced demand (see Australian Industry Report 2015).

Professional & Support Services; Information & Communications Technology (ICT) & the Digital Economy; Trade, Transport & Logistics; and Utilities Services. Besides, the aforesaid report further identifies instability in the Chinese economy as a major threat to Australian export demand.[74] Nonetheless, the Australian economy is the most resilient economy in the world; recording 27 years of continuous GDP growth without a technical recession,[75] holding the world record for economic growth amongst the developed world.[76]

In a developed country like Australia issues such as poverty and financial exclusion are concepts discussed in the periphery (mostly by NGOs or social research institutes such as Universities) and not discussed as a core issue. One of the senior Sisters (nuns) who has worked for poverty alleviation for a significant period in Australia stated 'society and politicians do not pay attention' showing her frustration to the lack of focus on social issues. And, Davidson et al (2018, p. 6) argue that we 'not even have an agreed national definition of poverty' in Australia.

According to Davidson et al. (2018, p. 18) 'people are in poverty when their household's disposable (after-tax) income falls below a level considered inadequate to achieve an acceptable standard of living', therefore, poverty in Australia is relative poverty in the context of a developed country. Relative poverty is defined when people live below the fifty percent of the median income of the total population (OECD 2018). The headline poverty rate was 13.3% in 2014 (ACOSS 2016).[77] Poverty rate is higher amongst the indigenous people standing at 31.4% compared to the national average (Markham & Biddle 2017). According to the Martinez & Perales (2017, p. 479) 'multidimensional poverty is mainly driven by fluctuations in social support, health and material resources'.

The government safety net is the fundamental means of living for vulnerable people. According to ACOSS (2018), 53 percent of the people who are living below the poverty line are on social security payments. The problem is the inadequacy of welfare payments and

[74] The report suggests that the instability in the Chinese economy is due to her struggle in transitioning in to a consumer- led economic growth model; moderate growth levels going forward after three decades of rapid growth of the economy are expected (see ibid).

[75] Technical recession is when a country's economy contracts for two consecutive quarters.

[76] Australia holds the record for the longest period of recession-free growth for a developed country. Country has recorded uninterrupted 27 years of economic growth; the longest stretch of any developed nation (see Australian Trade and Investment Commission 2019 ).

[77] Headline poverty rate is the rate calculated after adjusting for housing costs.

economic/social shocks, which result in forced lifestyle changes and social exclusion. Also, the rising income inequality is a major contributory factor for poverty (Whiteford 2018). And, according to Martinez and Perales (2017, p. 481) 'income inequality in the country is high, and on the rise…poorest of the poor have gained little from the socio-economic opportunities created by the recent phase of economic growth'.

[redacted]

[redacted]

Another predicament for a large country like Australia is the lack of opportunities for people living in regional areas. Sometimes, a whole town is dependent upon one industry or a factory; once that is foreclosed the whole town is financially devastated.[79] For example, a life-changing event such as domestic violence resulting in fleeing the home or losing a job due to employer retrenchments drives people into sudden financial hardships. [redacted]

---

[redacted]

[redacted]

[redacted]

[redacted]

Along with poverty is the issue of social and financial exclusion. Over 3 million people in Australia are either fully or severely excluded from financial services as of 2013 (Connolly 2014). As part of the G20 Financial Inclusion Action Plan[80] and United Nation's Sustainable Development Goals, in 2015 the Australian Government committed to the implementation of the Australian version of the program under the title of 'Financial Inclusion Action Plan' (FIAP). The Australian Government has appointed Good Shepherd Microfinance for the development of the FIAP program. According to a manager at GSM, the FIAP is a 'cross-sector partnership of government, corporate sector, and academia for developing a target action plan for reducing financial exclusion in Australia'. Still, the program is in its infancy and the challenge is to create real change/impact in the lives of the financially excluded people, despite existence of an advanced financial sector.

**Financial sector** [redacted]

The Australian financial sector is typically that of an advanced, developed economy. The formal sector is the dominant sector whilst the informal sector is also highly regulated. The formal sector consists of banks, insurance, and superannuation companies, while the informal sector comprises of small credit providers known as 'payday lenders' and consumer leasing

[80] At the G20 summit held in Seoul, Korea, leaders endorsed a Financial Inclusion Action Plan (FIAP): The Global Partnership for Financial Inclusion (GPFI) is the platform that operates the FIAP (see GPFI 2018).

companies.[81] The microfinance is a very small sector from the supply side and not considered a separately recognizable sector despite the underlying need.

Table 7: Main Types of Financial Institutions in Australia (as of December 2017)

| **Authorised Deposit-taking Institutions (ADIs)** | | **Non-ADI Financial Institutions** | | **Insurers and Funds Managers** | |
|---|---|---|---|---|---|
| Banks | 84 | Money market corporations | 8 | Life insurance companies | 29 |
| Building societies | 3 | Finance companies* | 117 | General insurance companies | 96 |
| Credit union | 54 | | | Health insurance companies | 37 |
| | | **including general financiers and pastoral finance companies* | | Superannuation and approved deposit funds | 2337 |
| | | | | Friendly societies | 12 |

Source: Reserve Bank of Australia.

Despite a significant number of commercial banks operating in Australia, the banking market is an oligopoly dominated by four large banks: Commonwealth Bank (CBA), the largest bank in Australia; Westpac Bank, the first bank in Australia; National Australia Bank (NAB); and Australia and New Zealand Banking Corporation (ANZ). Referred to as 'The Big Four', these banks are among the top banks in the world. They are robust and solid institutions, especially in terms of consistent financial performance. For example, the big four banks in total reported over AUD $31 billion net profit after tax for the financial year 2014-2015 exhibiting the strength of the banks.[82]

The regulation of the financial sector perspective, Council of Financial Regulators (CFR) is the non-statutory body that coordinates the four main regulators in order to ensure the efficient and effective functioning of the financial sector in Australia. The council is chaired by the Australian Reserve Bank (RBA), and the other three members are the Australian Prudential

81 Total superannuation assets under management as of 30 June 2018 in Australia is AUD $2.7 trillion (see Australian Prudential Regulation Authority 2019).

82 Sourced from Commonwealth Bank 2015; Westpac Bank 2015; NAB 2015; and ANZ 2015c.

Regulation Authority (APRA);[83] the Australian Securities and Investments Commission (ASIC); and the Australian Treasury. The Commonwealth Treasury is the policy-making body. The banking sector is supervised and regulated predominantly by APRA and ASIC. According to a senior manager of ASIC, banking licenses and supervision of the prudential aspect of the financial services including the public deposit-mobilisation are handled by APRA. Credit licenses are issued and regulated by the ASIC. For charities and not-for-profits, the Australian Charities and Not-for-profits Commission (ACNC) is the independent national regulator.

The role of ASIC according to a senior manager at ASIC is to 'administer licensing regimes for financial services in terms of advice and investment and licencing regimes for credit'. Therefore, to operate as a credit provider in Australia, a license should be granted by ASIC. The primary law that governs credit in Australia is the National Consumer Credit Protection Act 2009 (referred to as NCCP within the banking sector). The most important principles within the code are the Responsible Lending Guidelines which are aimed at protecting consumers. The lenders must uphold the customer protection attributes when providing credit; non-compliance is subject to severe fines or cancellation of the credit license.

A few bankers were critical of financial sector laws and regulations arguing that they are constraining them from lending to the poor. However, discussions with the regulator ASIC confirmed that they are willing to support any genuine endeavours that intend to help disadvantaged people as part of social inclusion hence willing to amend the law if that is deemed necessary. Therefore, the bankers are not developing suitable products for poor people and are blaming the regulatory environment as an excuse. In this context, the regulators ASIC consider genuine microfinance programs are necessary as part of enhancing financial inclusion and provding an alternative to disadvantaged people.

## [redacted] microfinance sector

In comparison to developing countries, microfinance is not a conspicuous/distinguishable sector of the financial sector in Australia. The microfinance has emerged in Australia during early 2000 (Burkett, Sheehan & Brotherhood of St. Laurence 2009; Voola 2013). Furthermore,

[83] APRA was established on 1 July 1998 as the prudential regulator of the Australian financial services industry representing institutions holding AUD $5.9 trillion in assets for Australian depositors. It regulates banks, credit unions, building societies, general insurance and re-insurance companies, life insurance, private health insurance, friendly societies, and most of the superannuation industry (see APRA 2019).

available information in relation to microfinance in Australia, through academic or other sources, is limited. Australia has a 'small microfinance sector' (Godinho, Eccles & Lauren 2018, p. 58). Besides, provision of microfinance in Australia is through partnerships between community, governments, and corporate sectors (Voola 2013). However, there are only a few operators providing microfinance, with GSM being the largest and relatively more known provider. Another microfinance provider called Many Rivers, an NGO primarily concentrating on microenterprise loans operates at a relatively smaller scale (Many Rivers 2018)). There are a few other Australian organisations engaged in microfinance in developing countries as facilitators. For example, Good Return is involved in microfinance in a few countries in Asia, including Cambodia, but do not provide services in Australia.[84] Good Return also sources funds from the public for on-lending to poor people. Also, there are few other such institutions which support the microfinance cause in developing countries.

In Australian context, microfinance has a key role to play in empowering disadvantaged and remote indigenous communities (Godinho, Eccles & Lauren 2018). However, as noted earlier, it is a very small sector despite the obvious need for such services. According to Goodwin and Voola (2013, p. 233) microfinance in Australia 'has not been framed as a gender equality strategy but as a particular type of poverty alleviation strategy, whereby poverty is alleviated specifically through financial inclusion'. Therefore, microfinance is promoted largely as a financial inclusion strategy.

Demand for small-scale credit is predominantly met by traditional financial institutions via personal loans and credit cards.[85] There is a large amount of small-credit provided by informal credit providers known as 'payday lenders' and consumer leasing companies. Whilst these lenders are meeting the demand, they do charge a high rate of interest for short-term loans and hefty loan administration/establishment fees. Furthermore, converting consumers to become habitual borrowers has been seen as a predatory lending practice and a way of exploiting vulnerable people. The payday lending phenomena is an issue in developed countries such as the USA and UK (Banks et al. 2015). Payday lenders target (Packman 2014, p. 2) 'the working

[84] Good Return operates programs in the Asia Pacific region focusing on economic and social development. Large number of projects focuses on microfinance and related skills development as part of the financial inclusion agenda. Good Return is the name used for international development agency, the World Education Australia Limited which is an affiliate of the global World Education Incorporation network based in USA.

[85] According to the regulator ASIC, small credit contract is for loans up to AUD $2,000 with a term less than 12 months and a medium credit contract is for loans between AUD $2,000 to UD $5,000 with a longer term than 12 months.

poor that has become normalized, globalized, while formally staying outside of the mainstream-slipped through the net almost unnoticed'. The social issue like the 'working poor' is an ideal demand creating 'business opportunity' for the rent-seekers in the neo-liberal economic settings; thus innovative suppliers foray into the market based on the simple demand and supply doctrine. Therefore, payday lending is an innovative proposition for rent seekers when there is no ethical alternative. Banks et al. (2015) found that people in Australia have taken the first payday loan to meet regular needs and expenses such as food, bills, and rent; in other words, primarily for consumption smoothing.

This 'payday' lending practice has been scrutinised by the regulator ASIC that introduced tight regulations to protect consumers as a result. Furthermore, the community sector is very critical of the pay-day lending phenomena and consider it not only a main threat to the financially vulnerable people but also a predatory credit practice. This has led to them lobbying for tighter regulations. Despite the availability of products such as the NILS of GSM, some segments of the population still patronise payday lenders. [redacted]

[redacted]

Paydays lenders are extremely innovative and technology savvy, hence providing a very fast and seamless service to the borrowers. The large payday lenders have a visible presence in vulnerable locations, the online providers being extremely easy to access and obtain credit from. For example, the lenders' IT systems allow them to log into the applicants' banks accounts electronically and verify income cycles and other information required for credit assessments. Loans are approved within a very short period and funds are transferred in no time. Every pay cycle or welfare payment cycle, they debit the borrowers' account to recover loan payments. Despite the high rates/fees people still patronise such lenders due to their leniency, ease of borrowing, and fast turnaround times. Moreover, online borrowing allows for a private and confidential transaction with no humans involved hence provides greater autonomy.

The banking sector has been under severe criticism from the public as well as political groups from time to time as a result of unethical behaviour; there were many instances where customers were victimised as a result of the behaviour of bank employees (Wishart & Wardrop 2018). This public opprobrium is formed because the unethical behaviour is systematic and part of the 'toxic' banking culture. In Australia, the criticism of banks is referred to as 'bank bashing' among the public. For example, the banking sector became a contentious issue in the last Federal elections as the current main opposition, the Australian Labour Party (ALP), sought a mandate, inter alia, to establish a Royal Commission to investigate into banks. Nevertheless, pro-business Liberal-National Coalition (LNP) that was elected to the government, decided to have a lesser scrutiny of the banks by merely conducting a less effective Senate inquiry. Yet, due to continuing unconscionable behaviours and public pressure (Wishart & Wardrop 2018; Hargovan 2018), the government was compelled to establish a 'the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry' on the 14 December 2017. Banks themselves are trying to change their image but they have had little success thus far. For example, an increase in interest rates on home loans independent of the Reserve Bank directives has been seen as greedy behaviour on top of the hefty profits banks enjoy. This is partly due to banks' internal incentives being structured around maintaining profitability regardless of the costs, thus deeming moral and ethical concerns as secondary objectives.

After discussion regarding characteristics of poverty and financial sector landscape in Australia now we can examine the respective partners and the partnership model in detail.

## Good Shepherd Microfinance

Good Shepherd Microfinance was established as a dedicated microfinance provider in 2012. Prior to setting up GSM as a separate entity, microfinance was one service among the gamut of social services provided by the Good Shepherd Youth & Family Services (GSYFS). GSYSF was an offshoot of Good Shepherd Australia New Zealand.[86] GSYSF was established in 1981

[86] Good Shepherd Australia New Zealand is the successor of Sisters of Good Shepherd that started work in 1,863 in Melbourne, Australia focusing on providing safe housing for marginalised and vulnerable women, girls and children who were left behind ensued by the Victorian gold rush. Sisters of Good Shepherd founded in France in 1,835 by Saint Mary

as a community strengthening program focusing on women, girls, young people, and families. One of the Sisters/nuns who was instrumental in creating GSYSF stated that the services were started with the view of ‘interrupting the cycle of poverty and discrimination in today’s world’. Therefore, the origin of microfinance programs in Australia was a direct result of the innovation of the Non-Interest Loan Scheme (NILS) in 1981 by the GSYFS.

According to two Nuns who were at the leadership meeting that paved the way for conceptualising the NILS scheme in 1981, a proposal was put forward by a community worker seeking AUD $20,000 for the NILS experiment. He argued that many young people and women were unable to get out of the poverty cycle as no one was willing to give them credit. However, the legal and financial experts that were present at the meeting were not in favour of allocating funds for the loan scheme. According to one of the sisters, some advisers who did not recommend going ahead with the project from a financial point of view and an expert warned stating “that is the last time that you see the AUD $20,000 dollars- you will lose it if you invest in micro-loans”. However, the sisters were audacious in supporting the proposal and were granted AUD $20,000 to start the scheme. To their amazement, as one of the Sisters stated, not only did it have ‘remarkable’ repayment rates but more importantly the loans ‘enabled people to buy their washing machines to get the children to school with clean uniforms… helped the children not to feel discriminated by the rest because they could not have books or uniforms, car registrations et cetera, all the practical things… to take people out of poverty and give them dignity’. The experiment of the NILS scheme became a success providing the way for the expansion of the microfinance program.

[redacted]

Euphrasia. For a comprehensive history of Good Shepherd Australia New Zealand see Kovesi 2006.

[redacted]

[redacted]

[redacted]

The parent organisation hence decided to set up a separate entity with a separate board to run the microfinance services in the name of Good Shepherd Microfinance, registered with the Australian Charities and Not-for-profits Commission (ACNC) as an NGO. GSANZ approached a senior public figure, and Australia’s first women state police commissioner as the chairperson of the new organisation. GSM started in 2012 with a new Chief Executive Officer and seven to eight staff members taken from GSYFS to pursue the cause of microfinance, exclusively. GMS has grown since then as the largest microfinance organisation in Australia with the Head Office located in the heart of the City of Melbourne.

According to the Chief Executive Officer of GSM, the purpose and objective of the organisation are to:

> Provide financial services and advice people with low income to enable their economic mobility. The vision is where we can realise the economic well-being of people with low income especially of women. Women and girls are the major part of who we focus on; 70% of our clients are women, and 25 percent of our clients are aboriginal.

The strategic objectives as per the GSM Annual Report (2018) are as follows,

**Vision**

*The fullness of life for all people, living in connected, resilient communities.*

**Purpose**

*To enable economic wellbeing and resilience for people on low incomes, especially women and girls.*

**Values**

*Human dignity, respect, social justice, audacity, compassion and reconciliation.*

Furthermore, GSM has identified five strategic priorities,[87] against which they measure success based on pre-determined goals for as per Table 8 below. However, some of the goals are aspirations rather than measurable goals.

Table 8: GSM's strategic direction

| Strategic Priority | Goal |
|---|---|
| Community-led | Over 80 percent say 'client expectation was exceeded or met |
| Impact | Increased economic mobility for people |
| Inform | Economic inclusion- the term is understood, and key actors play their role |
| Reach | Programs reach over 1 million people |
| Strength | Broad funding base- sustainable and growing |

Source: GSM 2015.

Outreach and sustainability are central themes for GSM similar to any other microfinance institution or community sector organisation. GSM has one bottom line- maximising the social impact through microfinance. Hence, they have an incredible challenge in increasing the outreach and making sure there is income for long-term sustainability without depending upon donors and partners. Similar to the early cycle for NGO backed microfinance providers, GSM is going through a phase of pursuing alternative income sources as part of increasing revenue. The project that is being implemented for the provision of short-term loans via an online portal

[87] The Board of GSM launched the strategic priorities in December 2012 under the theme 'Count Me In' with a view to navigate the strategic direction with five specific priorities for the period from 2013-2018 (see GSM 2015).

is part of this strategy in addition to providing an alternative to predatory lenders like ‘payday lenders’. As a result of the recent restructuring of the operations, GSM has set up a separate Advisory Services team with a view of generating income from research and advisory services.

Therefore, GSM has emerged as an offshoot of an NGO due to the need to separate more resilient microfinance operations from the other forms of social services of the parent NGO. The GSM is still going through the transformation to become an independent and fully-fledged MFI.

**Operational model**

GSM works on a unique partnership model in terms of delivery of microfinance services to the end-borrowers; a central coordinating and management body is working with a large number of partners in delivering services across Australia. They have agreements with over 250 community organisations across the country that range from small volunteer-run organisations to large not-for-profits. The large organisations with their own network/branches are called ‘microfinance hubs'. As a result of this delivery method, GSM has 680 sites across Australia as delivery channels reaching to the communities. However, these organisations are also providing other social services in addition to microfinance. The selection of the partner organisations is carried out through an accreditation process. According to a senior executive at GSM, they follow a strategic approach while ensuring that such partners do have the ‘right support system, information technology, and enough traffic coming through the organisation’. Currently, GSM only accredits around twenty new organisations per annum.

For accredited partners, a central committee of GSM annually approves a credit limit through a bidding process to provide a capital requirement for on-lending of NILS loans. NILS loans are assessed by the partner organisation through a localised credit committee and the local partner is responsible for the repayments. For example, BaptistCare is an accredited partner of GSM. The BaptistCare branch located in Marysfield, Newcastle assesses the NILS application through its credit committee for applications that are submitted to their branch.

The Department of Social Services (DSS) provides the operational cost of which 80 percent redistributed to the network of about 250 organisations. NAB provides the capital for microfinance in addition to about a million dollars annually to run the StepUp scheme and GSM pass on those funds to the 35 different organisations.

GSM also works in partnership with State governments of Victoria, New South Wales (NSW), Queensland, and South Australia (SA) to promote the NILS loans scheme and financial inclusion. A microenterprise's advisory and loan scheme have been initiated in SA with the support of the state government targeting the residents in the state. One other major achievement of GSM is the microinsurance partnership with two leading insurers, IAG and Suncorp; this will be discussed detail following an examination of the partnership model between GSM and NAB.

## National Australia Bank

National Australia Bank started in 1958 originally under the name of National Bank of Australasia in Melbourne. In 1982, the National Bank of Australasia merged with the Commercial Banking Company of Sydney creating a new entity by the name of National Australia Bank. NAB is among the largest 100 companies in the world ranking at eighty-eight in 2016.[88] Furthermore, NAB is one of 'the big four' as discussed prior, with total net assets of AUD $777.6 billion with a net profit after tax of AUD $6.425 billion (NAB 2016).

NAB's corporate social responsibility (CSR) policy omits the word 'social' and is called as 'corporate responsibility'. The policy says that 'at the heart of our approach to Corporate Responsibility (CR) is to make a positive and sustainable impact on the lives of our customers, people, shareholders, communities, and on the environment in which we operate' (NAB 2018). The microfinance program in partnership with GSM is one of the central parts of the CR strategy of NAB.

[redacted]

[88] See 'The World's Largest Companies 2016' - the annual ranking of companies by the Forbes Magazine (forbes.com)

[redacted]

[redacted]

Following its CSR policy NAB's carries out research on the issue of financial resilience in Australia jointly with the Centre for Social Impact (CSI), a research collaboration of three universities.[89] Before 2015, the research was under the theme of 'Measuring Financial exclusion in Australia' and was the primary research that measured the scale of financial exclusion in Australia. The bank's direct involvement in microfinance undoubtedly has inspired the support for this type of research.

## Partnership: [redacted]

[redacted]

[redacted]

[redacted] The right combination of factors such as aspiration, leadership, right human resources, and access to financial resources generated a conducive environment from the CSR perspective.

[redacted]

[redacted]

This commitment set the foundation for a unique model of partnership to come. The partnership started as an informal relationship where a bank was trying to find their 'purpose' and role in the community, meeting an NGO that was offering an ethical financial service to the poor with limited resources. NAB committed to supporting the NILS program. Furthermore, NAB and GSM started to innovate because of the intimate relationship they fostered, for example, a unique loan product in Australia called StepUp was jointly created stemming from the need for a loan scheme above the NILS threshold of AUD $2000. A senior manager at NAB who was instrumental in creating this joint product stated:

> At that stage, we were still trying to understand in what form and way we should get involved with the microfinance program. However, quite bravely, we made the commitment to support NILS. Also, we felt the need to build a product that sat between NILS and mainstream loans offered by banks; that was the 'StepUp' loan that we jointly innovated. The rationale for creating the 'StpUp' loan was that we were seeing repeat borrows in the NILS space that who was unable to access mainstream finance because they did not have

> a credit rating. Looking back, the risk we took creating this new product, I think we were optimistically naive because it was really difficult what we were trying to do. I think we had to be naive and optimistic about it as if we had known how hard it was before, we would have not started, or we probably would not have tried. So, that was kind of the beginning of the partnership journey; the partnership grew naturally and we began to better understand the needs of each other.

The StepUp Loan has a joint intellectual property (IP) right for GSM and NAB. This is a loan where low-income people access banking via GSM provider network but are finally approved by NAB. The loan is in the NAB’s accounting books as a subsidised loan product.

NAB was committed to fostering this partnership. As a result, during the period 2005-2006, NAB identified two paramount needs for the expansion of the NILS program. One was the need for funding for staffing (until then it was completely voluntary or subsidised by agencies), and the other one was the need for capital required in order to expand the loan offer, build scale into the network. NAB recognised that their best contribution was committing capital and accordingly they committed AUD $30 million to GSM to be utilised as capital for the NILS program. And, with this support, NAB worked with GSM to secure AUD $4.7 million from the Victorian State Government for operational costs. GSM started expanding their Victorian network. This initial support from the bank provided not only capital but security and confidence to expand the outreach. This commitment to capital was the beginning of a solid partnership and series of proposals to come. With the growth of the partnership, NAB committed larger capital of AUD $100 million. Resultantly, the partnership increased its outreach from 150 loans to 28,000 loans per year.

## Partnership Model [redacted]

The partnership has two dimensions, one is the strategic level relationship, and other is the operational level interaction/functionality. The strategic relationship refers to the senior executive/board level relationship that drives the partnership. The GSM and NAB partnership has evolved around an informal relationship that has fostered through time. However, with the increased capital commitment by NAB reaching AUD $100 million and increased funding the DSS of the Federal Government to AUD $33 million for five years necessitated a formal agreement between the parties to ensure accountability and best use of the funds. This tripartite agreement is called a ‘Relationship Agreement’ between GSM, NAB, and DSS. According to the CEO of GSM, the agreement covers parameters such as aims, goals, impact measurement criteria, the role of each party, and the procedure for involving third parties as partners. The mechanism by which the formal direction and governance of the partnership are steered is through the ‘microfinance steering committee’ which meets quarterly. This committee comprises of high-level representatives of GSM, NAB, and DSS.

[redacted]

[redacted]

## Operational Model

As discussed earlier, the GSM head office coordinates and manages the accredited providers/microfinance hubs of 250 organisations with delivery outlets of 680 across the country; therefore, the end products are delivered by the provider organisations.

As far as the provision of NILS is concerned, accredited organisations manage the credit delivery in line with GSM guidelines. NAB’s Microfinance Team liaises closely with the GSM Quality Assurance team to make sure capital is responsibly managed and appropriately used and that standards of accreditation guidelines are being met.

The ‘StepUp’ Loans are assessed and approved by NAB once applications are referred by GSM provider network. The loan is part of NAB’s loan portfolio for statutory reporting purposes. The ‘Microfinance Worker’ of the community agency who interacts with the borrower at the front line, acts as an ‘introducer’ in banking terms for NAB. While elaborating the role of the microfinance workers, a senior manager of GSM said:

> They introduce the product to the customers and help them with the completion of the application form. By having someone from the community sector rather than from the bank is less intimidating for the customer because really this program is being set up for those who are being financially excluded. So, in the past they would have been probably told ‘no’ from a bank, hence, from their point of view, walking into a bank was intimidating. Therefore, having that link to the community agency makes customers to feel

a little bit safer and comfortable.

The operational level hybrid model of the partnership is better understood with an example illustrated in Figure 6 below; product management and delivery are shared by both the partners in collaboration with the GSM partner network. For example, the BaptistCare, a large community organisation, predominantly engaged in Aged Care services is an accredited NILS and StepUp partner of GSM (not all the providers are allowed to be involved in StepUp). I visited the BaptistCare branch situated in Mayfield, Newcastle in New South Wales (NSW). The Illawarra Region/Sydney Central West are disadvantaged areas and Mayfield, in particular, is one of the most disadvantaged suburbs in the state of NSW. This area is considered as lower socioeconomic demography with low-income and vulnerable people. According to the Group Manager for North Western NSW and the Centre Manager, the BaptistCare branch is a community center facilitating social and financial inclusion. The Centre engages in community services such as feeding people/free breakfast three days per week, housing support, shower and washing machine facilities for homeless people, advocacy, counseling services for domestic violence victims, emergency services in communities and microfinance as a partner of GSM.

The BaptistCare branch in Mayfield has been engaged in microfinance for the last nine years as an alternative to payday lenders. They have one officer dedicated to the NILS program with the designation of ‘NILS Co-ordinator’ and another officer for the liaison of the StepUp loans

Interviews for StepUp loans are conducted by the StepUp Officer either in person or via a phone set up in satellite branches (example: Dubbo Office). If the interview is held over the phone, the officer would email or post the information package to the customer. An appointment is a scheduled with the borrower to establish the application, prepare a budget based on the income/expenses and collate all the required verification documentation. Then the loan completed application is referred to as NAB. At NAB Head Office, credit-worthiness of applications is assessed by the Personal Loan team as a special-microfinance loan. NAB microfinance team liaise with the personal loan team.

[redacted]

The interesting part of this hybrid model is not the only GSM, but the StepUp officer of the provider organisation also has a relationship with NAB local branch. The StepUp officer stated he deals with the bank's branch almost every day and sometimes he visits the branch and leaves GSM's product and service information brochures at the branch.

Similarly, another product jointly managed is 'AddsUp', a scheme that encourages savings. As a result of government funding for this scheme, which is channeled via banks, NAB and GSM jointly offer this product to the low-income people. Once a customer has successfully completed NILS or StepUp loan, he/she is eligible for the subsidised savings scheme. A customer must save for six months and at the end of the period, NAB matches the amount up to AUD $500 allowing their savings to double. The NAB microfinance team leverage account operating team of the bank to carry out the opening of the saving account. The Microfinance team manages the 'savings matching process' and provides matched funds. However, one of the officers at a provider organisation stated, 'people are skeptical, untrusting of as bank gives them money for nothing…They think it is a scam'. A comment from another team member about NAB's microfinance team's role is instructive:

> My role and my team's role are more of a Product Manager, and then we leverage different parts of our business to do the operations. For AdssUp savings program that we manage, we do some of the operations ourselves like the savings matching process. We do a lot of manual work because we are such a small part of NAB relative to our main stream business. Therefore, investing more resources or automating that process are not making financial sense.

[redacted] As such GSM and NAB, with the support of state governments have started an initiative called 'GoodMoney Stores, which are direct delivery channels, in contrast to the existing accredited partner-based model. A solution that emerged out of a close relationship when confronted with social issue; a testament that the partnership unleashes/stimulates innovation.

### GoodMoney Stores

Good Money Stores are retail stores/shop fronts of GSM where low-income people can access GSM's products and services directly. This is a joint program of GSM and NAB with the support of a few State Governments. Again, the IP rights for Good Money stores are jointly held. According to a manager at NAB, internal research has shown some segments of the financially excluded population that did not have access to services through the traditional/existing channels that is, the community organisations. The high rate of women participation was partly due to men being less likely to patronise a community organisation. Therefore, the partners had a hypothesis that some segments were reluctant to seek support as a consequence of ‘the stigma of approaching someone for help and particularly a community organisation’ as explained by a manager at NAB. Accordingly, GSM and NAB developed the concept of a retail store to sit alongside existing fringe lenders stores to be the other alternative on the street, and we did not want to be a community organisation or a bank, but rather something in-between.

Good Money stores are an excellent example of how a close partnership leads to innovative new concepts that benefit the social sector. These stores are similar to small bank branches. Therefore, stores were established drawing significant *pro-bono* support in terms of resources and expertise from NAB. According to a GSM’s senior executive, ‘NAB provided invaluable pro-bono support in the areas such as: market intelligence, brand development, and marketing from the bank’s marketing team; advice on the store fit-outs by their property management team; advice and guidance from the consumer finance team;  and access to bank’s suppliers-a fabulous a partnership’. Moreover, NAB has provided guidance in relation to human resource management in the context of staffing of the newly setup stores.

[redacted]

[redacted]

## Partnership for micro insurance

GSM also managed to form innovative partnerships with two large insurance companies, namely Suncorp and IAG, for the provision of micro insurance for low-income people in Australia. The first such partnership was formed between GSM and Suncorp Bank, one of the largest insurance companies in Australia. As part of examining partnership between MFIs and banks, I have examined the partnership between GSM and Suncorp Bank as a sub-case study covering the provision of micro insurance to disadvantaged people. Insurance helps to reduce the vulnerability to risks and 'protect the poor against devastating losses or smooth households' volatile incomes' (Brown 2009, p. 173).[90] The provision of insurance schemes to the poor or the vulnerable refer to micro-insurance.

### Background

The State Government of Victoria collected a Fire Service Levy (FSL) from the insurance premiums to support the operations of Country Fire Authority (CFA) and Metropolitan Fire Brigade in the state of Victoria. The government changed legislation around the FSL, so that the FSL could be collected from the council rather than from the insurance premium. During the transitionary period of the mode of collection, an investigation found that insurance companies had collected more funds from insurance policyholders than they should have. Due to the complex method of collection, the monies were impossible to be returned to the individual policyholders. Therefore, the State Government requested the insurance companies to donate/distribute the excess funds to Not-For-Profit (NFP) organisations to support with insurance-related matters. Five, NFPs benefited from this scheme and GSM was among them.

[90] Insurance is (Brown 2009, p. 172) 'a financial service that uses *risk pooling* to provide compensation to individual or groups that are adversely affected by a specified risk or event. Risk pooling involves collecting large groups, or pools, of individual or groups to share the losses resulting from the occurrence of a risky event' (original emphasis).

GSM received around AUD $600,000. With the funds in hand, one of the senior executives of GSM visited major insurance companies with a proposition for co-creating an affordable insurance scheme, future partners Suncorp and IAG were among them.

The Insurance Council of Australia (ICA) was also interested in the concept of developing an insurance product for low-income people. ICA actively supported the experiment that was designed targeting household or car insurance with the objective of reducing the cost of premiums.

GSM was advocating insurance for low-income people. Based on experience with the NILS customers, they sensed the need for such a scheme. In a country like Australia, insurance is extremely important yet expensive. Due to the high costs, some people do not obtain comprehensive motor vehicle insurance covers as they are unaffordable. Besides, without comprehensive insurance cover they are unable to recover the loss. GSM found that there were instances where customers had originally taken a loan to purchase a car and then had defaulted loan repayments; this is due to the customer having to obtain another loan as the car got stolen and they were unable to recover the loss due to unavailability of comprehensive car insurance which protects the owner from theft. Due to the high cost of insurance, not only low-income but also middle-income people and the new class of working-poor (living on paycheque to paycheque) also opt out of comprehensive insurance covers. One of the managers involved in the micro insurance scheme shared his personal experience and said:

> I could actually relate my personal background. I was the youngest of six siblings; there were other financial priorities for the family than insurance. My parents understood the importance of insurance, but ultimately, they took the gamble of not taking up insurance because they did not have the finance for it. It worked out okay for us; we did not have content insurance, building insurance, and car insurance. We had a minor car accident, the car was off the road for a couple of weeks, and we had nothing. We could not fix it; we had to scrape the money up to do it a few weeks down the track. And, what that meant, in terms of impact for me was schooling, my brothers and sisters could not go to school and the stress and the burden put on the family was significant; that is a gamble. People need to take insurance to protect against disruptions, car accident or theft, alternatively they need to save money for such shocks.

Another example is that during the most catastrophic bushfire, known as 'Black Saturday Bushfire', that occurred in the State of Victoria in 2009, it was revealed that some people stayed back in own homes to fight the enraging fires to protect content and houses without fleeing as they did not have insurance covers. Some of them, unfortunately, lost their lives. People with adequate insurance covers did not hesitate to evacuate as they could claim insurance. Hence, the case for affordable insurance is real as it is profoundly needed for people to absorb shocks.

## Mechanics of the micro insurance partnership

[redacted]

For Suncorp, the opportunity to partner with GSM was an ideal CSR/social justice program launch-pad to provide insurance for low-income people; hence they appointed a dedicated manager, ‘Executive Manager- Accessibility’ to build a low-cost insurance brand. A manager at Suncorp, who admitted that insurance affordability is an issue, stated that:

> The Global Financial Crisis (GFC) has impacted the insurance industry significantly, and they had to change the way they operate. Also, large events and climate change have exerted pressure on the insurance industry at large. As such industry is moving towards individual pricing with no cross-subsidy -risk-based pricing hence higher the risk higher the premium. The conundrum is if you live in a high-risk area with low socio-economic demography, vulnerable to higher theft would have to pay a higher premium. Ironically, poor people who live in such areas have to pay a higher premium that they cannot afford.

For the creation of the partnership, a working group was created comprised of members representing GSM, Suncorp, and other stakeholders such as Legal Aid and ASIC. A pilot program was designed, and Suncorp trialed an already existed product under one of their insurance subsidiary companies, [redacted]-renters insurance’, low-cost insurance for renters. They delivered the product through GSM, but people were not buying the insurance as anticipated. The introduced product failed primarily due to two reasons. Firstly, the insurance was intended for AUD $25,000’ worth of content cover for the insurer. However, low-income people did not have content worth AUD $25,000. Secondly, in Australia, as an industry practice, clients only have the option of paying their insurance premiums monthly, quarterly, or annually. However, government welfare payments are made fortnightly, therefore, for people with low-income relying on government hand-outs, paying premiums monthly was not practical.

According to a senior executive at GSM, they organised workshops involving customers to define the needs of disadvantaged people. From the feedback, what they found was that motor insurance was significantly more relevant to them compared to content insurance, especially for people who lived in the outskirts or had limited public transport facilities. Vehicles were fundamental for rural populace due to the distances they had to travel for visiting doctors, travelling for casual work or taking children to schools. Moreover, the Product Disclosures Statements (PDS) provided by the insurers were not easy to understand. According to an Executive of the Insurance Company, ‘customers did not create meaning out of the words of the PDS; not easy to understand. Also, insurance was not easy to pay as there were penalties for paying fortnightly rather than monthly’. People did not trust insurance companies because of the barrier between financial services provided by them and the broader community.

Based on feedback from low-income people, Suncorp in collaboration with GSM developed a product called ‘Essentials by [redacted] with features that suited low-income people who are dependent on welfare payment. The features include fortnightly payments coinciding with the receipt of welfare income benefits every fortnight, combined insurance for car and content with a lower minimum threshold, removal of cover-excess,[91] simple to understand PDS which is usually highly legal and difficult to understand. This is the first innovative insurance product in Australia serving exclusively the poor/low-income people. Though still at the early stages of development, the product has taken off with the customers. The ‘Essentials’ insurance product won the ‘Insurance Innovation of the Year’ at the Insurance Industry Awards[92] and ‘General Insurance Product of the Year’ in 2015 and ‘Insurance Innovation of the Year’ at the

[91] Excess is the amount the policy holder required to pay/contribute to obtain the insurance benefit. The excess is significant amount in Australia; low income people do not have savings to pay the excess. It was revealed that in some cases low income people sought NILS loans merely to pay the insurance excess.
[92] The Insurance Industry Awards is the annual award ceremony organised by the Australian and New Zealand Institute of Insurance and Finance (ANZIIF) and Asia Insurance Review.

‘AB+F Insurance Awards’[93] in 2015 (ANZIIF 2016; AB+F 2016). It also won the ‘2016 CANSTAR Innovation Award'. A senior manager of GSM who was extremely happy about the launch of such a product for low-income people stated:

> We wanted to prove that you can begin with the end in mind and create an insurance offering for people with low-income, sustainable for both the client and the insurer. We might not make as much return on investment on the money initially, but 10-20 years down the line, when the client becomes more economically mobile and move to bigger insurance coverage, then it will be beneficial for us.

In terms of the operation model, both partners have dedicated resources for the micro insurance program. According to the regulations, insurance advice could only be given by specifically accredited/qualified staff. Therefore, for micro insurance delivery purposes, GSM and its network act as a referral partner hence are legally only allowed to have an initial discussion with the customers. If the customers are interested, they can directly arrange to call the insurer Suncorp (for IAG insurance, they would be able to seek a quote via online). The role of GSM as defined by the manager responsible for insurance is to ‘introduce and educate the customer’. GSM has prepared training material for the front-line staff members of the provider network in association/working together with ASIC.

[93] AB+F Insurance Awards are presented by the Asia-Pacific Banking & Finance Magazine, annually.

Figure 8: Micro insurance partnership model

[redacted]

According to one of the states coordinating managers of GSM, although currently, a small number of people are interested in insurance, the potential is very high. The micro-insurance scheme is an innovative and essential scheme for low-income Australians. Again, this is a case of an excellent partnership between an MFI and Insurance company for co-creating the first micro insurance product meeting the needs of the low-income people in Australia.

## Conclusion

Australia is one of the most economically advanced countries in the world with the most resilient economy among developed nations. Nonetheless, relative poverty, a new class of working poor, economics shocks due to precarious labour practices, life-changing events like being victims of domestic violence, homelessness in some cases and inadequate social safety nets are major concerns. Furthermore, the plight of the indigenous populations who are living like third world citizens in a first world is regrettable. The inability of white Australia to reconcile thus far with the longest living people on the planet, the first people on the land vividly reveals the shortcomings of the present-day model of democracy. Financial exclusion is another issue as one out of five persons is financially excluded. The trickle-down of wealth as a result of modern-day development is a fallacy. In this context, microfinance is relevant and needed in Australia. However, only one conspicuous microfinance operator in Australia; the Good Shepherd Microfinance which started as an offshoot of a community services organisation now operates as a separate entity with a unique model of leveraging on accredited partner network of community sector organisations and Not-for-Profits for the delivery of microfinance services.

National Australia Banks is one of the largest banks in Australia and the world. The bank and the banking sector were under severe public criticism due to the closure of branches leaving rural communities without access to basic banking facilities, NAB started looking for opportunities to regain the social trust and GSM presented as a promising proposition to support. The partnership with GSM started informally as part of the corporate social responsibility initiatives of NAB. However, the partnership strengthened and grew. As a result, GSM got AUD $100 million from NAB and in collaboration with NAB jointly introduced products and services such as StepUp loans and GoodMoney stores. The partnership has helped GSM to increase its outreach significantly during the last 10 to 12 years. Similarly, with NAB, microfinance has become the centerpiece of its CSR strategy. NAB now has a separate small department to manage and coordinate the microfinance activities and the partnership with GSM. The operating model of the partnership is a unique hybrid type structure which collaborates with the network of community sector organisations across Australia. The partnership between GSM and NAB is an excellent model.

Similarly, GSM in partnership with Suncorp Bank created an innovative tailor-made micro insurance offering to the low-income people. This is another milestone for GSM and an interesting proposition for other social sector organisation to follow.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

> [redacted]

[redacted]

> [redacted]

[redacted]

---

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

---

[redacted]

[redacted]

[redacted]

> [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

> [redacted]

[redacted]

> [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

> [redacted]

[redacted]

[redacted]

> [redacted]

[redacted]

---

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

> [redacted]

[redacted]

> [redacted]

[redacted]

---

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

> [redacted]

[redacted]

[redacted]

[redacted]

## [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

> [redacted]

[redacted]

> [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

Chapter 6

# [redacted] success factors

## Introduction

The challenges discussed in the previous chapter raises doubts regarding the ability of the partners to forge ahead with the partnership. Nonetheless, despite a plethora of challenges, partnerships in both countries are in operation and are successful. Therefore, amidst challenges, it is possible to initiate, form, and maintain partnerships between MFIs and banks. In this chapter, I will discuss those factors that were instrumental in the successes of the partnerships examined. According to Mohr and Spekman (1994) the understanding of the physiognomies of partnership success is lacking. Therefore, success factors of microfinance partnerships discussed within this chapter contributes to enrich the partnership literature. Success factors are the pillars on which HKL and ARB managed to establish Cambodia's pioneering partnership representing informal and formal sectors. And, likewise, GSM and NAB managed to sustain a unique partnership for over thirteen years, serving for the betterment of financially excluded people, who are otherwise exploited by greedy and callous financiers, including payday lenders. Understanding the strategies adopted by the partners in the management and mitigation of challenges that surfaced, and methods adopted to circumvent these challenges are critically important. Moreover, identification of such factors allows the application of knowledge to ensure the success of any existing partnerships for any future endeavours.

Drawing from the research data, this chapter broadly answers the third research question; 'what are the success factors for negotiating, formation, implementation, and maintaining a partnership between MFIs and formal banks?' Firstly, I will examine how the reciprocal benefits emerge as the rudimental success factor followed by the examination of the notions of shared values, objectives, and mutual respect that set the foundation for a strong partnership. Then, I will analyse the importance of good communication between partners at the strategic as well as operational levels that is critical for developing an understanding of each other whilst helping each other to subside challenges. Afterwards, I will discuss the significance of deliberate relationship building between the operational staff members of respective partners. This will be followed by an analysis of the leadership and the 'people' factor followed by examination of the unique program that has been developed by NAB for engaging and educating the bank's staff in relation to the partnership and purpose of microfinance. Finally, I will discuss how the 'governance and accountability' arrangements of the MFI conjure as a comfort factor for the banks, when partnering with a less regulated and 'risky' institutions like MFIs.

## Reciprocal benefits - [redacted]

The indispensable success factor, for formation, and sustenance of a partnership between MFIs and banks, is the reciprocal benefits for each partner; the principle of *quid pro quo.* Mohr and Spekman (1994), Gulati (1995), and Austin (2000) find that mutual benefits are imperatives for partnership success. In the case of Cambodia, the partnership between HKL and ARB presented tangible commercial benefits to both partners. HKL recognised the significant positive impact on financial sustainability through a reduction in operational cost and increase in income. Similarly, ARB initiated the partnership with a clear commercial objective to extend the network virtually, without setting up physical branches, for the benefit of their customers leading to cost saving and preventing their own customers allowing the competitors (other banks) to fulfill the banking needs in the localities where ARB did not have outlets. According to a senior banker, who is also one of the architects of the partnership between HKL and ARB, 'it was a win-win partnership. So, it was a perfect fit and naturally people gravitated towards that'. Also, in order to on-board stakeholders, a senior executive of HKL stated, 'it is very important to make sure that the benefits and the importance of the partnership are explained to the stakeholders clearly'. Hence, mutual benefits are important imperative, not only to form a partnership but also to persuade stakeholders to garner their support.

[redacted]

[redacted]

[redacted]

Another important aspect for maximising reciprocal benefits is having an awareness of each other's strengths. The knowledge of other partner's strengths provides the insight for strategic extraction of benefits from the counterpart; this was noticeable in the case of a partnership between GSM and NAB. For example, one of the managers of NAB stated:

> The key strengths of GSM are that they have a strong relationship with the wider community and the access to this sector. Also, they can be a strong community voice for NAB. The major strength we bring is the huge power of NAB's capital, and also the other expertise of such a large organisation. For example, we were able to contribute to the process development and improvement of GSM. And, innovation is a major strength we bring; for instance, NAB was the driving force behind the innovative concept of GoodMoney stores.

Therefore, cognizance of key strengths of each other is an enabler for maximising the synergetic effect of the partnership, and a vital aspect for innovation. NAB's and GSM was aware of each other's strengths, a senior manager of GSM described how each partner's strengths complement each other:

> GSM has over thirty-four years of experience in offering variety of social services in Australia such as educational programs, social safety-net programs, and foster care programs. Therefore, GSM's strength is the close connection to people with low incomes. Besides, GSM has a well-established network of trust, and a good body of thinking. NAB's strengths are in understanding of financial markets; innovative ways of reaching people; financial services; systems and technology; provision of the capital; and the financial acumen that help to apply the capital successfully.

Therefore, to maximise reciprocal benefits, it is important that a partner, not only recognises its strengths, but also the strengths of its partners. This is because 'co-creation of resources and capabilities' of partners are considered as the core benefit of a cross-sectors partnership (Dentoni, Bitzer & Pascucci 2016, p. 38).

Overall, it can be said that reciprocal benefits and mapping each other's strengths and weaknesses to maximise benefits are of paramount importance for the successful formation and sustenance of an established partnership. Nevertheless, the *quid pro quo* alone is not a sufficient factor for the success of a microfinance partnership; values, objectives, and aspirations of each partner are strategically critical factors too.

## Shared values [redacted]

[redacted] As a construct, values are 'relatively general and internal criteria for evaluation' (Hechter 1993, p. 3), and 'are broad tendencies to prefer a certain state of affairs over others' (Hofstede, Hofstede & Minkov 2010, p. 9). Organisations endeavour to espouse and embed values through aspired behaviour of its staff, which should reflect upon its collective actions and projected image, in the long run. Despite notion of values being loose metaphor, the way the values are endeavoured to instil within the organisation is through encouraging anticipated behaviours. [redacted]

The partnership between HKL and ARB is the first partnership of its kind in Cambodia; a landmark phenomenon in the country's financial sector landscape. Despite the conspicuous presence, and contribution to the economy, MFIs are looked upon as an inferior segment of the financial sector, as they are catering to the less-privileged people. In this context, ARB, being a bank with international roots, deciding to partner with an MFI, in a country where the financial and regulatory environment are considered substandard, 'values' became a comforting and a key factor. The Chief Executive Officer of ARB stated, the perceived 'value alignment' with the prospective partner is considered 'sacred' at the strategic level, signifying utmost importance; he further elaborated:

> I think at least from my perspective, working with a financial institution that really had shared values is one of the things I liked about HKL. They are an MFI that is driven and growing very strongly. And, driven by very strong values about what they do, why they do it, and equally what they will not do;

> something that is not always visible in the social sector. For me, that was a key factor.

Therefore, HKL's projection of strong ethical standards and values were a strategic advantage that differentiated them from other organisations in the sector and helped attract a reputable international bank to partner with them.

[redacted]

[redacted]

Value congruence is an enabler for long-term relationship building. From NAB's perspective, one of the senior executives stated that a partnership of this nature must be based on 'value alignment'. [redacted]

[redacted] Reiman (2013, p. 207) in this context argued that the' best companies and brands are built on the purpose, a deep-seated conviction that open minds, deepen relationships, outlast campaigns and grows both profits and people'. [redacted]

[redacted]

[redacted]

[redacted]

GSM and NAB have shared values as well as shared interests for the furtherance of financial inclusion. In addition to the shared values and interests, it is necessary to have ‘shared goals’ between the partners (Dhillon 2007; Desai 2018). Shared goals are a representation of the strategic objectives of individual partners and the partnership (Camillus 1986). The importance of ‘shared goals’ was a central theme, and one of the executives at GSM stated:

[redacted]

The shared goal of NAB and GSM revolves around the need to address the problem of financial exclusion in Australia. Therefore, despite the congenital differences of each organisation, they are able to converge to improve the financial inclusion. Therefore, common goals are fundamental for operationalising a partnership. Referring to the joint goals and aims, one of the managers of GSM stated, ‘it seems to me that we are fairly aligned- so we are kind of on the same page' and 'we are all looking to achieve the same outcomes'. [redacted]

[redacted]

Partnership dynamics change with time due to socio-economic fluidity and change in leadership/direction of the partners hence the aspirations and goals of the partners and the partnership (Yan & Luo 2001). Therefore, parties should engage in 'goal setting' or re-calibrating the goals in tandem with the changing dynamics. A senior GSM manager stated it is important to 'setting a goal; examine what do we want to do this year? how are we going to get there? and monitoring that'. [redacted]

Therefore, having shared objectives, measuring achievements with agreed indicators, and showing evidence of successful outcomes are extremely important. In summary, the findings are in line with the claim by (Hartman & Dhanda 2018, p. 192) that 'well-informed conception of the shared goals' are a prominent factor for partnership success.

[redacted]

The congruence of objectives, interest, and values of the partners are coined as 'mission mesh'- a key factor for partnership success (Austin 2000, p. 63). Recapitulating the concepts discussed, emphasising application and importance, one of the senior managers of the GSM, who has been with the organisation from the outset stated that the success of the partnership is a result of 'strong underpinning values, respect, mutual understanding, and goals; it has been a long time, thirteen years, sometimes it gets killed. Generally however, it has been a respectful and a matured relationship'. Her comment indicates the reality of a matured partnership and emphasise on the importance of 'mutual respect', besides shared values and objectives.

## Mutual respect [redacted]

Respect for each institution as well as for people working in them, is one of the most critical success factors. Reciprocal respect is particularly important for a partnership between an MFI and a bank due to a vividly evident power imbalance between the partners. The Chief [redacted]

[redacted]

[redacted]

Hence, mutual respect is significantly important from the weaker partner's perspective. The 'powerful' partner has to construct a perception that, not only do they respect the other party, but also treat them as an equal partner. Besides, in the context of 'power disparities' between the partners that was identified as one of the challenges for partnerships in the previous chapter, mutual respect is a strategic tool, for the powerful partner in particular, to counter such challenges. In this context, McQuaid (2010, p. 137) argues that 'handling differences in relative power' is critical for partnership success. Treating the other party as an 'equal partner' is a direct demonstration of respect. In the Australian case as well, a comment of a senior executive is instructive: '[redacted]

Besides, respect is a prerequisite to building 'mutual trust' between the parties, which is another aspect of a successful partnership. According to Fukuyama (2001), trust is not only a fundamental component of social capital, but also required to promote co-operation in a partnership. According to Elkington (1998, p. 51) 'building trust represents one of the most vital investments we can make in social capital creation'. [redacted]

## Communication: [redacted]

Communication is the foundation for relationship building and have been identified as a critical factor for partnership success (Trafford & Proctor 2006; Doloi 2009; Kolk, van Dolen, & Vock 2010). According to Mohr and Spekman (1994) strong communication consists of communication quality, information sharing, and participation. He asserts that participation in 'planning and goal setting' as a key component of communication behaviour (Mohr & Spekman 1994, p. 148). The success of both partnerships examined largely attributed to deliberate, and delicate management of communication between the partners, by the senior management. Regular interaction between parties is identified as a fundamental need. Therefore, constant communication at the strategic as well as the operational levels is of utmost importance. The communication dynamics has two aspects: formal/professional level and

[redacted]

informal/personal level drawing from the findings of this research (Figure 10). The strategic level communication identified in this research is in congruence with the findings of Mohr and Spekman (1994, p. 148), where he cited that the strategic level participation is an important part communication because 'participation enables both parties to better understand the strategic choices facing each other'. Establishing an effective and trusting relationship between two organisations that represent two different sectors, with unique cultural dispositions, is a challenge as discussed in the previous chapter. Therefore, the communication strategy for relationship building needs to be deliberately engineered and regularly maintained with checks and balances. An effective communication strategy facilitates the mitigation of friction or misunderstandings between the staff members of respective partners (Cheung et al. 2003). The fundamental aspect that respondents appreciated is 'honesty' in communicating with each other. One of the senior board members of GSM stated that 'mature people are able to have honest conversations. Another senior executive of GSM emphasised that:

[redacted]

[redacted]

[redacted]

Therefore, candid conversions were identified as an important factor in building trust and understanding among the partners. Therefore, the findings sides with Austin's (2010, p. 131) claim that 'communication being central to building trust and managing the collaboration process'. Moreover, open and honest conversations were considered a critically important aspect for 'managing expectations' of the counterpart. As such, managing expectations is a vital part of a robust communication strategy.

The risk of miscommunication was considered perilous for the partnership. The GSM staff opined that miscommunication, as well as lack of communication, leads, not only to reading messages incorrectly but also to misunderstandings between the staff members. Hence, asking questions or clarifications from the other party was specifically important, rather than presuming the answers/responses, in order to avoid damaging of the relationship.

For operational success, it is critically important to have regular and effective communication between the operational staff. [redacted]

[redacted]

[redacted]

Similarly, HKL and ARB have set up joint meetings on weekly and monthly basis in order to discuss the operational issues and to find solutions. Hence, regular meetings/communication facilitate the manifestation of an operational rhythm. Moreover, regular communication enables the sharing of ideas and perspectives.

[redacted]:

> I think having a really clear delineation between roles is essential. From a communications perspective. I know that it has been really central to get the messaging down on paper and write and that everyone is clear about who is saying what and avoid any confusion.

In this context, one of the HKL managers stated that she has a dedicated/exclusive contact person in HKL. [redacted] Therefore, a key element in embedding an effective partnership communication structure is having a dedicated corresponding contact person representing different levels of the partner's organisational hierarchy.

Another valid reason for clear rules of communication is to avoid confusion between the interacting parties. For example, if NAB contacts GSM staff or any of their network's partners directly, it may lead to unnecessary confusion; according to one of the senior executives of GSM:

[redacted]

[redacted]

[redacted]

Therefore, HKL staff warranted improved communication skills to deal with the new segment of customers that were introduced as a result of the partnership. Better communication helped to establish a cordial relationship with new customers. Similarly, communication management is positively related to relationship building (Jo & Shim 2005). As revealed, relationship building is not only one of the most important success factors of partnerships under examination, but also requires an enormous effort from the partners involved.

## [redacted] strategic relations

What follows from the above discussions that partnerships revolve around the strength of the relationship between partners. In a scenario where staff represents different organisations, let alone different sectors, the establishment of a cordial relationship between all levels of staff that is involved in the partnership is imperative. Both case studies examined revealed that senior management of partner organisations adopted deliberate strategies for strengthening the informal and formal relationships between staff of respective partners. Bryson, Crosby and Stone (2006, p. 47) argues that 'trusting relationships' are 'the essence of collaboration' and findings of this research support this claim. One of the senior managers of HKL stated that success was predominantly attributed to 'the interpersonal interactions. For the partnership to work, people on all levels need to know each other and have a good relationship; all levels of management got along well'. [redacted].

[redacted]

[redacted]

[redacted]

[redacted]

> [redacted]

[redacted]

> [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

## Leadership [redacted]

Leadership and the people involved in the partnership, were key factors in forming a successful partnership between HKL and ARB in Cambodia and maintaining a successful partnership between GSM and NAB in Australia. The leaders, in particular, are the decisive factor for any partnership among organisations whose commitment and support are imperative for initiating a partnership (De Bruijn & Tukker 2002; El Ansari 2012). According to Archer and Cameron (2009), collaborative leadership is the most important prerequisite in forming a partnership. [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

In this context, Vurro, Dacin and Perrini (2010, p. 44) argues that ‘a consistent leadership style’ is a key enabler to ‘take advantage of the situation’ in a cross-sector collaboration. Furthermore, the leaders and people engaged in the initial negotiations were decisive in forming a new partnership between HKL and ARB. According to one of the executives at HKL, ‘having a good lead negotiator’ is a major attribute of success. For example, one of the HKL senior executives was commenting on the negotiations between ARB and stated, ‘ARB had a good coordinator, therefore, it was not too much of a challenge because we understood each other’. HKL and ARB appointed lead negotiators to deal with each other. Both key figures who intensely piloted from the early stages to the formation of the partnership were very appreciative and respectful of each other. For example, HKL’s key executive who handled the partnership negotiations, commenting on ARB’s counterpart stated, ‘he is very friendly and cooperative, therefore, negotiations became easier’. Similarly, the ARB executive who was negotiating with the other party stated, ‘for myself personally, I gained a great friend, a person who has the opposite skill set to me; I am a more service, business-process guy. He is more of an audit with the risk-compliance background, so, understanding his challenges, understanding where he comes from, and sharing was a great experience’. Therefore, people and their intricate connections are vital for success. One of the senior managers at GSM stated that ‘there is a strategy or an aim or a goal alignment, but the success is because there are also the key people within both the organisations that value the partnership to make it work'.

[redacted].

[redacted] Nonetheless, literature does not discuss the importance of the operational level staff for partnership success. In this context, based on the findings of this research, I argue that in addition to the leadership, other staff members involved in the day-to-day operations are also critical for success. A senior executive of GSM stated that 'the individual people working on the program are really important'. And she stated that NAB's microfinance teamworks with 'such a passion and dedication' and 'having worked in a bank myself and knowing a lot of people working in the corporate responsibility in the corporate sector internally and the team at NAB certainly have that'. Therefore, NAB has established a robust microfinance team, which is a unique feature for a big bank domiciled in a developed country.  Similarly, for the furtherance of partnership with an MFI it is imperative that the rest of the people and leadership within the bank, are also supportive of the microfinance cause; in this context, NAB has developed a unique program, originally targeted for executives of the bank.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

## MFI infrastructure; [redacted]

According to Mori and Mersland (2014), governance is a major risk factor within the microfinance industry and good governance represent transparency and strategic vision. And, Ismail (2003) recognised governance as a success factor for cross-sector partnerships. Within the microfinance partnership context, GSM has identified the importance of sound governance and accountability based on the long-standing relationship with NAB. For example, the chairperson of GSM, who is a well-respected public figure in Australia, stated:

> [redacted]

[redacted]

> [redacted]

[redacted] Vurro, Dacin and Perrini (2010, p. 44) emphasise that the governance edifice is critical in 'setting the rules of the game' in cross-sectors partnerships. Moreover, well-defined governance, accountability, and organisational structure are critical for the sustainability of GSM, let alone for the success of a partnership of this nature. Similarly, a senior executive at GSM stated 'processes, policies, and approval/authorisation mechanisms' within the organisation become pivotal when dealing with a bank like NAB. Besides, robust processes

[redacted].

## Technological compatibility

In this digital age, commerce and finance are fundamentally relying on the technology factor hence compatibility of technological platforms, known as the Core Banking Systems (CBS) of each partner is of paramount importance for any partnership of this nature (Balling, Lierman & Mullineux 2003; Diniz et al. 2014; Lin 2016). In this context, in relation to the partnership between HKL and ARB in Cambodia, the technological compatibility was imperative for the success of the partnership. One of the managers at HKL stated that the second most important factor ensued by the 'people' is the technology. Similarly, according to one of the senior executives of ARB 'for the sort of thing we wanted to do, technology was an essential contingency, so in the end, we could not work with anyone where technology compatibility was not in sync. I think we were fortunate that a number of MFI were going through the investment phase for new core banking systems; that definitely helped'.

Generally, banks possess very sophisticated CBSs, not only because they can afford to invest, but also to protect themselves against the ever-increasing complex cyber security threats and to comply with multiple regulatory regimes in a globalised financial system (Callen-Naviglia & James 2018). Therefore, ARB's systems are sophisticated. [redacted]

## Conclusion

Both partnerships examined were successful amidst enormous challenges (discussed in the previous chapter). There were a plethora of success factors, for initiating a new partnership as in the case of HKL and ARB, as well as, for the prolongation of a matured partnership like the one between GSM and NAB. Chief among them is the reciprocity, *quid pro quo*, which is the cornerstone of the success of both partnerships examined. Shared values and objectives are the common thread that binds the partners together whilst the mutual respect of each partner is pivotal. Smooth and professional communication plays a major part in ensuring partners understand each other and is critical in avoiding misunderstandings between the staff of respective partners. Regular communication to facilitate the operational rhythm and a defined communication structure are crucial aspects within the realm of communication strategy. Both partnerships deliberately endeavoured to build the relationship between the respective teams, operational staff in particular, by way of formal as well as informal team-building exercises. Similarly, the commitment and support of the leadership of each organisation were imperative for the success of the partnership. Besides the leaders, operational staff collaborating with each other is essential for the smooth functioning of the day-to-day operations of the partnership.

As banks in general lack social consciousness, it was interesting to note that NAB had designed an immersion program for senior executives to visit and experience first-hand, not only the operations of GSM but also see the facets of poverty and microfinance. The program has been extended to all levels of staff including graduates. Allowing the newly recruited graduates to work in GoodMoney stores, servicing underprivileged customers has an invaluable impact on shaping the future generation of bankers. The MFI’s organisational structure, governance, and accountability frameworks provide immense comfort to the banks as highly regulated institutions in the financial economy. Technological compatibility is imperative in this digital era for smooth interfacing of each partner’s systems, in particular for the partnership between HKL and ARB, designed for linking the two institutions electronically.

## Chapter 7

# Benefits [redacted]

## Introduction

One of the fundamental objectives of this research was to investigate the efficacy of partnerships between MFIs and formal banks. In particular, the focus was to identify the impact of partnerships on the MFIs' sustainability and outreach. As will be shown in this chapter, the findings reveal much broader and profound impacts of partnership on MFIs. Moreover, the chapter will show immense benefits to the partnering banks too. Therefore, this chapter provides detailed accounts of a range of benefits to the partners.

The partnerships contributed immensely to address two of the fundamental challenges confronted by MFIs: outreach and sustainability. Besides, MFIs benefitted immensely in the area of capacity building, which includes the employee skills development, and the transference of knowledge from the banks to MFIs in relation to the best practices and processes. Another benefit is the receipt of pro-bono support from the banks, and access to a plethora of invaluable free resources. The significance from the development perspective is that the benefits to MFIs have a direct impact on poor beneficiaries. For example, the improvement of the bottom-line of MFIs due to cost reduction, and new income sources strengthen the institutions, which is helpful to cater to more poor people. This also ensures the certainty and viability of the institution as a going concern.

Moreover, the banks too benefit because of the respective partnerships. The benefits to the banks are commercial as well as they serve their Corporate Social Responsibility (CSR) policy and build their image building in the eyes of the regulators as 'socially conscious' organisations. In Australia, the microfinance partnership became, not only a point of pride for NAB's internal staff, but also a catalyst for increasing employees' engagement. In Cambodia, the partnership had a broader impact on the financial sector landscape, the partnership between HKL and ARB was the first such partnership that bridged the informal and formal financial sectors. Furthermore, partnerships directly facilitate the enhancement of social consciousness of the bankers and hence direct impact on value creation from a moral point of view; again, this has a long-term benefit to the society and the poor people.

This chapter is primarily dedicated to addressing the fourth research question, 'what are the benefits of a partnership between an MFI and a formal bank, for the MFI in relation to sustainability and outreach?' At the outset, in the first part of the chapter, I will discuss how the partnership resulted in increased outreach for MFIs. Then, I will examine the impact on their sustainability, followed by delineating positive impact on the capacity building of MFIs which includes the human resource development and capability enhancement. Next, I will examine the *'pro-bono'*/access to free resources support that MFIs received from the banks. In the second part, I will discuss the benefit to the banks resulting from the formation of partnership with MFIs.

## 1. [redacted] MFIs

### i) Outreach: [redacted]

Increasing outreach is one of the fundamental triumvirate challenges for MFIs universally, the other two being ensuring sustainability and increasing the impact. Enabling more poor people with access to financial services, which they are deprived of, is the foundation of financial inclusion. Thus, increasing the outreach of MFIs is important from an economic policy perspective as it facilitates the reduction of economic exclusion, hence inclusive development. One of the profound benefits of both partnerships examined is the positive impact on the outreach of the MFIs. [redacted] The bank's commitment for the capital of GSM provided the implied guarantee to the State Government for extending its support for the program. The gradual increase of capital contribution from AUD $30 million in 2006 to AUD $130 million in 2009, enabled GSM to provide approximately 28,000 loans per year, with an expanded network of over 680 partner outlets across Australia. Therefore, the partnership directly facilitated the increase of outreach from 150 loans per year to 28,000 loans per year, an increase of 18,667 percent.

[redacted]. Traditionally, GSM expanded upon a model of serving the people through a network of accredited partners/community organisations. However, the traditional outlets excluded a cohort of vulnerable community, typically male clients.[100] GoodMoney Stores, strategically located with proximity to such predatory lenders, provide visibly ethical alternative to traditional lending.

As discussed in Chapter Four of this thesis, another challenge in Australia and many other developed countries, is the menace of payday lenders, a leading form of predatory loan-sharks, who largely offer internet based/online services; easy access and fast outcomes. Therefore, to provide an ethical alternative to exploitive online products, [redacted]

[redacted] For example, the customers of HKL now have access to the service of

[100] See Chapter Four under under the heading GoodMoney stores.

As ARB customers deposit a large amount of monies at HKL branches located in rural areas, HKL need not transfer funds to those branches, and one of HKL's executives stated that 'it gives them cheaper and quicker liquidity in some branches'. Hence, the arrangement helps HKL reduce the cost of transferring cash to those branches to meet their cash/liquidity requirements. For example, according to the director responsible for the Treasury Department at HKL, 'ARB introduced client in Kompot Province always deposit cash in HKL branch, to pay their principle company in Phnom Penh. So, to our advantage, we do not have to wire-transfer cash to this branch, so there is a direct cost saving'. Hence, cost saving in managing cash, quicker liquidity, and cheaper form of capital became drivers for improvement of the bottom-line/sustainability; excellent outcomes for HKL.

Furthermore, HKL borrows funds from overseas funding agencies, and receives funds from countries such as France and the USA. Banks which arrange those funds or facilitate the inward transfer on behalf of HKL, charge significant fees. However, because of the partnership, ARB has waived fees for any incoming funds to HKL from overseas lenders, which is a significant cost saving. At the same time, HKL has managed to negotiate preferential fees, and discounted foreign exchange rates, when repaying their overseas lenders.

[redacted]

[redacted]

Before the partnership, they only had a savings account with ARB to transfers money to provinces where ARB had branches, but now, after signing the Memorandum of Understanding, they have a broader relationship. Hence HKL has access to an exclusive/dedicated partner bank for their day-to-day commercial needs and a relationship that goes beyond the realm of a commercial transaction.

As far as GSM in Australia is concerned, NAB has provided AUD $130 million as cost-free capital - a rarity in today's world. If GSM borrows capital from another bank, they would have to bear the interest fee. Alternatively, if shareholders provide the capital, a return on investment needs to be paid as dividends to them. Therefore, effective cost saving for GSM is colossal. Hence, the partnership has supported the cost reduction of GSM, thereby helping their sustainability immensely.

[redacted] Moreover, it is a challenge, particularly for MFIs in Cambodia, to find customers in a fiercely competitive market within which they operate. Therefore, customer referral from ARB is an extremely valuable prospect. One of the ARB executives stated, 'for example, our client, a brewery company, has more than 200 distributors all over the country, and HKL can bank with 200 more distributors;'. The new customers that transact with HKL as a result of the partnership with ARB are wealthy and sophisticated customers, compared to their typical customers, poor borrowers. Hence, HKL has the opportunity to convince their rich customers, who traditionally avoids dealing with MFIs, to become depositors. Deposits are important to MFIs in two ways; firstly, it is a direct income generation source- interest income; secondly, a cost reduction strategy as the deposits are considered in the financial sector as a cheaper form of capital. Increased deposits, therefore, help HKL to lend to more people, and increase HKL's outreach. Also, the partnership with a reputed bank like ARB has a positive impact on HKL's credibility in the public domain, which help to attract new customers for deposits.

Another unexpected solid income generation source that HKL found as a result of the partnership, is the opportunity to provide payroll services to small and medium-sized companies. For example, a garment factory had a main account with ARB, and they wanted to pay employees' periodical wages through bank accounts, rather than paying by cash. Those garment factory workers were too small in terms of customers for ARB to manage, besides they did not represent the ARB's target customer segment. Therefore, ARB refers to such employers to HKL for management of their payroll services, and the workers could receive wages through HKL.

Therefore, HKL earns an income for managing the payroll and access to new customers like garment workers, who have similitude to their target customer segment. Also, there is a potential to increase HKL's income by providing other financial services to these customers. The cost reduction and income generation potential are immense, which in turn, directly helps improve their bottom-line.

## iii) Capacity building [redacted]

Capacity building and sharing knowledge/expertise have been recognised as advantages of cross-sector partnerships (McQuaid 2010; Dentoni, Bitzer & Pascucci 2016). I argue that capacity building and transference of knowledge are more important to microfinance. [redacted] In this context, transference of knowledge from banks to MFIs is significant. Because of the partnerships, it was evident that both banks in Cambodia and Australia alike shared expertise and transferred knowledge generously to MFIs. One of the ARB executives stated that:

> [redacted]

[redacted]. In the same manner, GSM has coupled with NAB's marketing team to learn best practices. As a proactive approach/strategy, GSM's senior executive stated that 'I always look at what else they could offer'. He was of the opinion that people at NAB are willing to help GSM whenever they ask. For example, when GSM requested NAB to help them to streamline HR processes and procedures, NAB provided high level expertise to improve the processes par with the highest standards. Similarly, NAB's seniors level experts from credit risk team have conducted numerous workshops to train the staff members involved in credit/risk function within GSM covering comprehensive area within that filed.

[redacted].

[redacted]

[redacted]

### iv) Human resource development [redacted]

The human resource management capability and knowledge/skills development of staff members are extremely important for any organisation, let alone MFIs. The partnership with banks helped MFIs to improve the skills of microfinance staff through exposure, experience, and the transference of knowledge from the banking experts. Furthermore, attracting talent has been another conspicuous result for MFIs.

[redacted]

[redacted]

Furthermore, the partnerships facilitated skill improvement, and confidence building of MFIs' staff members. For example, one of the senior managers of HKL stated that as a result of the partnership, ‘I have learned high standard of communication skills. In particular, I learned how to build a relationship with senior/high profile executives. Also, I have managed to improve my presentation skills at the senior level management’. And, she said confidently, ‘I can use the experience to run a business successfully; I want to be a Chief Executive Officer one day’. Therefore, it was clear that the partnership has made an immense impact on the development and confidence of staff members.

[redacted]

[redacted]

[redacted]

Similarly, in Australia, NAB’s Customer Experience team imparted expert knowledge to the corresponding GSM team via dedicated training programs. There are lots of examples where NAB brought special skills to build GSM’s internal capacity. NAB also invites staff from GSM for internal training programs exclusively organised for Banks’s own staff, hence provide the opportunity for GSM staff for up-skilling otherwise not available to them. The HR manager of GSM stated that NAB has provided high-quality training to GSM and ‘our staff has definitely benefitted from them to improve skill and capabilities'; a far-reaching and long-term benefit to GSM.

Another important benefit for MFIs is the opportunity to attract decent talent in a competitive human resource market. For example, in Australia, as a result of the partnership with high profile financial institutions like NAB, the image of GSM has been boosted and helped to attract decent talent/workers. In this respect, the Chief Executive Officer of the GSM stated:

[redacted]

Thus the talent transferred from the banks to MFIs is one of the significant benefits for MFIs. In this context, the partnerships not only created respect in the minds of the bankers towards the MFIs but also resulted in bank staff migrating to MFIs. A senior executive of the HKL stated 'not directly related to the partnership, but to the credit of the partnership, our staff has moved to HKL. Over the last six months, we have seen two people leave into relatively senior credit roles in HKL. Similarly, staff movement happened in the partnership in Australia too, where one of the senior executives, and a manager from NAB joined GSM. The movement of staff from the banks to the MFIs, is due to the partnerships that created a bridge between the two sectors, more importantly, due to respect developed towards the MFIs.

Another complementary positive outcome of the partnership with NAB is that it has provided with a purported sense of higher status for the staff members of GSM. For example, one staff member of GSM was appreciative of the fact that a 'partner like NAB gives us support, and sees us as equals, even though we are earning less'.

One of the senior executives of HKL talking about the positive impact of the partnership opined that HKL's staff now seem to have upgraded their skills to the same level of a commercial bank.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

> [redacted]

[redacted]

> [redacted]

[redacted]

## [redacted]

[redacted]

> [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

## Conclusion

Both case studies examined reveal that there were immense benefits to MFIs and their partners. GSM and HKL managed to increase the outreach as a result of the partnership. GSM as a small MFI in 2003, giving about 150 loans per year, increased the outreach to provide about 28,000 loans per year now. Similarly, HKL customers could access a range of banking services through ARB that was otherwise only available to commercial bank customers- the ability to transfer funds to other financial institutions is one such service. Another benefit is access to twice the number of ATMs that they currently use. Moreover, cross-border money transfer is another important service they are able to access; predominantly important for the poor rural populace, whose family members/relatives migrate to neighbouring countries such as Thailand and Vietnam for low-paid/unskilled work, especially during the dry season.

The positive impact on sustainability is the other major benefit for MFIs. The improvement of bottom-line, predominantly due to a reduction in the cost of operations and an increase in revenue. HKL was able to reduce the cost of liquidity management, in particularly, through the cost savings in transferring funds to far-flung branches; cost of transportation of cash physically as well as fees paid to other banks when remitted via them. Also, speedy access to cash is another advantage. Moreover, HKL was able to increase the deposits from the provinces. The increase in deposit funds helped HKL to increase interest income and enabled them to have access to a cheaper form of capital. Furthermore, as an unanticipated benefit, ARB referred to small and medium sized businesses to HKL for the provision of payroll services providing HKL a direct fee income. And, as a result, access to a large number of customers like garment factory workers, who would receive their wages through HKL accounts, is an immense benefit in a fiercely competitive market. The new customers that resemble HKL's own cohort of customers with demographic similitude potentially will solicit other products and services on offer, thereby leading to an increased income and operational sustainability.

Capacity building, and skill/capability development of human resources as a result of knowledge transfer and learning are profound benefits for both HKL and GSM. NAB helped to establish and organise the human resource department of GSM and mentored the HR manager to improve her skills. ARB transferred significant knowledge to HKL. For example, ARB's staff generously worked towards improving the practices and processes of HKL and contributed immensely to build the capacity of HKL's Risk and Compliance department. Also, HKL improved processes in the area of deposit taking and learned a high level of customer service ethos whilst improving their staff's communication skills. Hence, learning and development of staff as a result of the exposure was clearly evident in the case of both MFIs examined. Furthermore, the partnership enhanced the capabilities of human resources of MFIs and also enhanced the confidence of individual staff members. Another outcome was that staff from both banks migrated to the corresponding MFIs to work; a move that undoubtedly enriched the human resource pool and talent of GSM and HKL.

Banks too benefited as a result of the partnerships with MFIs. ARB, as intended, benefited commercially. They managed to virtually extend the branch network without investing monies to set up branches by facilitating their own customers to access HKL branches. Similarly, NAB managed to find a purpose, and the centerpiece for their CSR strategy as they set up an internal microfinance team to manage the partnership with the GSM; the first of its kind in Australia.

The partnerships helped to boost the image of the banks, in particular from the perspective of regulators; a strategically important factor. NAB considers its partnership with GSM as a credible source of image building. The most conspicuous benefit in the case of NAB is that the involvement in the microfinance has become a point of pride for the staff and has thereby helped to increase levels of staff engagement within the bank. Likewise, similar sentiments were revealed by Suncorp bank, who initiated the first micro insurance partnership with GSM; the staff was motivated, and proud to offer a product that served the disadvantaged people in the community. The opportunity to offer ethical alternatives *vis-a-vis* exploitive/unaffordable products to the disadvantaged people help inculcate doing good things. Therefore, bankers were appreciative of the social consciousness of the employer. Also, ARB and NAB staff revealed that the association has changed their perspective towards MFIs; a shift in the way of thinking of bankers.

Chapter 8

# Comparative analysis [redacted]

## Introduction

Two cases examined are unique archetypes with their exclusivities and dispositions. Besides, each represent cases from developing and developed countries, respectively. Therefore, comparison of each case is significantly important in understanding broader dynamics of the partnership between MFIs and commercial banks. Moreover, juxtaposition provides a profound perspective from the notion of 'developing' and 'developed' dichotomy. Therefore, the aim of this chapter is to comparatively analyse the two case studies. [redacted]

Cambodia is a developing country and Australia is a developed one. Cambodia has a conspicuous and vibrant microfinance sector whilst Australia, as an advanced economy with a reasonable social safety net, does not have a well-defined microfinance sector. Similarly, the dynamics of poverty in each country have their own specificities. Nonetheless, the transference of the concept of microfinance from developing to developed countries seems socially beneficial to counter the relative poverty and financial exclusion that persists in the developed countries like Australia. Hence, as a universal concept, microfinance works well irrespective of the level of development, fundamentally due to the demand for such services as a result of the socio-economic inequality that is evident universally. The partnerships examined have similitudes as well as differences. Interestingly, both MFIs in Cambodia and Australia, except the cultural differences, possess similar organisational dynamics, infrastructure, and management styles; organisations are operating on universal models in the backdrop of a globally interconnected economy. Most noticeable common aspects of both partnerships are the unreserved willingness of the banks to support MFIs for capacity building. Moreover, partnership microfinance has facilitated to generate greater respect for MFIs in the banking industry. One of the conspicuous differences is the highly commercialised nature of MFIs in Cambodia compared with that of Australia. The operational models of the partnerships and the phase of the partnership cycle within which the partnerships are located are also different in each case; the Cambodian case is in the early phase of a partnership *vis a vis* a matured partnership in Australia.

This chapter is fundamentally answering the final research question, that is, ‘what are the similarities and differences between these partnerships in developing country (Cambodia) and the developed country (Australia)?’ This chapter focuses on the comparative analysis of both cases. The comparison follows the major themes discussed thus far in this thesis. At the outset, I will briefly compare Cambodia and Australia in relation to the poverty dynamics, microfinance sectors, and regulatory frameworks. Then, I will be comparing the partnership models juxtaposing the operational dynamics of each case study. This will be followed by a discussion on major comparative themes namely the challenges, success factors, and benefits of microfinance partnerships.

## Poverty dynamics: [redacted]

The two case studies examined are positioned in the opposite continuum of the world development scale. Cambodia and Australia are two countries that differ in many aspects; social, political, economic, and cultural. Cambodia is a post-conflict developing country whilst Australia is one of the most developed countries in the world, the twelfth largest economy. However, poverty and financial exclusion are common, nonetheless, with own localised attributes and dispositions; absolute poverty in the case of Cambodia, and relative poverty in the case of Australia.

Cambodian Gross National Income (GNI) per capita is USD $1,070 compared with that of USD $60,180 for Australia. With such a high GNI, it is irrational to have poverty in Australia if the income is equitably distributed. Nevertheless, due to a confluence of factors such as such unequal distribution of incomes and high cost of living, GNI is not a true reflection of actual incomes nor living standards of the peoples. Besides, due to the fallacy of the trickle-down theory, a high percentage of national incomes are concentrated in the hands of a few (Greenwood & Holt 2010). Furthermore, part of the Aboriginal population or the First Peoples of Australia lives in conspicuously contrasting conditions with lower standards of living, including lower life expectancy than that of the non-aboriginal population. Nonetheless, according to all economic indicators, Australia is a developed economy whilst Cambodia is a developing one with much higher severity and incident of real poverty.

Table 9: Comparative country snap shot

| | Cambodia | Australia |
|---|---|---|
| Population | 16.005 million | 24.599 million |
| Poverty | 14% (absolute) | 13.3% (relative) |
| GDP(USD) | $22.158 billion | $1.323 trillion |
| GNI per capita (USD) | $1230 | $51,360 |
| Life expectancy(years) | 68.981 | 82.5 |

Source: World Bank 2019a & 2019b; ACOSS 2016; ADB 2018.

The total population in Cambodia is 16 million whilst the poverty rate is 14 percent. In comparison, the population in Australia is 24.6 million and 13.3 percent of the population were considered poor (ACOSS 2016; ADB 2018; World Bank 2019a & 2019b).[101] Despite the social welfare safety nets, relative poverty does exist in the developed world. However, poverty has multiple facets in relation to poor courtiers like Cambodia; hence a deeper analysis is possible. According to the World Bank (2019c), in Cambodia, 4.5 million people or nearly 30 percent of the population remain near-poor, hence, vulnerable to economic and external shocks leading

[101] Poverty arte for Australi is only aviable for 2014 hence same year data have been sued for comparsion purpsoes.

to high probability of falling back into poverty. Furthermore, 90 percent of the poor resides in the rural-areas, intensifying their poverty (ADB 2014). In Australia, 2.99 million people are considered as living below the country-specific poverty line. Nevertheless, the notion of financial exclusion is conversed than poverty *per se*. The Chief Executive Officer (CEO) of GSM stated that 'people's assumption that there is no poverty in Australia is far from the truth'. Therefore, poverty and financial exclusion are a common phenomenon in both countries, with fundamentally different degrees, dispositions, and dynamics; nevertheless, it is a problem that needs to be addressed. In this context, microfinance has a role to play in both countries.

## [redacted] microfinance

Cambodia is a country with a vibrant and conspicuous microfinance sector, whereas there is no such identifiable sector in Australia. Cambodian microfinance sector is a prominent contributor to economic development. As a country with a significant number of poor people, the majority of whom live in rural areas, access to finance is a challenge. There has also been a dire need for access to finance historically, during the post-conflict development phase due to the destruction of financial institutions and the economic infrastructure, not to mention the genocide of human capital, during the notorious Khmer Rouge regime. Furthermore, as a post-conflict country, following the United Nations involvement through United Nations Transitional Authority in Cambodia (UNTAC), foreign NGOs forayed into Cambodia for development work. There is a significant number of NGOs operating throughout the country as Rural Credit Operators. MFIs in Cambodia are largely an organised cohort under the Cambodian Microfinance Association (CMA) and are a recognised part of the financial landscape with specific laws and regulations governing the sector.

In Australia, as a developed country, microfinance is not posited within the public domain. Nonetheless, there is a demand for 'small credit' by vulnerable people who are unable to obtain credit from banks. Those customers are at the mercy of predatory lenders such as 'payday lenders' and consumer leasing companies. Coincidently, the CEO of GSM has been involved in the microfinance sector in Cambodia. Expressing a fundamental difference in the microfinance sector in the two countries, he stated that:

[redacted]

[redacted]

Therefore, the fundamental difference is from the demand side. Moreover, following Sen's (2001) Capability Approach to poverty, poor in Cambodia are deprived of capabilities. Therefore, due to limited opportunities to subsist, the survival spirits of the poor are high, and they are compelled to take uncalculated risks. Such is not the case with Australia. However, there is relative poverty that persists in Australia, and higher severity amongst the Aboriginal peoples, some of whom are still living in substandard conditions. Hence, the need for access to finance does exist, strongly for consumption smoothing due to the high cost of living; struggling single parents and pensioners are good examples. Furthermore, financial exclusion is a reflection and representation of poverty and societal inequality.

[redacted]

## Regulatory environment:[redacted]

The regulatory environments of Cambodia and Australia are significantly different, each representing developing and developed country attributes and dispositions. The Cambodian regulatory environment is in a transitionary state due to the ongoing structural changes in the economy. The financial sector landscape is changing rapidly, yet, microfinance is still a conspicuous and vital part of the financial economy. Therefore, regulators are conscious of an inclusive policy for formal and informal sectors. The National Bank of Cambodia, as the primary regulator, is actively supportive of financial inclusion due to limitations in the supply side for the risky customer cohort; hence, enabling the provision of credit overweighs the need for stricter consumer protection. In contrast, the regulatory regime in Australia is to protect the consumers, as there is no scarcity of suppliers of finance in the market. Nevertheless, payday lenders and consumer lease companies have become a hazard exploiting vulnerable people. Therefore, the primary regulator of credit, the Australian Securities and Investment Commission (ASIC), has been strict on short-term predatory lenders. Nevertheless, ASIC has fallen short of the aspirations of advocacy groups who clamour for even tighter regulations. For example, regulations like the 'Responsible Lending' provisions stipulated within the National Consumer Credit Protection Act (NCCP) 2009 are deliberately targeting irresponsible lenders, and at times, cynically used as a mode of defense by a few of the respondent-bankers for not lending to vulnerable and marginalised people in society.

[redacted]

[redacted]

Therefore, the regulatory environment is seemingly stringent upon the credit providers in Australia enabling more protection for consumers at large, whereas, in Cambodia, as credit is an imperative element within the mix of strategies for enabling development, regulators endeavour 'to walk on a fine-line', balancing the needs of the providers as well as the consumers. Besides, there are a plethora of NGOs that have penetrated rural areas, among them, are a myriad of rent seekers disguised as rural credit providers. These rent seekers pose a major challenge in Cambodia as they manipulate legal loopholes. [redacted]

[redacted] Again, this is due to legal ambiguities and limited resources within supervisory bodies like ASIC. Also, the significant demand in the market and manifestation of a class of working-poor within the bourgeois obfuscates the regulatory dynamics.

A common aspect of both countries was that NBC, the primary regulator in Cambodia, and ASIC, the primary regulator for lending in Australia, were profoundly supportive of both the innovative partnerships that endeavoured to bridge the informal and formal financial sectors and to address the issue of financial exclusion. Therefore, the partnership models, despite having different dynamics and dispositions could address the same issues within different socio-economic contexts, both directly and indirectly.

## [redacted] Partnership Models

In comparison, both partnership models are distinctive, and each is positioned at a different phase of the partnership cycle. According to the partnering cycle as shown in Figure 11 developed by the Partnership Brokers Association (2018), the partnership between HKL and ARB in Cambodia is in the early stages of the partnership cycle; ‘scoping & building’ and an early part of ‘managing & maintaining’. Hence, this phase reveals the dynamics of how a new partnership is formed, piloted, and implemented. The partnership between GSM and NAB is in the full operational stages of the partnership cycle; ‘reviewing & revising’ and ‘sustaining outcome’. Therefore, it demonstrates the dynamics of a maturated partnership, as it has been in operation for 13 years.

Figure 12: Partnering Cycle

[redacted]

Source: Partnership Brokers Association 2018.

The partnership between HKL and ARB was fundamentally an innovative model that was initiated by the bank as a result of pursuing ways to virtually extend the branch network, without investing in new physical infrastructure. This was a cost-effective way of catering to the existing customers of the bank. As a country with conspicuously presence of a huge number of MFIs, a few of which are well respected as decent and viable, ARB, after much deliberations, identified HKL as the best partner.  Similarly, HKL recognised a significant reciprocal benefit regarding its financial sustainability due to the resultant cost savings from the partnership. The fundamental model revolves around the ‘payment and collection’ of funds of ARB customers at HKL branches located in the rural areas where ARB has no presence. The agents/distributors domiciled in rural provinces either transfer funds to, or receive from, large corporate customers (principals) such as MNCs like Coca-Cola, or large companies like Cambodian Beer.  Funds channeled through HKL’s network provide a cheap source of funds that could be utilised as part of the daily liquidity requirement. The gain in liquidity management is due to the reduction in the cost of borrowing and arranging funds from other financial institutions and savings from the transportation cost of cash to, and from, remote branches. The next phases include sharing of ATMs, thereby doubling the number of ATMs that could be accessed by HKL's microfinance customers, and access to foreign currency transfers from countries such as Thailand or Vietnam, where many people have migrated for work. By law, HKL as an MFI is barred from directly dealing with foreign currency transactions, yet, as a result of the partnership, this is made possible using ARB's international network.

The partnership model examined in Australia is a bank-initiated partnership that is built on the Corporate Social Responsibility (CSR) strategy of the bank. At the outset, NAB was conceptually pursuing a 'social purpose', at a time when banks were criticised by the public for unconscionable behaviour, including the closure of branches, that impacted a large number of regional populations- this is still happening at a slower phase and public outrage still exists. GSM was a small NGO based microfinance program, that was able to access the much-needed capital and support for rapid expansion. It has grown to be one of the most successful microfinance partnerships in the developed world, creating and offering joint-innovative products and services. However, the partnership model has continually been transforming into a more commercial orientation over the past few years. For example, GSM with the support of NAB, launched a personal loan scheme, as a commercial project with a view to make a profit. At its core, the genuine social intention of providing an alternative to the usurious payday lenders does exist. Nevertheless, this new product development scheme has the underlying elements and subtleties for convergence to a commercial alliance, thereby widening the scope of further possibilities and future expansions.

[redacted]

The evolution of partnerships examined can be analysed in the context 'collaboration continuum' expounded by Austin (2000, p. 20). According this framework corporate-NGO partnerships evolve through three stages; philanthropic stage, transactional stage, and integrative stage. I have depicted the key points of Austin's frameworks below (figure 13):

enormous challenges. As noted elsewhere, the models are unique and positioned at different phases of the partnership cycle. Therefore, the challenges confronted are different and exclusive to each partnership. Besides, even the same challenges have very different facets and dynamics. For example, both partnerships were subject to regulatory challenges, however, the dynamics and dispositions differ greatly. In Cambodia, regulatory challenges were stemming from the sub-standard or weak regulatory framework, inherent to a developing country. The primary regulatory conundrum in Cambodia emerged due to doubts around HKL's ability to adhere to the principle of 'Know Your Customer' (KYC), according to which financial institutions are required to understand the source of funds for each transaction; a monumental challenge for rurally dispersed substandard Cambodian MFIs. Similarly, there were concerns with regards to the ability of Cambodian MFIs to fully comply with the Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) regulations; strictly enforced global directions that are subject to severe penalties for non-compliance. As such, ARB's Central Risk and Compliance Department began to scrutinise the partnership mechanism; particularly in relation to the visibility of origin/source of funds that are transferred to, and from HKL. The usage of dual currencies, Khmer Riel and US Dollars alike, for day-to-day transactions at every level of economic spectrum in Cambodia, complicates the risk parameters. Besides, the country's reputation as a corrupt crony-capitalist system exacerbates the associated country risk to ARB. At one point, the partnership was at a stalemate, subject to severe demands from ARB's Head Office to upgrade the risk and compliance frameworks of HKL in order to comply with the minimum international standards that ARB had to comply with as a bank. On the contrary, the strict regulatory environment in Australia is a challenge; restrictions stipulated under Responsible Lending guidelines for financial institutions indirectly prohibit lending to vulnerable people.

Technological compatibility was a challenge as well as an imperative for the partnership between HKL and ARB. The core partnership mechanism requires the interaction of each other's Core Banking Systems (CBS) for the transfer of funds between the institutions. ARB was the initiator of the partnership; hence, they were compelled to find a partner that had the technological compatibility or willingness to invest in order to accommodate changes. The modification of ARB's system was not a feasible option, hence, HKL's Information Technology team had to be creative in order to ensure compatibility. Technology *per se* was not a major challenge for the partnership between GSM and NAB as a result of the nature of the partnership. Nevertheless, GSM coveted the ability to change NAB's systems in order to modify products offered via its network to meet the needs of poor customers. For example, one of the products offered by GSM, *Step Up Loans*, is technically owned by NAB, hence, hosted by NAB's technological platform. As a part of the repertoire of NAB's products, they have the discretion to modify. Nevertheless, it was not a priority for them but was a challenge for GSM as they were unable to enhance the product to meet clients' needs. Hence, GSM and NAB had technological issues due to their different perspectives.

As noted elsewhere, the fundamental benefit of HKL was the cost saving generated through better liquidity management. Nonetheless, the benefit became a major challenge as the meticulous pre-planning of branch cash-flow requirements was a demanding exercise for a small MFI generating deals with a comparatively small amount of cash catering to poor customers. For GSM, the challenge was more from the perspective of efficiently utilising the capital provided by NAB. In other words, due to capacity constraints of the networks' delivery channels, the capital was underutilised. Therefore, in both countries, a better management system of cash or utilisation of capital have been challenging for MFIs.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

## [redacted] success factors

Despite difference between developing and developed countries, one of the interesting aspects of both the partnerships examined is that the majority of success factors were common to both partnerships. [redacted]

[redacted].

The most prominent common success factor in both partnerships examined is the mutual benefit or doctrine of *quid pro quo.* The reciprocal benefits that were anticipated were the fundamental factor for the genesis of the partnership between HKL and ARB in Cambodia. The benefits of ARB and HKL were commercial in nature. Nevertheless, HKL as an MFI interpreted those 'commercial' benefits as 'social' benefits for their beneficiaries- the poor. MFIs as social enterprises are privy to proclaim any improvement in their bottom-line as an impact on sustainability within the lexicon of microfinance. Austin and Seitanidi (2012a, p. 729) contextualise this as 'resource complementarity' within cross-sector partnerships and state that the 'fundamental basis for collaboration is obtaining access to needed resources different than those one possesses'. The resources are 'either generic' such as money that the company has or positive reputation that the not-for-profit has or 'organization-specific resources, such as, knowledge, capabilities, infrastructure, and relationships key to the organization's success' (Austin & Seitanidi 2012a, p. 730). Therefore, the findings of reciprocity between microfinance partnership is in line with the 'resource complementarity' expounded by Austin and Seitanidi.

Shared values were an important aspect of the partnerships as both attributed their success to shared values and objectives. Value alignment was critical and larger in the case of the partnership between GSM and NAB in Australia than the partnership between HKL and ARB in Cambodia. This is fundamentally due to the partnership in Australia being initiated due to CSR policy of NAB. Nevertheless, despite the partners pronouncing that they have 'shared values', banks are not considered as institutes with 'values' as banks are continually criticised for a lack of social consciousness. GSM and its parent NGO, are respected institutes in Australia. By way of partnering with GSM, the bank was able to extract a value proposition, in other words, was able to trade 'resources' for 'values'. Therefore, the partnership was a 'value enabler' for NAB. The microfinance partnership with GSM enabled NAB to commit to values, a social cause that projected its ethical image (relative to other banks). Similarly, ARB's Chief

Executive Officer stated HKL's strong values were a key comfort factor when partnering with them, despite HKL being an institution that operates on a lower spectrum than a bank within the Cambodian financial system.

Another common success factor that was evident from both case studies is the mutual respect for respective partners. In particular, at the executive and senior manager levels of the institutions, mutual respect was conspicuously evident. In both cases, banks were conscious to show mutual respect for MFIs in order to project that they were treating the MFIs as equal partners, despite a clearly evident power imbalance. Similarly, both partnership successes were ascribed to the leadership and 'people factor'. Leadership was recognised as a key success factor in the case of GSM and NAB partnership in Australia by respondents compared to that with the Cambodian microfinance partnership. And, two of the leaders of GSM and NAB were identified as protagonists for success by the respondents. In the case of Cambodia, operational level staff was more appreciative of each other compared to that in the case of Australia. And, in the case of Australia, the importance of having the 'right' corresponding operational level staff was espoused by the respondents as critical for success. Yet again, such differences in findings in relation to the respondents' views on 'leadership and people' could be ascribed to a confluence of factors such as maturity of each partnerships within the partnering cycle, and cultural difference as expounded in the cultural dimensions theory discussed before.

A deliberately managed communication strategy was extremely important in both partnerships. It was more of a demanding aspect in the case of Australia; both GSM and NAB considered 'honest and tough' conversations as an important aspect of their communication dynamics. Also, in relation to the Australian case, partners identified regular communication as an imperative for achieving operational rhythm. An important finding in the case of Cambodia was the need for HKL as an MFI to improve its communication with the bank's newly introduced customers; a challenge that they had to overcome. Therefore, in order to be successful, HKL had to improve the branch staff's communication skills to cater to a different group of customers, who were technically not at the mercy of the MFI for loans.

[redacted]

[redacted]

[redacted]

[redacted].

Technological compatibility was imperative for the partnership between HKL and ARB in Cambodia. However, this was not the case with the GSM and NAB partnership at the outset. Nonetheless, with the organic growth of the partnership, the need for technological compatibility is felt, in particular for creating new products or to amend features of the existing products. Like the similitudes and vicissitudes of success factors, the benefits accrued by the partners also have similarities and differences.

## [redacted] benefits

When the benefits for HKL in Cambodia and GSM in Australia are compared, the most prominent benefits are the increase in outreach and sustainably of both MFIs; two of the most significant challenges for MFIs universally. However, in line with the founding objectives of the partnership, benefits to HKL are largely in terms of sustainability and for GSM the benefits are in terms of outreach.

In the case of GSM in Australia, the positive impact on sustainability is due to the free capital received from NAB for on-lending (currently, this figure stands at AUD $130 million). [redacted]

In comparison, a common benefit for both HKL and GSM as a result of the partnership is the support received for capacity building from the banks. This was an additional benefit of the partnership, and critically exigent for improvement of both MFIs, thus helping to reduce their risk of failure. For example, both the MFIs received support for building capacity in relation to their risk and compliance frameworks.

The transference of knowledge from the banks to MFIs is another common benefit. As a result, both MFIs improved internal processes and procedures. The key benefit is the learning and development of staff members of HKL and GSM. HKL staff improved skills in some areas par with that of a commercial bank. There was a major improvement in staff skill sets, in particular, the staff that provides customer service and compliance/risk management at HKL. Similarly, GSM's Human Resource Manager was supported immensely in gaining skills at par with a similar level staff of the bank through mentorship. Therefore, both partnerships profoundly facilitated the capability enrichment of the human resources of both MFIs. [redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

## Conclusion

In this chapter, I have compared differences and similarities of the microfinance partnerships examined in Cambodia and Australia. As Foucault (1989) argued that there are only two forms of comparisons, that of measurement and order; as a qualitative study, this comparison represents the later. Following the Foucauldian approach for qualitative comparison, where differences are arranged according to smallest possible degrees in order to establish elements, I have juxtaposed the major themes examined within this thesis, namely: poverty dynamics and microfinance landscape of each country; partnership models; challenges; success factors; and benefits.

Cambodia and Australia are two countries representing developing and developed worlds, respectively. Poverty is ‘absolute’ and critical issue in Cambodia. Comparatively, poverty is ‘relative’ and less scrutinized issue in Australia. Nevertheless, poverty is evident with its own dispositions, and conspicuous especially amongst the Aboriginal population. When cogitating microfinance, Cambodia is a country with a visible and vibrant microfinance sector, whilst Australia has no visible sector as such. Moreover, the Cambodian microfinance sector is contributing actively to economic development and poverty alleviation in a post-conflict developing country. In contrast, the role of microfinance in Australia is not noticeable.

Nonetheless, GSM, as the largest microfinance organisation in Australia, catering to the underprivileged segments of the society with the overarching purpose of enhancing financial inclusion in the country. When we compare the regulatory environments within which the cases operate, Cambodia is accommodative of the informal financial sector as a developing country. Besides, due to the demand for finance from poor people and the supply to meet such a demand is exclusively coming from the informal institutions, regulators have a delicate proposition to manage. In other words, regulators and the law are docile ensuring not to antagonise suppliers; consumer protection is a secondary concern. Hence, consumers are exposed to exploitation and over-indebtedness. Contrastingly, regulation in Australia is stringent and focused on consumer protection, and explicitly and implicitly restricts lending to vulnerable people; hence there is an unmet demand. And, the supply mechanism is not posited within the financial economy, hence, those people who need 'small credit' are at the mercy of the predatory lenders.

In comparison, both partnerships models are distinct for all intent and purpose. The genesis of the Cambodian partnership between HKL and ARB was commercially driven. In contrast, the partnership between GSM and NAB in Australia was part of CSR strategy. However, in spite of the fundamental divergence in origins, both partnerships converged contextually for generating benefits to their respective MFI partners. Though in varying degrees, both MFIs improved sustainability and outreach- two of the paramount challenges for MFIs. Both the cases were subject to enormous challenges. The challenges were largely unique to each partnership. This is primarily due to differences in each model, and the phase at which each partnership is conjectured in the partnership cycle. The partnership between HKL and ARB was in an early stage (scoping & building) of the partnership cycle, whereas the partnership between GSM and NAB is in the maturity phase (sustaining outcome). Also, another inference for the uniqueness of challenges to each case in Cambodia and Australia is due to the cultural differences in each country which influences organisational dynamics as expounded by the Hofstede's cultural dimensions theory. Nevertheless, the analysis of root causes was out of the scope of this research.

Success factors were largely similar in both cases. Reciprocal benefits to each respective partner, not only a common success factor but also an imperative. Furthermore, strategically manifested inter-partner communication mechanisms, and deliberate team/relationship building exercises were identified as common success factors in both partnerships. Value congruence was a major factor for success in the Australian case study; nevertheless, it was not revealed in the same manner or intensity by the research respondents in Cambodia. Also, accountability and the organisational structure were also presumed as a success factor by GSM management whereas this was not the case for HKL.

Comparatively, elements of benefits for partners were also different in each case. This is again due to the original motivations and objectives of the partnerships. Nonetheless, broadly, both HKL and GSM benefited in terms of increase in outreach, sustainability, and capacity building. Besides, the transference of knowledge from the banks to MFIs improving capabilities of their staff was another benefit for both MFIs. Furthermore, in both cases, bankers migrated to MFIs for employment enriching the MFIs' talent pool. Moreover, both partnering banks, ARB and NAB, were able to gain benefits in line with the intended objectives; commercial gains for GSM and social/CSR benefits for NAB. Therefore, comparison of the two case studies from Cambodia and Australia shows that despite the disjuncture in partnership motivations and models, both partnerships between MFIs and banks have significant similitudes.

Chapter 9

# Conclusion

Persisting poverty is the greatest challenge and the root cause for a plethora of socio-economic issues in the world. The dynamics and facets of poverty change constantly in response to rapid instabilities in the political economy such as extreme ideological/political views that generate disorder, and economic shocks that create chaos. Moreover, natural catastrophes re-allocate and deplete the limited resources available for welfare and development. Therefore, the eradication of poverty has become a complex challenge, intensified by inadequate resources and coping strategies. In this backdrop, microfinance has become a pragmatic solution for increasing choices for poor people, nonetheless, not without controversy like many other contested development strategies. As argued by Sen (2001) poverty is the deprivation of basic human capabilities and according to his Capability Approach, development is an exercise of expanding choices for poor people. Therefore, despite contentions, microfinance is contributing directly and immediately by increasing choices for poor people by way of providing them with access to financial services that they are deprived of by the traditional banking system. In this context, the expansion of microfinance profoundly helps poor people, especially the economically active poor with an entrepreneurial spirit to engage in microenterprises that help increase their incomes. From gender perspective, women empowerment and emancipation have been associated with microfinance programs, however not without controversy. Similarly, access to finance helps vulnerable people obtain credit for consumption smoothing and withstanding economic shocks. Moreover, financial inclusion through access to finance, is imperative for economic development. Therefore, this research presupposes that the expansion of microfinance and addressing issues confronted by the microfinance providers are significant from a development perspective. In this context, a better understanding of microfinance partnerships between MFIs and banks is significant and relevant.

## Reflections

In order to achieve the aims and objective of the research, this thesis attempted to answer five key research questions. Chapters three to eight were dedicated to answer the research questions. A case study method was considered most appropriate and fitting research methodology to find answers to the research questions. The data for case studies was gathered through fieldwork in Cambodia and Australia. Overall, 88 respondents including bankers, microfinance staff, and regulators in Cambodia and Australia were interviewed predominantly using semi-structured interviews. It is important to note that the opportunity to access key financial services institutions, two microfinance institutions and, most importantly highly secretive two of the top banks in the world, has been extraordinary and a rare opportunity to get relevant information/data not easily available. Therefore, data gathered via the interviews provide valuable insights into the thinking and workings of these financial institutions. The research questions and respective critical findings are reflected upon as follows;

### What are the fundamental motives and factors that influence Microfinance Institutions (MFIs) and Commercial Banks to form partnerships, AND what are the operational structure and dynamics of such partnerships?

The Third and Fourth chapters of this thesis presented the answer to the above question in the context of case studies examined in Cambodia and Australia, respectively. The motives of each case study were fundamentally different as the confluence of factors that influenced each were dissimilar. One of the fascinating revelations is that both partnerships examined were initiated by the banks. The prime motivation for ARB in Cambodia to partner with HKL were commercial. The key factor that influenced ARB was the need to find a partner network in order to provide a better customer service to their customers, who had to rely on other banks for transactions in rural areas; especially large customers/MNCs like Coca-Cola were not comfortable using many banks. Also, the partnership concept was a cost-effective option for ARB compared to setting up expensive branches throughout the country. In this context, they sought a partner with two specific dispositions. Firstly, potential partner should have a countrywide branch network. Secondly, the potential partner should not be a business threat to them in the short to medium term. In other words, the partner is neither another bank nor an MFI that had ambition to transform into a bank. In summary, a partner that had a nation-wide presence but had no interest to steal ARB's customers/business. Hence what motivated and influenced ARB were commercial needs. HKL as an MFI identified the commercial benefit to them. Nevertheless, HKL, stated that any form of benefits accrued to them through partnership are beneficial to their poor customers. Hence, the motivation of the HKL cannot be defined as pure commercial, but quasi-commercial. Furthermore, primary factor that influenced HKL was the profound impact they foresaw in relation to the improved sustainability. Also, the ARB's reputation as a respected bank played a significant role as the association with them helps to improve the image of HKL. Another overarching significance of this partnership is because it is the first such collaboration in Cambodia; a momentous achievement bridging the gap between the formal and informal sectors of the financial economy.

In the case of Australia, in contrast, the motivation for NAB was linked to their Corporate Social Responsibility (CSR) strategy. The fundamental factor influenced them to partners with a respectable NGO was as a way of engaging with the community in a meaningful way for gaining respect. At the time. banks in general were subject to opprobrium by the community for unconscionable behaviour, the bank endeavoured to find its 'purpose' in the community as they did not have defined strategy to engage with the community. In this context, the bank capitalised on its existing connection with a respectable NGO involved in microfinance nevertheless, the strategic motivation was to build the Bank's image. For GSM, however, the motivation was to achieve better outreach and provide microfinance service to more poor in Australia. And, what influenced them is the potential to attract capital that was scarce at the time as a small NGO, to expand the outreach. Nevertheless, according to the partners in Australia, the partnership was profoundly helpful for the poor as it espoused the financial inclusion agenda within Australia.

Operational models, structures, and dynamics of the partnerships examined are unique, not only in comparison to each other but also compared with the existing global models like SHG--Bank linkage model espoused by the ICICI banks in India. Furthermore, as a subcase study, a deeper understanding of the first micro insurance partnership in Australia that was formed between GSM and Suncorp bank provided another example of microfinance partnership. Insurance plays a critical role in the lives of marginalised people in developed countries; hence this unique, innovative insurance scheme is an extremely important milestone demonstrating the possibilities of joint innovation that can be unleashed when working together.

**What are the bottlenecks and challenges in forming and maintaining partnerships between MFIs and Commercial Banks?**

The findings within the scope of the above question were discussed in the fifth chapter. It was found that the challenges and bottleneck were largely diverse in Cambodia and Australia, fundamentally due to two specific reasons. Firstly, the phase at which each partnership was going through within the partnership life cycle; the Cambodian partnership was centered on the formation stage of a partnership and Australian partnership was at the maturity stage. Secondly, the specificity of locality or the level of development of the setting within which the partnership operates bring variation to the dynamics and perspectives. For the partnership in Cambodia, rigorous global regulatory standards for financial services, in particular, Anti-Money-Laundering and Counter-Terrorism Financing (AML/CTF), were a major challenge as the country's standards were considered inferior from a global perspective. Contrastingly, the strict regulatory environment in Australia that focuses on higher consumer protection and responsible lending guidelines, discourages lending to vulnerable people. The friction caused as a result of different organisational cultures was a major challenge in Australia whereas the same was not the case in the partnership in Cambodia. GSM is operating akin to strong social sector values than commercial, hence, the long-term orientated socially conscious MFI interacting with the short-term oriented policies of the banking sector was the root cause for friction. Also, the partnership had created an identity crisis for GSM, internally as well as externally. There was a gradual departure of staff that was more inclined to social rather than business values. The transformation of GSM's operating model had transpired some apprehension and angst. Also, the power dynamics were more visible in the partnership in Australia as the partnership presented limitations and restrictions upon the weaker partner. There was an instance that compelled GSM to 'water down' some of the advocacy proposals compromising its core values to some extent to appease NAB. Therefore, clear trade-offs were evident and continued to be a moral dilemma for GSM. As such, socially oriented organisations by partnering with a profit-oriented bank, confront the risk of defilement of its values.

**What are the success factors for negotiations, formation, implementation and maintenance of a partnership between MFIs and formal banks?**

Chapter Six discussed the success factors for negotiations, formation, implementation, and maintenance of partnerships between MFIs and formal banks. Confluence of factor such as reciprocity of benefits, communication strategy, leadership and the people were critical for success throughout the partnership cycle. As banks are traditionally conservative and more secretive businesses thus were particularly conscious in relation to the societal image and the values of the MFI before associating or establishing a formal partnership.

Nevertheless, during the negotiation phase of the partnership cycle, reciprocal benefits, shared values and shared objectives, mutual respect and equality, and technology were influential factors. During the formation and implementation stages of the partnership communication was a key factor both in term of strategic level and operational level. Similarly, mutual respect and equality were important factors to manage the power disparities in particular. During the maintenance phase of the partnership cycle, strategic relationship management, especially among the staff involved in daily operations were critical for success. In this context, one of the most conspicuous factors that led to success was the deliberate team building exercises or strategic relationship formation. Informal activities like soccer matches were effective for the Cambodian partnership and strategically designed team-building workshops were effective in the case of Australia. Then, communication is also a key factor during this stage. Besides, MFIs' infrastructure and governance becomes important ensuring areas such as risk and compliance are managed well.

From the banks point of view, the engagement of staff of bank, rank and file, with the core social issues that the partnership is endeavouring to address through programs like 'immersion program' were highly effective. Therefore, the 'immersion program' of NAB is one of the most important findings from a perspective of changing the 'way of thinking' of bankers. This program was designed to immerse the bank's senior executives and staff in microfinance settings interacting directly ('walk in their shoes') with marginalised communities. Internal education was critical for garnering support from the other departments, which are purely focused on the core business of banking.  Besides, allowing bankers to experience first-hand, the nature and facets of poverty, provide an enormous opportunity to educate those key decision makers and future bankers respectively.

**What are the benefits of a partnership between an MFI and a formal bank, for the MFI in relation to sustainability and outreach?**

Chapter Seven broadly provided answers to the above question. The benefits to the MFIs were evident in both partnerships outweighing limitations or challenges that existed. The outreach and sustainability, except for the impact, are the two major challenges faced by MFIs globally and are interlinked. To increase the services to poor people, it is imperative that the operations of MFIs are sustainable. Similarly, sustainability allows the MFI to increase outreach; retained profits could be utilised for the expansion of operations.

In terms of outreach, GSM increased its loans from approximately 150 to 28,000 per year due to the partnership hence a significant positive impact. Also, the partnership facilitated the broadening of products, services, and delivery outlets thereby enabling access to microfinance services to people otherwise excluded by formal banks or they were at the mercy of the exploitive predatory lenders. Therefore, the partnership explicitly contributed to increasing the financial inclusion in Australia. Similarly, in Cambodia, the partnership helped to widen the range of services accessible to HKL's customers, in particular, the services otherwise only available to banks' customers due to regulatory restrictions. The ability to transfer funds to customers of other financial institutions is such one service. The other direct benefit to the microfinance clients of HKL is the proposed access to international remittances/cross-border money transfer services using the international network of ARB. Such cross-border money transfer services are crucial for poor people in a country like Cambodia. That is because, Cambodia is nestled between two comparatively more advanced countries, Thailand and Vietnam, and the family members of many rural poor cross the porous borders to find sporadic temporary work. Those workers are required to send the monies back to poor relatives, who are mostly rural residents. In rural areas, MFIs or their satellite branches are the only providers of financial services.

From a sustainability point of view, HKL gained immensely as a result of the partnership; both by reducing the operational costs and increasing their sources of income. The increase in deposit base as a result of the partnership is a profound win for HKL as the deposits, in addition to the interest income, are a 'cheaper form of capital'. Besides, an increase in deposits enabled

HKL to increase lending to more borrowers. Therefore, deposit mobilisation had a direct impact on HKLs bottom-line and outreach. Another, unanticipated, yet important avenue of revenue for HKL was the opportunity to provide pay-roll services to small enterprises. There were companies, like small garment factories, that were not profitable for ARB to manage their payroll. Moreover, the employees of these factories are predominantly people with a lower socio-economic status. Therefore, this proposal provided an opportunity to HKL, not only to manage the payroll services of such businesses for a fee but also open accounts for those employees, who were more appropriate for HKL's customer profile. Such referral of ARB's clients to HKL is an excellent 'source of income' given the fierce competition within the microfinance market. This provide beneficial for HKL's financial sustainability. Similarly, in the case of Australia, GSM's sustainability is predominately dependent upon the free capital from NAB, as the capital is not borrowed from investors, the cost saving is immense. Hence the partnership has facilitated the sustainability and survival of GSM too.

Capacity building and capability enhancement of both MFIs were unanticipated complementary benefits that are thus exigent for creating viable and robust MFIs. The transference of knowledge from banks to MFIs was visibly evident in both case studies. HKL gained immensely from ARB's experts who helped HKL to streamline the internal processes and practices. The opportunity to learn from banks to improve the risk and compliance mechanism of HKL that is par with the best international practices would not be otherwise possible for an MFI. Similarly, NAB has helped immensely for capacity building of GSM. Furthermore, the support for publicity and promotion provided to GSM were extremely beneficial to the GSM in light of limited resources.

One of the unique findings of this research is the Human Resources enrichment for MFIs in both countries. In both cases, staff from banks migrated to MFIs for employment. This was unthinkable many years ago, where MFIs were considered to be inferior institutions, especially in comparison to banks that were one of the highly sought-after employers. In Cambodia, ARB is the most reputable bank, with an extensive international background. However, some employees were still willing to migrate to HKL. Similarly, NAB employees migrated to GSM, among them is one of the senior executives of NAB with significant experience, extensive banking knowledge, and connections. The potential contribution such staff could make to MFIs is profound.

Besides, banks gained profoundly. ARB gained from a commercial perspective and NAB from social/CSR perspective. A notable gain for banks, as revealed in case of NAB, is the microfinance partnership became a source of pride for staff and resulted in increasing the staff engagement. What transpired was the pride and engagement amongst the employees, and an acquisition of social consciousness. Hence, social engagement/ethical behaviours of the employer proved to be an enabler for the staff's morale and satisfaction.

**What are the similarities and differences between these partnerships in developing (Cambodia) and developed (Australia) countries?**

The findings in relation to the above question were discussed in chapter eight. A detailed comparative analysis was provided comparing the major themes, namely, motivations and model dynamics, challenges, success factors, and benefits. The models of partnerships were fundamentally different as the founding objectives and motivations of each partnership were different. In other words, factors that influenced the formation of partnerships were unique in each case.

The other important factor is that when the partnership initiated as a commercial proposition, as in the case of HKL and ARB in Cambodia, they were less susceptible to power dynamics as they negotiated as equal partners from the outset. In contrast, when the partnership was initiated from the CSR perspective, as in the case of partnership between NAB and GSM, the dynamics of power disparity were more visible. NAB has a significant influence on the direction of GSM. Also, at times, NAB has interfered in the decision-making process of GSM as a powerful partner.

Despite the social focus, the organisational structure, dynamics, and behaviour of HKL were largely similar to a commercial enterprise, hence the executives and the management acted similarly to executives of any other business. Besides, the genesis of the partnership is of commercial nature, and issues stemming from inter-organisational cultural incompatibility did not exist as such. Nevertheless, despite being a developed country, the partnership between the GSM and NAB was subject to cultural friction that was conspicuously identified by the respondents as a challenge. Moreover, some of the staff members of GSM criticised the changes within GSM such as transformation/commercialisation and strengthening partnership with the bank as a mission drift. Besides, paradoxically, Sisters/nuns representing the parent NGO of GSM that espouses social solidarity and welfare, criticised retrenchment of staff by the employers citing precariousness thus created as a key factor for social injustice in Australia.

Nonetheless, despite GSM is owned by an NGO clamouring for social injustice, it embarked upon a re-structuring/retrenching some of its executive staff, espousing the criticised 'unethical' behaviour of 'other businesses' in Australia. Apparently, the organisational restructure was meant to align the executive staff in line with commercial aspirations, as alleged by some respondents, to satisfy the powerful partner, NAB.

The leadership and senior bankers in both countries were respectful towards the MFIs and appreciative of microfinance for the poor, and they were equally passionate to ensure the partnerships was a success.

Cambodia, as a post-conflict developing country, has a conspicuous and physically visible microfinance sector; a vibrant part of the financial economy. In contrast, Australia as a developed country does not have an exclusive microfinance sector. Nonetheless, both partnerships are important from each country perspectives. A key aspect is that the regulators in both countries, the National Bank of Cambodia (NBC) and Australian Securities and Investment and Commission (ASIC) have always been supportive of the respective partnerships. In the context of Cambodia, as mentioned earlier, the partnership was not only the pioneering but also recognised as a bridge between the informal and formal sectors. Moreover, this partnership transpired interest for further partnership within the financial sector. Therefore, the partnership has changed the direction of the financial sector macrocosm in Cambodia. As a result, a significant impact has been made on the economic policy and banking/MFIs regulations in the country. Similarly, in Australia, ASIC as the regulator has been extremely helpful; increasing the access to finance and ensuring borrowers have access safe and affordable products are part of their remit. Therefore, the partnership between GSM and NAB was considered as a strategy for an ethical alternative to predatory lenders like payday lenders. Similarly, broadening product offering of GSM is seen as part of the endeavours of reducing financial exclusion in Australia. Therefore, from the macrocosm point of view, both partnerships present implicit and implicit befits to the poor.

## Findings and implications

The case studies examined provided a better understanding of partnerships between MFIs and banks. In the case of Cambodia, the partnership became instrumental in paving the way towards a marriage between the formal and informal sectors of economy. Moreover, the partnership between HKL and ARB, was a new partnership, which provided important insights into how a new partnership should be formed. The conceptualisation of the partnership emerged as a stratagem for virtually extending of ARB's branch network and the internal thinking and rationale associated with the partner selection process, provide invaluable understanding on how a bank logically selects MFIs for a partnership and what dispositions/attributes they envisage in a fitting partner. Also, HKL's acceptance of the proposition to partner from ARB shows the MFI's rationale for agreeing to partner with a bank. The negotiating phase of the partnership leading to the signing of a Memorandum of the Understanding (MOU) shed light upon the importance of factors such as mutual respect and the pivotal role of key negotiators in successfully setting up a partnership. Leadership is one of the most important factors. The strategic level leaders, especially the role of Chief Executive Officers (CEOs) of HKL and ARB played decisive roles in ensuring partnership success. Without the support of leadership, a fruitful partnership is not possible; they are key to secure the support from the board members and multiple stakeholders. In the case of HKL, the Governing Board had many concerns, nevertheless, the CEO and the lead negotiators were able to convince the members of the board. Furthermore, the involvement of the regulator from the outset made it earlier for both organisations to obtain the support from the regulator as this was the first partnership between an MFI and banks in Cambodia with no precedence to follow.

The Cambodian case is also important in order to understand the mechanics of operationalising a new partnership or scoping and building stage of the partnering cycle. If technological compatibility/interfacing is required, the MFI needs to be flexible to change its core banking systems to be compatible with that of the partnering bank as it is a mere impossibility to change the banks' CBS due to a plethora of limitations such as security concerns and advanced nature of information technology platforms of the banks. The emergent issues/failures experienced during the implementation stage of the project that did not transpire during the piloting of the processes, provided important learning outcomes. The mechanism was tested with a smaller customer of the banks. However, when implementing with larger clients, tactical operations were impacted, and unanticipated issues and complaints arose. If the piloting of the mechanism was done with a 'large customer', contrary to the convention, many issues that arise would have been avoided or minimised.

Similarly, the onboarding/assimilation of the bank's customers to interact with an MFI is a sensitive proposition, as sophisticated and wealthy customers resist when it comes to dealing with organisations not as proficient in financial matters as banks are. Hence customer sentiment needed to be managed delicately. Furthermore, customers of the banks who started to transact with the MFI, required to be treated carefully to avoid complaints. Nonetheless, as a learning outcome, HKL learned a good level of customer service standards. Regardless, the MFI has to ensure that better treatment of the bank's customers does not relegate or discriminate its own customers to avoid a mission drift.

The partnership between GSM and NAB in Australia presented the dynamics and dispositions of a matured partnership or sustaining outcome stage of the partnering cycle. The interesting aspect is that despite the partnership being nurtured for over 13 years, there were issues that surfaced intermittently such as cultural friction and communication problems. However, the close connection of the two institutions clearly provided a space for innovation, which in turn benefited the underprivileged segments of the society who were otherwise neglected. The creation of GSM's direct outlets called GoodMoney stores is a good example. Also, the partners recently launched a short-term digital loan platform, named Speckle, yet another unique project where GSM offers a short-term loan as an alternative to predatory lending by payday lenders. Another conspicuous part is that NAB is the only bank in Australia to have a dedicated microfinance team for administration that liase with GSM. NAB's microfinance program management mechanism is exemplary for other banks and informs us how such a social oriented project could be handled successfully whilst negotiating a myriad of internal challenges. NAB's microfinance team managed to not only overcame the non-corporation from other departments and but also managed to make other departments respect microfinance as one of the core businesses of NAB. Vicissitudes in leadership and business direction are constant challenges for the bank to hold onto the partnership as important people in the bank demand justification for such a partnership questioning whether the existing partnership model is the most effective and efficient way to enhance Bank's CSR strategies. However, long-term strong relationships helped to overcome a plethora of challenges of the precarious corporate world.

## Applicability of knowledge and generalisation

The case studies examined are a clear testament that a partnership can be successfully formed and maintained between MFIs and banks with profound reciprocal benefits. The examination of case studies provided two unique models for partnerships between MFIs and banks; they are fundamentally different, nonetheless, effective models. Another interesting point is that such a partnership could be formed with a commercial motivation or social motivation of a corporate organisation to implement its CSR strategy. These partnerships do face several challenges too. Some challenges can be common and some unique to each partnership. However, the knowledge and understanding through these challenges in partnerships explicates a reasonable idea in relation to the spectrum of challenges that for new partnerships between MFIs and banks.

Similar to challenges, some of the success factors are unique to each case study whilst others are common to both Australia and Cambodia. Deliberate relationship planning through team building exercises, formal or informal, and a comprehensive communication strategy were critically important for partnerships' success. Banks obviously have a relegated status for social projects as the core business of banking is the priority. As such, the immersion program of NAB is a highly replicable program that is useful for any corporate, let alone banks, that engages in a partnership addressing social issues so that high-level executives are provided with the first-hand experience by immersing with the project, in its true form, in its actual place of grass-root delivery setting/ambience. A partnership can also be effective in altering the mental programming of staff members and bring a change in their way of thinking. Overall, the first-hand experience in the microfinance program, exposure to social issues, and the opportunity to engage with the financially marginalised customers also have a long-term benefit to the banking sector macrocosm and for society at large as bankers purportedly lack social consciousness.

Another significant lesson is the innovation of a joint micro insurance product for low-income people in Australia as a result of a partnership between GSM and Suncorp Bank. The uniqueness of this product is that it was developed after obtaining feedback from GSM customers; hence, the idea was to meet the needs of disadvantaged people. The innovative model is replicable in any country. The methodology used is ingenuous. This is another example of a partnership where MFIs and corporate organisations while maintaining their core businesses can jointly serve the poor.

It is recognised that the understanding in relations cross sector partnership is limited (Mohr & Spekman 1994; Vurro, Dacin & Perrini 2010; Manning & Roessler 2014). Besides, Kolk, van Dolen and Vock (2010, p. 123) argue that 'cross-sector social partnerships are often studied from a macro and meso' perspective, and more research is warranted from the 'micro' perspective. Macro level refers to high level objectives and meso level refers to motivations and visible outcomes, including 'form and type' of the partnership and micro level is the interactions and processes integrations including analysing the employee level interactions (Seitanidi & Ryan 2007; Kolk, van Dolen & Vock 2010, p. 124). Therefore, this research contributes to the cross-sector partnership literature, particularly exploring less examined 'micro' level interactions between the partners. Moreover, Chris and Gash (2018) emphasised the need for case study based ethnographic research for better understanding of collaborative process. Furthermore, microfinance partnerships have not been examined within the scope of this research, it is therefore, the better understanding of the microfinance partnerships based on this research is a noteworthy contribution to the microfinance literature from the institutional ethnographic studies perspective.

Therefore, this thesis contributes to academic literature in the areas of microfinance, partnerships and development studies with the knowledge synthesised through a better understanding of partnerships between MFIs and banks. The case studies examined are microcosms representing not only the macrocosms of developing and developed countries but also of organisations with social and commercial orientations. Besides, each case represents two different phases of the partnership cycle; the early stage and the matured stage respectively. Therefore, the models examined are representative of a broader range of microfinance partnerships. Despite the difference in founding motives and dynamics of the models, once formed, its impact on respective MFI is immense, thus it services the poor beneficiaries. The common implication of partnership between informal MFIs and formal banks is, therefore, the underlying potential benefit for poverty alleviation endeavours, and addressing financial exclusion in developing as well as developed countries.

This understanding has the potential for transference of knowledge and best practices between developing and developed world. The models are transferable/replicable globally and the knowledge gained from case studies can be used as a blue-print for such partnerships. This can help the microfinance sector expand whilst addressing the major challenges of sustainability and outreach faced by them. Moreover, the acute understanding of partners in each case, especially the banks, where the knowledge of internal thinking of banks is seldom known to outsiders, is an extremely valuable contribution of this research to MFIs that intend to partner with formal banks in the future. Moreover, benefits identified are encouraging for other MFIs and banks to reach out to each other for effective and efficient microfinance partnership arrangements that have symbiotic benefits.

[redacted]

# Bibliography


ABC [Association of Banks in Cambodia] 2014, History of Banking Sector in Cambodia, Association of Banks Cambodia, viewed 20 December 2017, <http://abc.org.kh/2016/09/22/history-of-banking-sector-in-cambodia-2/>.

ABC [Association of Banks in Cambodia] 2018, Banking Environment, Association of Banks Cambodia, viewed 1 June 2018, <http://abc.org.kh/2016/09/22/bankingenvironment-2/>.

Ablin, DA & Hood, M 2017, Revival: The Cambodian Agony (1990), London: Taylor and Francis.

ABN AMRO Bank N.V. 2014, viewed 12 February 2014, <www.abnamro.com/en/Sustainability>.

Acar, M, Guo, C, & Yang, K 2012, 'Accountability in Voluntary Partnerships: To Whom and for What?', *Public Organization Review*, vol. 12, no. 2, pp. 157-174.

ACOSS [Australian Council of Social Service] 2015, Poverty in Australia 2014 Report, The Australian Council of Social Service, Sydney, viewed on 14 Jun 2015, <https://www.acoss.org.au/images/uploads/ACOSSPoverty_in_Australia_2014. pdf >.

ACOSS [Australian Council of Social Service] 2016, Poverty in Australia 2016 Report, The Australian Council of Social Service, Sydney, viewed on 1 May 2017, <https://www.acoss.org.au/wp-content/uploads/ 2016/10/Poverty-in-Australia-2016.pdf>.

ADB [Asian Development Bank] 2008, Access to Finance: Pacific Private Sector Policy Brief, Asian Development Bank, Manila, Viewed on 22 December 2015, <https://www.adb.org/sites/default/files/publication/29023/ppspb-access- finance.pdf>.

ADB [Asian Development Bank] 2013, Microfinance: Financial Services for the Poor, Asian Development Bank, Manila, viewed 28 June 2014, <www.adb.org/sectors/finance/microfinance>.

ADB [Asian Development Bank] 2014, Cambodia Country Poverty Analysis, Asian Development Bank, Manila, viewed 25 June 2016, <https://www.adb.org/documents/cambodia-country-poverty-analysis-2014>.

ADB [Asian Development Bank] 2018, Cambodia and ADB, Asian Development Bank, viewed 29 December 2018, <https://www. adb.org/countries/cambodia/main>.

ADB [Asian Development Bank] 2019, Poverty in Cambodia, Asian Development Bank, viewed 26 January 2019, <https://www. adb.org/countries/cambodia/poverty>.

Agee, J 2009, ‘Developing Qualitative Research Questions: A Reflective Process’, *International Journal of Qualitative Studies in Education (QSE)*, vol. 22, no. 4, pp. 431-447.

Aitken, R 2013, ‘The Financialization of Micro-Credit’, *Development and Change,* vol. 44, no. 3, pp. 473-499.

Akula, V 2008, 'Business basics at the base of the pyramid', *Harvard Business Review*, vol. 86, no. 6, pp.53-59.

Albach, H 2000, *Erich Gutenberg and Theory of The Firm*, Berlin; New York: Springer.

Ali, SM 2015, *Development, poverty and power in Pakistan: the impact of state and donor interventions on farmers*, Routledge contemporary South Asia series: 94, London; New York: Routledge, Taylor & Francis Group.

Allen, F, Demirguc-Kunt, A, Klapper, L, & Martinez Peria, MS 2016, 'The Foundations of Financial Inclusion: Understanding Ownership and Use of Formal Accounts', *Journal of Financial Intermediation*, vol. 27, pp. 1-30.

Amin, S 1997, *Capitalism in the age of globalization: the management of contemporary society*, Zed Books, London.

Ananth, B 2005, 'Financing microfinance-the ICICI Bank partnership model', *Small Enterprise Development,* vo.16, no.1, pp. 57-65.

Andersen, NA 2008, *Partnerships: Machines of possibility*, Bristol, UK, Policy Press.

Andrea, A 2009, ‘Complexio Oppositorum: Notes on the Left in Neoliberal Italy’, *Public Culture,* vol. 21, pp. 495-515.

ANZ [Australia and New Zealand Banking Group] 2015a, ANZ Royal Key Milestones, viewed 16 November 2016, <https://www.anzroyal.com/en/about-us/our-company/anz-cambodia/key-milestones/>.

ANZ [Australia and New Zealand Banking Group] 2015b, Corporate sustainability: our values, viewed 6 July 2016, <http://www.anz.com/about-us/corporate-sustainability/employees/our-values/>.

ANZ [Australia and New Zealand Banking Group] 2015c, Annual report 2015, Australia and New Zealand Banking Group, viewed 7 May 2016, <https://shareholder.anz.com/ sites/default/files/2015_annual_report.pdf>.

ANZ [Australia and New Zealand Banking Group] 2016, Annual report 2016, Australia and New Zealand Banking Group, viewed 5 June 2017, <https://shareholder.anz.com/sites/default/files/2016_annual_report.pdf>.

ANZIF [Australian and New Zealand Institute of Insurance and Finance] 2018, Australian and New Zealand Institute of Insurance and Finance, viewed 2 November 2018, <https://anziif.com/>.

Archer, D & Cameron, A 2009, *Collaborative leadership: how to succeed in an interconnected world*, Amsterdam; London: Butterworth-Heinemann.

Armendáriz, B & Morduch, J 2010, *The economics of microfinance*, Cambridge, Mass.: MIT Press.

Armendáriz, B & Labie, M 2011, *The Handbook of Microfinance*, Singapore; Hackensack, N.J.: World Scientific.

Ashta, A & Hudon, M 2012, 'The Compartamos microfinance IPO: Mission conflicts in hybrid institutions with diverse shareholding', *Strategic Change*, vol. 21, no. 7-8, pp. 331-341.

ASIC [Australian Securities and Investments Commission] 2017, *Regulatory Guidelines 209-Credit licensing: Responsible lending conduct*, Australian Securities and Investments Commission, Sydney, viewed 20 July 2017, <https://download.asic. gov.au/media/2243019/rg209-published-5-november-2014.pdf>.

Atack, I 1999, ‘Four Criteria of Development NGO Legitimacy Article’, *World Development* vol. 27, no. 5, pp. 855-864.

Augsburg, B & Fouillet, C 2010, ‘Profit Empowerment: The Microfinance Institution’s Mission Drift’, *Perspectives on Global Development & Technology*, vol. 9, no. 3/4, pp. 327-355.

Austin, JE & Seitanidi, MM 2012a, ‘Collaborative value creation: A review of partnering between nonprofits and businesses: Part I. Value creation spectrum and collaboration stages’, *Nonprofit and Voluntary Sector Quarterly*, vol. 41, pp. 726-758.

Austin, JE & Seitanidi, MM 2012b, ‘Collaborative value creation: A review of partnering between nonprofits and businesses: Part II. Partnership processes and outcomes’, *Nonprofit and Voluntary Sector Quarterly*, vol. 4, pp. 929-968.

Austin, JE 2000, *The collaboration challenge: how nonprofits and businesses succeed through strategic alliances*, Jossey Bass Publishers.

AUSTRAC [Australian Transaction Reports and Analysis Centre] 2017, AML/CTF Act, viewed on 30 July 2018, <http://www. austrac.gov.au/businesses/legislation/amlctf-act>.

AUSTRAC [Australian Transaction Reports and Analysis Centre] 2018, Australian Government, viewed 10 September 2018, <http://www.austrac.gov.au/media/media-releases/austrac-and-cba-agree-700m-penalty>.

Australian Bankers Association 2018, ABA’s Sanctions Guidelines, viewed 30 May 2018, <https://www.ausbanking.org.au/industry-standards/aba-s-sanctions-guidelines>.

Australian Institute of Health and Welfare 2016, *The health and welfare of Australia’s Aboriginal and Torres Strait Islander peoples: 2015*, Australian Government, viewed 7 May 2016, <https://www.aihw.gov.au/reports/indigenous-health-welfare/indigenous-healthwelfare 2015/contents/ life-expectancy-and-mortality-key-points>.

Australian Human Right Commission 2017, viewed on 28 December 2017, <www.Human rights.gov.au>.

APRA [Australian Prudential Regulation Authority] 2019, *Annual Superannuation Bulletin 2018*, Australian Prudential Regulation Authority, Sydney, viewed 20 January 2019, <https:// www.apra.gov.au/publications/annual-superannuation-bulletin>.

Australian Trade and Investment Commission 2019, Why Australia, viewed 5 January 2019, <https://www.austrade.gov.au/International/Invest/Why-Australia/Robust-Economy/robustec onomy>.

Bailey, CA 2007, *A guide to qualitative field research*, Thousand Oaks, Calif.: Pine Forge Press.

Bali Swain, R 2012, *The microfinance impact*, Routledge studies in development economics: 96, London; New York: Routledge.

Balling, M, Lierman, F & Mullineux, AW 2003, T*echnology and finance: challenges for financial markets, business strategies and policy makers*, Routledge international studies in money and banking: 17, London; New York: Routledge.

Banks, M, Marston, G, Russell, R & Karger, H 2015, 'In a perfect world it would be great if they didn't exist: How Australians experience payday loans', *International Journal of Social Welfare*, vol.24, no. 1, pp. 37-47.

Baptist, W & Rehmann, J 2011, *Pedagogy of the poor: building the movement to end poverty, The teaching for social justice series*, New York: Teachers College Press.

Barson, N 2017, The True Value of Corporate Volunteering, ProBono Australia, Viewed on 24 May 2017, <https://probonoaustralia.com.au/news/2017/05/true-value-corporate-volunteer ing/>.

Basu, P 2006, *Improving access to finance for India's rural poor*, Washington, D.C.: World Bank,

Bateman, M 2010, *Why doesn’t microfinance work?:The Destructive Rise of Local Neoliberalism*. London: Zed.

Bateman, M 2012, ‘The Role of Microfinance in Contemporary Rural Development Finance Policy and Practice: Imposing Neoliberalism as 'Best Practice’, *Journal of Agrarian Change,* vol. 12, no. 4, pp. 587-600.

Battilana, J & Dorado, S 2010, ‘Building Sustainable Hybrid Organisations: The case of Commercial Microfinance’, *Academy of Management Journal*, vol. 53, no. 6, pp. 1419-1440.

Bayliss, K, Fine, B & Van Waeyenberge, E (eds) 2011, *The political economy of development: the World Bank, neoliberalism and development research*, Pluto Press, London.

Beach, R, Webster, M & Campbell, KM 2005, ‘An evaluation of partnership development in the construction industry’, *International Journal of Project Management*, vol 23, no. 8, p. 611-621.

Bechtold, BL 1997, ‘Toward a participative organizational culture evolution or revolution’, *Empowerment in Organizations*, vol. 5, no. 1, pp. 4-15.

Becker, E 1998, *When the war was over: Cambodia and the Khmer Rouge revolution*, New York: Public Affairs.

Benedikter, R 2011, *Social banking and social finance: answers to the economic crisis*, New York: Springer.

Benson, P & Kirsch K 2010, ‘Capitalism and the politics of resignation’, *Current Anthropology*, vol. 51, no.4, pp. 459-486.

Berger, M, Otero, M & Schor, G 2006, 'Pioneers in the Commercialization of Microfinance: The Significance and Future of Upgraded Microfinance Institutions', in M Berger, L Goldmark & T Miller-Sanabria (eds), *An Inside View of Latin American Microfinance*, Washington, D.C.: Inter-American Development Bank, pp. 37-77.

Berg-Schlosser D & De Meur G 2009, ‘Comparative Research Design: Case and Variable Selection’, in B Rihoux & CC Ragin (eds), *Configurational comparative methods: qualitative comparative analysis (QCA) and related techniques*, Sage, Thousand Oaks, pp. 19-32.

Bernard, F 1976, 'The Birth and Growth of a Cooperative Banking Organization in Quebec', *Sociological Focus*, vol. 9, no. 2, pp. 175-184.

Bernard, F 1976, ‘The Birth and Growth of a Cooperative Banking Organization in Quebec’, *Sociological Focus*, vol. 9, no. 2, pp. 175-184.

Bhagat, S & Romano, R 2009, ‘Reforming Executive Compensation: Focusing and Committing to the Long-Term’, *Yale Journal on Regulation*, vol.26, no. 2, pp. 359-372.

Blaxter, L, Hughes, C & Tight, M 2006, *How to research*, Maidenhead, Berks: Open University Press.

Bogan, VL 2012, 'Capital Structure and Sustainability: An Empirical Study of Microfinance Institutions', *Review of Economics and Statistics*, vol. 94, no. 4, pp. 1045-58.

Boon, B & Farnsworth, J 2011, 'Social Exclusion and Poverty: Translating Social Capital into Accessible Resources', *Social Policy & Administration*, vol. 45, no. 5, pp. 507-524.

Bossoutrot, SK 2005, *Microfinance in Russia: broadening access to finance for micro and small entrepreneurs*, Washington, DC: World Bank.

Bowie, P 1988, 'The shifting gold rush scenario: California to Australia to New Zealand', *Californians*, vol.6, no. 1, pp. 2-30.

Brainard, L & LaFleur, V 2006, 'The Private Sector in the Fight against Global Poverty', in L Brainard (ed), *Transforming the Development Landscape: The Role of the Private Sector*, Washington D.C., Brookings Institution Press, pp. 1-28.

Brinkley, J 2011, *Cambodia's curse: the modern history of a troubled land*, New York: Public Affairs.

Brown W 2009, 'Microinsurance-the risks, perils and opportunities' in D Hulme & T Arun (eds) 2009, Microfinance*: a reader, Routledge studies in development economics*, New York, NY: Routledge, pp.171-185.

Brush, LD 2002, 'Changing the Subject: Gender and Welfare Regime Studies', *Social Politics: International Studies in Gender, State & Society*, vol. 9, no. 2, pp. 161-186.

Bryman, A 2016, *Social research methods*, Oxford: New York: Oxford University Press.

Bryson, JM, Crosby, BC & Stone, MM 2015, 'Designing and Implementing Cross-Sector Collaborations: Needed and Challenging', *Public Administration Review*, vol.75, no. 5, pp. 647-663.

Bryson, MJ, Crosby, BC & Stone, MM 2006, The Design and Implementation of Cross-Sector Collaborations: Propositions from the Literature, *Public Administration Review*, no. supp/1, vol.66, pp. 44-55.

Bylander M. 2015, 'Depending on the Sky: Environmental Distress, Migration, and Coping in Rural Cambodia', *International Migration*, vol. 53, no.5, pp.135-47.

Bylander, M 2017, 'Poor and on the move: South-South migration and poverty in Cambodia', *Migration Studies*, vol. 5, no. 2, pp. 237-266.

Burkett I, Sheehan G & Brotherhood of St. Laurence 2009, *From the margins to the mainstream: the challenges for microfinance in Australia*, Brotherhood of St. Lawrence/Foresters Community Finance, Melbourne, viewed on 29 August 2016, <http://library.bsl.org.au/jspui/bitstream/1/6175/1/BurkittSheehan_From_the_margins_microfinance_2009.pdf >.

Callen-Naviglia, J & James, J 2018, 'Fintech, Regtech and the Importance of Cybersecurity', *Issues in Information Systems*, vol. 19, no. 3, pp. 220-250.

Calton, JM, Werhane, PH, Hartman, LP & Bevan, D 2013, 'Building Partnerships to Create Social and Economic Value at the Base of the Global Development Pyramid', *Journal of Business Ethics*, vol. 117, no. 4, pp. 721-733.

Cambodia Daily 2014, viewed on 12 July 2104 <www.cambodiadaily.com/business/anz-mfi-partner-to-bridge-financial-sectors-60902/>.

Camillus JC 1986, *Strategic Planning and Management Control: Systems for Survival and Success*, New York: Lexington Book, Macmillan Inc,.

Campbell, N & Rogers, T 2012,'Microfiance Institutions: A profitable Investment Alternative', *Journal of Developmental Entrepreneurship*, vol.17, no. 4, pp.1-10.

Carbo, S, Gardner, E & Molyneux, P 2005, *Financial Exclusion*, Basingstoke, Palgrave Macmillan.

Castaneda A, Azevedo JP, Castaneda A, Doan D, Newhouse D, Nguyen MC & Uematsu H 2016, *Who are the Poor in the Developing World?* Policy research working papers, Washington, D.C.: The World Bank, 2016, viewed 22 January 2017, <http://documents.worldbank.org/curated/en/187011475416542282/Who-are-the-poor-in-the-developingworld>.

Caudill, S, Gropper, D & Hartarska, V 2012, 'Microfinance institution costs: effects of gender, subsidies and technology', *Journal of Financial Economic Policy*, vol. 4, no. 4, pp. 292-304.

CGAP [Consultative Group to Assist the Poor] 2009, Financial Access, Consultative Group to Assist the Poor, Washington D.C, viewed 20 March 2013, <http://www.cgap.org/publications/financial-access-2009>.

Chandler, DP 2008, *A history of Cambodia*, Boulder, Colo.: Westview Press.

Changemakers Festival 2014, viewed 25 July 2014, <www.changemakersfestival.org/working-inside-nab-for-social-good>.

Cheng, B, Ioannou, I & Serafeim, G 2014, 'Corporate social responsibility and access to finance', *Strategic Management Journal*, vol.35, no.1, pp. 1-23.

Cheung, SO, Ng, TS, Wong, SP & Suen, HC 2003, ‘Behavioral aspects in construction partnering’, *International Journal of Project Management*, vol. 21, no. 5, pp. 333-343.

Chikalipah S 2017, ‘Financial sustainability of microfinance institutions in sub-Saharan Africa: evidence from GMM estimates’, *Enterprise Development & Microfinance*, vol. 28, no. 3, pp. 182-199.

Choi, H & Mattoni, A 2010, 'The Contentious Field of Precarious Work in Italy: Political Actors, Strategies and Coalitions', *Working USA*, vol. 13, no. 2, pp. 213-243.

Chowdhury, T & Mukhopadhaya, P 2012, 'Limitations of the Theories of Nonprofits and Benchmarking Services Delivery Dimensions of Poverty-Reduction Programs in Rural Bangladesh', *Journal of Nonprofit & Public Sector Marketing*, vol. 24, no. 4, pp. 325-350.

Chris, A and Gash, A 2008,’Collaborative Governance in Theory and Practice’, *Journal of Public Administration Research and Theory*, vol. 18, no.4, pp. 543-571.

Christen RP, Rosenberg R & Jayadeva V 2004: *Financial Institutions with a “Double Bottom Line”: Implications for the Future of Microfinance*, CGAP, Washington D.C., viewed 3 September 2015, <http://findevgateway.org/library/financial-institutions-double-bottom-line-implications-future-microfinance>.

Christie, MF 1979, *Aborigines in colonial Victoria, 1835-86*, Sydney: Sydney University Press.

Ciment, J & Ahmedova, F 2015, *Encyclopedia of conflicts since World War II*, London; New York: Routledge.

City of Yarra 2016, The Aboriginal history of Yarra, viewed 20 September 2016, <https://aboriginalhistoryofyarra.com.au/9-disease/>.

Clarke, FG 2002, *The History of Australia*, Westport, Conn.: Greenwood Press.

Clay, K & Jones, R 2008, 'Migrating to Riches? Evidence from the California Gold Rush', *Journal of Economic History*, vol. 68, no. 4, pp. 997-1027.

CMA [Cambodia Microfinance Association] 2015, viewed 7 June 2016, <https://www.cma-network. org>.

CMA [Cambodia Microfinance Association] 2017, Microfinance Environment, viewed 12 December 2017, <https://www.cma-network.org/en/microfinance-incambodia>.

CMA [Cambodia Microfinance Association] 2018, Latest Data for Cambodian Microfinance, viewed 30 March 2018, <https://www.cma-network.org>.

Code of Conduct for Research 2013, University of Melbourne, viewed on 25 September 2013, <http://www.unimelb.edu.au/Statutes/r171r8.html>.

Coleman, L 2015, *The lunacy of modern finance theory and regulation*, London; New York: Routledge.

Commonwealth Bank of Australia 2015, *Annual report* 2015, Commonwealth Bank of Australia, viewed 7 May 2016, <https://www.commbank.com.au/content/dam/commbank/aboutus/shareholders/ pdfs/annual-reports/cba-annual-report-30%20June-2015.pdf>.

Connolly, C 2012, *Measuring financial exclusion in Australia*, Centre for Social Impact, University of New South Wales for National Australia Bank, viewed 15 August 2015,<https://www.csi.edu.au/media/uploads/Measuring_Financial_Exclusion_in_AustrailaMay_2012.pdf >.

Connolly, C 2013, *Measuring financial exclusion in Australia*, Centre for Social Impact, University of New South Wales for National Australia Bank, viewed 15 August 2015, <https://www.csi.edu.au/media/uploads/Measuring_Financial_Exclusion_in_Australia_June_2013.pdf >.

Connolly, C 2014, *Measuring Financial Exclusion in Australia*, Centre for Social Impact, University of New South Wales for National Australia Bank, viewed 9 July 2015, <https://www.nab.com.au/content/dam/nabrwd/documents/reports/financial/2014-measuring-financial-exclusion-in-australia.pdf>.

Copestake, JG 2005, *Money with a mission*, Bourton-on-Dunsmore, UK: ITDG.

Corfield, JJ 2009, *The history of Cambodia*, The Greenwood histories of the modern nations, Santa Barbara, Calif.: Greenwood Press.

Creswell, JW & Poth, CN 2018, *Qualitative inquiry & research design: choosing among five approaches*, California: Sage Publications.

Creswell, JW 2007, *Qualitative inquiry and research design: choosing among five approaches*, California: Sage Publications.

Creswell, JW 2014, *Research design: qualitative, quantitative, and mixed method approaches*, Thousand Oaks, California: Sage Publications.

Cull, R, Demirguc-Kunt, A & Morduch, J 2008, *Microfinance Meets the Market*, Washington, D.C., The World Bank.

Cutcher, L 2008, ‘Financing Communities: The Role of Community Banks and Credit Unions in Re-establishing Branches in Australia’, *Accounting, Business and Financial History*, vol. 18, no. 3, pp. 323-333.

Dahan, NM, Doh, JP, Oetzel, J and Yaziji, M 2010, ‘Corporate-NGO collaboration: Co-creating new business models for developing markets,’ *Long Range Planning*, Vol.43, pp. 326-342.

Datta, S 2011, *Economics: making sense of the modern economy*, The Economist, London: Profile.

Davis T & Mackenzie S 2015, ‘Crime and Conflict: Looting in Cambodia’ in J Kila & M Balcells, *Cultural property crime: an overview and analysis of contemporary perspectives and trends, Heritage and identity: issues in cultural heritage protection*: (volume 3), Leiden Boston: Brill, pp. 292-306.

De Bruijn, TJNM & Tukker, A 2002, ‘*Partnership and leadership: building alliances for a sustainable future’*, Eco-efficiency in industry and science: vol. 8, Dordrecht: Boston: Kluwer Academic.

de Dios, MA 2016, ‘The Sixth Pillar of Anti-Money Laundering Compliance: Balancing Effective Enforcement with Financial Privacy’, *Brooklyn Journal of Corporate, Financial & Commercial Law*, vol. 10, no. 2, pp. 495-520.

De Haan, L & Lakwo, A 2010, ‘Rethinking the Impact of Microfinance in Africa: Business Change or Social Emancipation’, *European Journal of Development Research*, vol. 22, no. 4, pp. 529-545.

Delston, RS & Walls, SC 2009, ‘Reaching beyond Banks: How to Target Trade-Based Money Laundering and Terrorist Financing Outside the Financial Sector’, *Case Western Reserve Journal of International Law*, vol.41.no. 1, pp. 85-118.

Demirgüç-Kunt, A, Beck, T & Honohan, P 2008, *Finance for all? policies and pitfalls in expanding access*, A World Bank policy research report, Washington, D.C.: World Bank.

Demirguc-Kunt, A, Klapper, L, Singer, D & Van Oudheusden, P 2015, *The Global Findex Database 2014: Measuring Financial Inclusion around the World*, Policy Research Working Papers, Washington, D.C.: The World Bank.

Demirguc-Kunt, A, Klapper, L, Singer, D, Ansar, S & Hess J 2018, *The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution*, Washington, D.C.: The World Bank, viewed 5 June 2018, <https://globalfindex.worldbank.org/>.

Deneweth, H, Gelderblom, O, & Jonker, J 2014, 'Microfinance and the Decline of Poverty: Evidence from the Nineteenth-Century Netherlands', *Journal of Economic Development*, vol. 39, no. 1, pp. 79-110.

Denison D 1996, ‘What is the Difference between Organizational Culture and Organizational Climate? A Native’s Point of View on a Decade of Paradigm Wars’, *The Academy of Management Review*, vol. 21, no. 3, pp. 619-654.

Dent, S 2015, *Institutional ethnography: care in higher education*, London: SAGE.

Dentoni, D Bitzer, V & Pascucci, S 2016, ‘Cross-Sector Partnerships and the Co-creation of Dynamic Capabilities for Stakeholder Orientation’, *Journal of Business Ethics*, vol. 135, no. 1, pp. 35-53.

Department of Foreign Affairs and Trade 2019, About Australia, Australian Government, viewed 2 January 2019, <https://dfat.gov.au/about-australia/Pages/about-australia.aspx>.

Department of Industry, Innovation and Science 2015, *Australian Industry Report 2015*, Australian Government, Canberra, viewed 9 June 2015 <https://www.industry.gov.au/data-and-publications/austr alian-industry-report-2015>.

Desai, VM 2018, ‘Collaborative Stakeholder Engagement: An Integration between Theories of Organizational Legitimacy and Learning’, *Academy of Management Journal*, vol. 61, no. 1, pp. 220–244.

Deutsche Bank 2014, Sustainable Banking, viewed on 20 January 2014, <https://www.db.com /cr/en/datacenter/microfinance.htm>.

Dhillon, JK 2007, ‘Trust, Shared Goals and Participation in Partnerships: Reflections of Post-16 Education and Training Providers in England’, *Journal of Vocational Education and Training*, vol. 59, no. 4, pp. 503-515.

Dickie, C & Dickie, L 2009, ‘Alliance Performance to Integrate Higher Education: Smarter Partners with Shared Values and Capacity Building’, *US-China Education Review*, vol.6, no.7, pp. 18-28.

Dilts, A 2011, ‘From 'Entrepreneur of the Self' to 'Care of the Self': Neo-liberal Governmentality and Foucault's Ethics’, *Foucault Studies*, vol.12, pp. 130-146.

Diniz, E, Jayo, M, Pozzebon, M, Lavoie, F & dos Santos Foguel, F 2014, 'ICT Helping to Scale up Microfinance: The Case of a Successful Bank-MFI Partnership in Brazil', *Journal of Global Information Management*, vol.22, no.1, pp. 34-50.

Doloi, H 2009, ‘Relational partnerships: the importance of communication, trust and confidence and joint risk management in achieving project success’, *Construction Management & Economics*, vol. 27, no. 11, pp. 1099-1109.

Edwards, M 2008, ‘Have NGOs Made a Difference? From Manchester to Birmingham with an Elephant in the Room’, in AJ Bebbington & DC Mitlin (eds), *Can NGOs Make a Difference? The challenge of development alternatives*, London: Zed Books, pp. 38-52.

Eisenhauer T, 2018, *Who the Hell Wants to Work for You?: Mastering Employee Engagement*, Boston: Resultris International.

El Ansari, W 2012, ‘Leadership in community partnerships: South African study and experience’, *Central European Journal of Public Health*, vol. 20, no. 3, pp. 174-184.

Elkington, J 1998, ‘Partnerships from cannibals with forks: The triple bottom line of 21st-century business’, *Environmental Quality Management*, vol.8, no.1, pp. 37-51.

Escobar, A & Foucault, M 1984, 'Discourse and power in development', *Alternatives: Global, Local, Political*, vol. 10, no. 3, pp. 377-400.

Escobar, A 1995, *Encountering development: the making and unmaking of the Third World*, Princeton University Press, Princeton, N.J.

Esty, K 2011, ‘Lessons from Muhammad Yunus and the Grameen Bank’, *OD Practitioner*, vol. 43, no. 1, pp. 24-28.

FAO, IFAD & WFP [Food and Agriculture Organization, International Fund for Agricultural Development & World Food Programme] 2015, *The State of Food Insecurity in the World 2015-Meeting the 2015 international hunger targets: taking stock of uneven progress,* Rome: Food and Agriculture Organization of the United Nations.

Farazi, S 2014, *Informal Firms and Financial Inclusion: Status and Determinants*, Policy Research Working Papers, The World Bank.

Fernando, JL (ed.) 2006, *Microfinance: Perils and prospects*, Routledge, New York.

Flannery, TF 2000, *Terra Australis: Matthew Flinders’ great adventures in the circumnavigation of Australia*, Melbourne: Text Publishing.

Foucault, M 1989, *The order of things: an archaeology of the human sciences*, World of man, London: Routledge.

Freeman, RE, Martin, K & Parmar, B 2007, ‘Stakeholder Capitalism’, Journal of Business Ethics, vol.74, no. 4, pp. 303-314.

Freixas, X & Rochet J 1997, *Microeconomics of banking*, Cambridge, Mass.: MIT Press.

Fukuyama F 2001, ‘Social Capital, Civil Society and Development’, *Third World Quarterly*, vol. 22, no. 1, pp. 7-20.

Gabor, D & Brooks, S 2017, 'The digital revolution in financial inclusion: international development in the fintech era', *New Political Economy*, vol. 22, no. 4, pp. 423-436.

GABV [Global Alliance for Banking on Values] 2015, GABV Proves There’s Profit & Positive Impact in Sustainability-focused Banking, viewed 3 March 2016, <http://www.gabv.org/news/gabv-proves-theres-profit-and-positive-impact-in-sustainability-focused-banking>.

Gallardo, JS, Goldberg, M & Randhawa, BK 2006, *Strategic alliances to scale up financial services in rural areas,* World Bank working paper: no. 76, Washington, DC: World Bank.

García, PI, Muñoz, TMJ & Fernández, IMÁ 2018, ‘Microfinance institutions fostering sustainable development’, *Sustainable Development*, vol. 26, no. 6, pp. 606-619.

Geleta, EB 2016, ‘Microfinance and women’s empowerment: an ethnographic inquiry’, *Development in Practice*, vol. 26, no. 1, pp. 91-101.

Geoscience Australia 2017, Australian Government, Australia's Size Compared, viewed 22 December 2017, <http://www.ga.gov.au/scientific-topics/national-location-information/dimensions/australias-size-compared>.

Germidis, DA, Kessler, D & Meghir, R 1991, *Financial systems and development: what role for the formal and informal financial sectors? Development Centre studies*, Paris: Development Centre of the Organisation for Economic Co-operation and Development.

Gershon, I 2011, ‘Neoliberal Agency’, *Current Anthropology*, vol.52, no. 4, pp. 537-555.

Getu M 2007, ‘Does Commercialization of Microfinance Programs Lead to Mission Drift?’, *Transformation*, vol. 24, no. 3/4, pp. 169-179.

Ghalib, AK 2013, ‘How Effective is Microfinance in Reaching the Poorest? Empirical Evidence on Programme Outreach in Rural Pakistan’, *Journal of Business Economics and Management*, vol. 14, no. 3, pp. 467-480

Ghate, PB 1992, ‘Interaction between the formal and informal financial sectors: the Asian experience’, *World Development*, vol. 20, no. 6, pp. 859-872.

Gibson, W & Brown, A 2009, *Working with Qualitative Data*, London: SAGE Publications.

Giddens, A 1984, *The Constitution of Society: Outline of the Theory of Structuration,* University of California Press, Berkeley.

Giddens, A 1991, *Modernity and self-identity: self and society in the late modern age*, Cambridge: Polity.

Gilmore, EA 1910, *Partnership,* Chicago: La Salle.

Godinho, V, Eccles, K & Lauren, T 2018, ‘Beyond access: The role of microfinance in enabling financial empowerment and wellbeing for Indigenous clients: Lessons from remote Australia’, *Third Sector Review*, vol.24, no. 2, pp. 57-76.

Goldberg, M & Palladini, E 2010, *Managing risk and creating value with microfinance,* Washington, D.C.: World Bank.

GPFI [Global Partnership for Financial Inclusion] 2018, G20 Financial Inclusion Action Plan (FIAP) 2017, viewed 9 February 2018, <http://www.gpfi.org/publications/g20-financial-inclusion-action-plan-fiap-2017>.

Gray, DE 2009, *Doing research in the real world*, Los Angeles; London: SAGE.

Greenwood DT & Holt RPF 2010, ‘Growth, Inequality and Negative Trickle Down’, *Journal of Economic Issues*, vol. 44, no. 2, pp. 403-410.

GSM [Good Shepard Microfinance] 2015, *Annual report 2015*, Good Shepherd Microfinance, viewed 5 October 2016 <https://goodshepherdmicrofinance.org.au/annual-reports/>.

GSM [Good Shepard Microfinance] 2018, *Annual report 2018*, Good Shepherd Microfinance, viewed 22 December 2018, <https://goodshepherdmicrofinance.org.au/annual-reports/>.

Gueyie, JP, Manos, R & Yaron, J 2013, *Microfinance in developing countries: issues, policies and performance evaluation*, Houndmills, Basingstoke, Hampshire, UK; New York: Palgrave Macmillan.

Guichandut, P 2006, 'Microfinance with a mission: learning together', *Finance & bien commun: revue d'éthique en économie et finance*, vol. 25, pp. 21-22.

Guinnane, TW 2003, 'A 'Friend and Advisor': External Auditing and Confidence in Germany's Credit Cooperatives, 1889-1914', *Business History Review*, vol. 77, no. 2, pp. 235-264.

Gulati, R 1995, ‘Social Structure and Alliance Formation Patterns: A Longitudinal Analysis’, *Administrative Science Quarterly,* vol. 40, no. 4, pp. 619-652.

Gulati, R 1998, 'Alliances and networks', *Strategic Management Journal,* vol. 19, no. 4, pp. 293-317.

Haldar, A & Stiglitz, JE 2016, 'Group Lending, Joint Liability, and Social Capital', *Politics & Society*, vol. 44, no. 4, pp. 459-497.

Hall, DJ, Campling, J & Hall, IM 1996, *Practical social research: project work in the community*, Houndmills, Basingstoke, Hampshire: MacMillan.

Hallett, T 2003, ‘Symbolic Power and Organizational Culture’, *Sociological Theory*, vol. 21, no. 2, pp. 128-149.

Hamada, M 2010, 'Commercialization of Microfinance in Indonesia: The Shortage of Funds and the Linkage Program', *Developing Economies*, vol. 48, no. 1, pp. 156-176.

Hamel, J, Dufour, S & Fortin, D 1993, *Case study methods*, Newbury Park: Sage Publications.

Hannam, K, Sheller, M & Urry, J 2006, 'Editorial: Mobilities, Immobilities and Moorings', *Mobilities,* vol. 1, no. 1, pp. 1-22.

Hargovan, A 2018, ‘Governance in practice: Hayne royal commission interim report: Unclogging the central artery’, *Governance Directions*, vol. 70, no. 11, pp. 691-699.

Harper, M & Arora, SS 2005, *Small customers, big market: commercial banks in microfinance*, Bourton-on-Dunsmore: ITDG Publishing.

Harper, M & Kirsten, M 2008, ‘ICICI bank partnership linkages in India’, in M Pagura (ed.), *Expanding the Frontier in Rural Finance: Financial Linkages and Strategic Alliances*, Practical Action Publishing, Warwickshire, pp. 85-95.

Harper, M 2003, *Microfinance: evolution, achievements and challenges*, London: ITDG.

Harrell, MC & Bradley, M 2009, *Data collection methods: semi-structured interviews and focus groups,* Santa Monica, CA: RAND.

Harris, M 2012, ‘Nonprofits and business: Toward a subfield of non-profit studies’, *Nonprofit and Voluntary Sector Quarterly,* vol 41, no. 5, pp. 892-902.

Hartarska, V 2005, 'Governance and performance of microfinance institutions in Central and Eastern Europe and the Newly Independent States', *World Development*, vol.33, no. 10, pp. 1627-1643.

Hartarska, V & Mersland, R 2012, 'Which Governance Mechanisms Promote Efficiency in Reaching Poor Clients? Evidence from Rated Microfinance Institutions', *European Financial Management*, vol 18, no. 2, pp. 218-239.

Hartarska, V, Nadolnyak, D & McAdams, T 2013, Microfinance and Microenterprises’ Financing Constraints in Eastern Europe and Central Asia in J Gueyie, R Manos & J Yaron (eds.) 2013, Microfinance in developing countries. Issues, policies and performance evaluation, Basingstoke: Palgrave Macmillan, pp. 22-35.

Hartman, LP & Dhanda, KK 2018, ‘Cross-Sector Partnerships: An Examination of Success Factors’, Business and Society Review: *Journal of the Center for Business Ethics at Bentley College,* vol. 123, no. 1, pp. 181-214.

Harvey, D 2005, *A brief history of neoliberalism,* New York: Oxford University Press.

Harvey, D 2006, Spaces *of global capitalism,* Verso, London; New York.

Hawkins, CJ 1973, *Theory of the firm, Macmillan studies in economics*, London: Macmillan.

Heath, J & Norman, W 2004, 'Stakeholder Theory, Corporate Governance and Public Management: What can the History of State-Run Enterprises Teach us in the Post-Enron era?', *Journal of Business Ethics,* vol. 53, no. 3, pp. 247-265.

Hechter, M 1993, ‘Value research in social and behavioural sciences’, in RE Michod, L Nadel & M Hechter (eds), *The Origin of values, sociology and economics*, New York: A. de Gruyter, pp.1-30.

Heffernan, SA 1996, *Modern banking in theory and practice*, Chichester, England: New York, N.Y.: Wiley.

Heilbroner, RL 1993, *Twenty-first century capitalism*, Allen & Unwin: St Leonards, N.S.W.

Heller, H 2011, *The birth of capitalism: a twenty-first century perspective*, Pluto Press, London.

Helms, B 2006, *Access for All: Building Inclusive Financial Systems*, The World Bank.

Herbst, P & Prufer, J 2016, 'Firms, Nonprofits, and Cooperatives: A Theory of Organizational Choice', *Annals of Public and Cooperative Economics*, vol. 87, no. 3, pp. 315-343.

Hermes, N & Lensink, R 2011, ‘Microfinance: Its Impact, Outreach, and Sustainability’, *World Development*, vol. 39, no. 6, pp. 875-881.

Herzfeld, M 2004, *The Body Impolitic: Artisans and Artifice in the Global Hierarchy of Value*, University of Chicago Press, Chicago.

Herzfeld, M 2005, *Cultural intimacy: social poetics in the nation-state*, Routledge, New York.

Hill, D 2010, *Gold: the fever that forever changed Australia*, North Sydney, N.S.W.: William Heinemann.

HKL [Hattha Kaksekar Limited] 2015, *Annual report* 2015, Hattha Kaksekar Limited, <http://www.hkl.com.kh//filelibrary/Annual_Report_2015>.

HKL [Hattha Kaksekar Limited] 2017, *Annual report* 2017, Hattha Kaksekar Limited, <file:///C:/Users/doncp/Downloads /Annual_Report_2017_Eng.pdf >.

Hofstede G 1980, 'Culture and Organizations', *International Studies of Management & Organization*, vol.10, no. 4, pp. 15-41.

Hofstede G, 1994, 'Management Scientists Are Human', *Management Science*, vol.40, no. 1, pp. 4-13.

Hofstede, G 1997, Cultures *and organizations: software of the mind*, London: McGraw-Hill.

Hofstede, G, Hofstede, GJ & Minkov, M 2010, *Cultures and organizations: software of the mind: intercultural cooperation and its importance for survival*, New York: McGraw-Hill.

Hollis, A & Sweetman, A 2001, 'The life-cycle of a microfinance institution: the Irish loan funds', *Journal of Economic Behavior and Organization*, vol. 46, no. 3, pp. 291-311.

Hossain, M 2012, 'Measuring the Impact of BRAC Microfinance Operations: A Case Study of a Village', *International Business Research*, vol.5, no.4, pp. 112-123.

Hossain, S & Monroe, GS 2015, 'Chief Financial Officers' Short- and Long-term Incentive-based Compensation and Earnings Management', *Australian Accounting Review*, vol. 25, no. 3, pp. 279-291.

Hossein, CS 2016, "Big Man' Politics in the Social Economy: A Case Study of Microfinance in Kingston, Jamaica', *Review of Social Economy*, vol.74, no. 2, pp. 148-171.

Howard, MC & King, JE 1975, *The political economy of Marx, Modern economics*, Harlow: Longman.

HSBC 2014, viewed on 4 July 2014, <www.hsbc.com>.

Hudon, M & Traca, D 2011, 'On the Efficiency Effects of Subsidies in Microfinance: An Empirical Inquiry', *World Development*, vol. 39, no. 6, pp. 966-973.

Hudon, M & Sandberg, J 2013, 'The Ethical Crisis in Microfinance: Issues, Findings, and Implications', *Business Ethics Quarterly*, vol. 23, no. 4, pp. 561-589.

Hughes, C & Un, K 2011, *Cambodia's Economic Transformation*, Copenhagen: Nias Press.

Hulme, D & Arun, T 2009, *Microfinance: a reader*, Routledge studies in development economics: 69, New York, NY: Routledge.

Hulme, D & Edwards, M 1992, *Making a difference: NGOs and development in a changing world*, London, Earthscan.

Hulme, D & Mosley, P 1996, *Finance against poverty*, (volume 1), London; New York: Routledge.

Hulme, D 2003, 'Is microdebt good for poor people? A note on the dark side on microfinance', in M Harper (ed), *Microfinance: Evolution, Achievements and Challenges*, London: ITDG, pp. 155-158.

Hulme, D & Mosley, P 1996, *Finance against poverty*, London; New York: Routledge.

ICICI Bank [Industrial Credit and Investment Corporation of India] 2018, About us, viewed 15 June 2018, <https://www.icicibank.com/aboutus/about-us.page >.

Institute of Social Banking 2014, viewed on 14 May 2014, < www.social-banking.org>.

International Finance Corporation 2014, viewed on 9 March 2014, <www.ifc.org>.

International Monetary Fund. Research Dept., A 2014, World *Economic Outlook, October 2014: Legacies, Clouds, Uncertainties,* Washington, International Monetary Fund.

Ismail S 2013, ‘Critical success factors of public private partnership (PPP) implementation in Malaysia’, *Asia-Pacific Journal of Business Administration*, vol. 5, no. 1, pp. 6-19.

Jensen, MC 2002, ‘Value Maximization, Stakeholder Theory, and the Corporate Objective Function’, *Business Ethics Quarterly*, vol. 12, no. 2, pp. 235-256.

Jo, S & Shim, SW 2005, ‘Paradigm shift of employee communication: The effect of management communication on trusting relationships’, *Public Relations Review*, vol. 31, no. 2, pp. 277-280.

Jomo, KS 2010, *Reforming the international financial system for development*, Columbia University Press, New York.

Jorgenson, D & Vu, K 2015, 'Australia and the growth of the world economy: 24th Colin Clark Memorial Lecture', *Economic Analysis and Policy*, vol.47, pp. 90-100.

Jung, J 2010, ‘The Inability Not to Follow: Western Hegemonies and the Notion of "Complaisance" in the Enlarged Europe’ *Anthropological Quarterly*, vol. 83, No. 2, pp. 317-353.

Kabeer N 2009, ‘Conflict over credit: re-evaluating the empowerment potential of loans to women in rural Bangladesh’ in D Hulme & T Arun (eds) 2009, *Microfinance: a reader*, Routledge studies in development economics: 69, New York, NY: Routledge, pp. 108-142.

Kale, P & Singh, H 2009, 'Managing Strategic Alliances: What Do We Know Now, and Where Do We Go from Here?', *Academy of Management Perspectives*, vol. 23, no. 3, pp. 45-62.

Kamath, KV 2008, ‘Microfinance and Economic Growth- Reflections on Indian Experience’, in I Matthäus- Maier & J Von Pischke (eds), *New Partnerships for Innovation in Microfinance*, Berlin; Heidelberg: Springer, pp.81-84.

Kanter, RM 2011, ‘How great companies think differently: instead of being mere money-generating machines, they combine financial and social logic to build enduring success’, *Harvard Business Review*, vol. 89, no. 11, pp. 66-78.

Karim, L 2008, ‘Demystifying micro-credit: the Grameen Bank, NGOs, and neoliberalism in Bangladesh’, *Cultural Dynamics*, vol. 20, No. 1, pp. 5-29.

Kasali, TA, Ahmad, SA & Lim, H 2016, 'Microfinance and rural Poverty Alleviation: a reality?’, *International Journal of Business & Society*, vol. 17, no. 3, pp. 497-510.

Kaur, J & Kohli, N 2012, 'Innovations in Microfinance: Initiatives of ICICI Bank', *International Journal of Business Economics and Management Research*, vol.3, no.1, pp. 61-69.

Keane, W 1997, ‘From Fetishism to Sincerity: On Agency, the Speaking Subject, and their Historicity in the Context of Religious Conversion’, *Comparative Studies in Society and History*, vol. 39, no.4, pp. 674-693.

Kebede, HA & Berhanu, W 2013, ‘How Efficient Are the Ethiopian Microfinance Institutions in Extending Financial Services to the Poor? A Comparison with the Commercial Banks’, *Journal of African Economies*, vol. 22, no. 1, pp. 112-135.

Kelly, C 2012, 'Measuring the Performance of Partnerships: Why, What, How, When?', *Geography Compass*, vol. 6, no. 3, pp. 149-62.

Khan AA 2008, ‘Commercialization of microfinance- Is the sector losing its identity by evading its original ‘social service’ responsibility’, *Social and Environmental Accountability Journal*, vol. 28, no.2, pp. 78-90.

Khan, SR & Khan, SR 2016, 'Microcredit in South Asia: Privileging women’s perceptions and voices', *Progress in Development Studies*, vol. 16, no. 1, pp. 65-80.

Kiernan, B 2002, 'Introduction: Conflict in Cambodia, 1945-2002', *Critical Asian Studies*, vol. 34, no. 4, pp. 483-495.

Kingsbury, D, Remenyi, J, McKay, J & Hunt, J (eds) 2004, *Key Issues in Development*, Palgrave Macmillan, New York.

Kleynjans, L & Hudon, M 2016, 'A Study of Codes of Ethics for Mexican Microfinance Institutions', *Journal of Business Ethics*, vol. 134, no. 3, pp. 397-412.

Klomp, J & de Haan, J 2014, ‘Bank Regulation, the Quality of Institutions, and Banking Risk in Emerging and Developing Countries: An Empirical Analysis’, *Emerging markets finance & trade*, vol. 50, no. 6, pp. 19-40.

Knewtson, H & Qi, H 2019, ‘Managing risk for sustainable microfinance’, *Journal of Risk Finance*, vol. 20, no. 1, pp. 2-13.

Koch, D, Westeneng, J & Ruben, R 2007, ‘Does Marketisation of Aid Reduce the Country-Level Poverty Targeting of Private Aid Agencies?’, *European Journal of Development Research*, vol. 19, no. 4, pp. 636-657.

Koistinen, D 2012, 'Development Credit Corporations: Not-for-Profit Development Finance Institutions in the Postwar United States', *Business History*, vol. 54, no. 3, pp. 424-40.

Kolk, A, van Dolen, W & Vock M 2010, ‘Trickle Effects of Cross-Sector Social Partnerships’, *Journal of Business Ethics*, vol. 94, pp. 123-137.

Kovesi, C 2006, *Pitch your tents on distant shores: a history of the Sisters of the Good Shepherd in Australia, Aotearoa/New Zealand and Tahiti*, Playright Pub., Caringbah, N.S.W.

Kvale, S 1996, *Interviews: an introduction to qualitative research interviewing*, Thousand Oaks, Calif.: Sage Publications.

Kvale, S & Brinkmann, S 2009, *InterViews: learning the craft of qualitative research interviewing*, Los Angeles: Sage Publications.

Lakshmi, K & Vasantha, S 2013, ‘Microfinance Crisis in Andhra Pradesh And Regulatory Response', *CLEAR International Journal of Research in Commerce & Management*, vol. 4, no. 12, pp. 32-36.

Lambert, D & Willerslev, E 2016, 'A genomic history of Aboriginal Australia', *Nature*, vol. 538, no.7624, pp. 207-214.

Ledgerwood J and Gibson A 2013, ‘The Evolving Financial Landscape’, in J Earne, J Ledgerwood & C Nelson (eds), *The new microfinance handbook: a financial market system perspective*, Washington, DC: World Bank, pp. 15-48.

Ledgerwood, J & White, V 2006, *Transforming microfinance institutions: providing full financial services to the poor*, Washington, DC: World Bank: MicroFinance Network; [Stockholm]: Sida.

Ledgerwood, J 1999, *Microfinance handbook: an institutional and financial perspective*, Washington, D.C.: World Bank.

Lemke, T 2001, ‘The birth of bio-politics: Michel Foucault's lecture at the College de France on neo-liberal governmentality’, *Economy and Society*, vol. 30, no. 2, pp. 190-207.

Lensink, R 1996, ‘The Allocative Efficiency of the Formal versus the Informal Financial Sector’, *Applied Economics Letters*, vol. 3, no. 3, pp. 163-165.

Li, W 2014, 'History of the Silk Road', *China Today*, vol. 63, no. 1, pp. 34-39.

Lin, TCW 2016, ‘Financial weapons of war’, *Minnesota Law Review*, vol.100, no. 4, pp. 1377-1440.

Loś-Tomiak, A 2014, 'Local partnerships in the social security system of the region', *Management (1429-9321)*, vol.18, no. 2, pp. 146-159.

Mackaness, G 1956, *Australian gold fields, their discovery, progress and prospects, Australian historical monographs: no. 33*, Sydney: D.S. Ford.

Mackintosh, M 1992, 'Partnership: Issues of policy and negotiation', *Local Economy*, vol. 7, no. 3, pp. 210-224.

Maclean, K 2013, ‘Gender, Risk and Micro-Financial Subjectivities’, *Antipode,* vol. 45, no. 2, pp. 455-473.

Mader, P 2015, *The political economy of microfinance: financialising poverty*, Houndmills, Basingstoke Hampshire; New York, NY: Palgrave Macmillan.

Malaspinas, A, Westaway, M, Muller, C, Sousa, V, Lao, O, Alves, I, Bergström, A, Athanasiadis, G, Cheng, J, Crawford, J, Heupink, T, Macholdt, E, Peischl, S, Rasmussen, S, Schiffels, S, Subramanian, S, Wright, J, Albrechtsen, A, Barbieri, C, Dupanloup, I, Eriksson, A, Margaryan, A, Moltke, I, Pugach, I, Korneliussen, T, Levkivskyi, I, Moreno-Mayar, J, Ni, S, Racimo, F, Sikora, M, Xue, Y, Aghakhanian, F, Brucato, N, Brunak, S, Campos, P, Clark, W, Ellingvåg, S, Fourmile, G, Gerbault, P, Injie, D, Koki, G, Leavesley, M, Logan, B, Lynch, A, Matisoo-Smith, E, McAllister, P, Mentzer, A, Metspalu, M, Migliano, A, Murgha, L, Phipps, M, Pomat, W, Reynolds, D, Ricaut, F, Siba, P, Thomas, M, Wales, T, Wall, C, Oppenheimer, S, Tyler-Smith, C, Durbin, R, Dortch, J, Manica, A, Schierup, M, Foley, R, Lahr, M, Bowern, C, Wall, J, Mailund, T, Stoneking, M, Nielsen, R, Sandhu, M, Excoffier, L, Lambert, D & Willerslev, E 2016, 'A genomic history of Aboriginal Australia', *Nature*, vol.538, no. 7624, pp. 207-214.

Malik, N 2015, *Corporate Social Responsibility and Development in Pakistan*, London: Routledge, Taylor & Francis Group.

Manning, S & Roessler, D 2014, 'The Formation of Cross-Sector Development Partnerships: How Bridging Agents Shape Project Agendas and Longer-Term Alliances', *Journal of Business Ethics*, vol. 123, no. 3, pp. 527-547.

Many Rivers 2018, *Annual report* 2018, Many Rivers Microfinance Limited, viewed 20 January 2019, <http://www.manyrivers.org.au/about-us/annual-reports/>.

Martinez, A & Perales, F 2017, ‘The Dynamics of Multidimensional Poverty in Contemporary Australia’, *Social Indicators Research*, vol. 130, no. 2, pp. 479-496.

Matthäus-Maier, I & Von Pischke, J (eds) 2009, ‘*New Partnerships for Innovation in Microfinance,* Berlin; Heidelberg: Springer-Verlag.

Maza, C 2017, ‘Legal immigration has downside too’, *The Phnom Penh Post,* 13 February, viewed 12 March 2018, <https://phnompenhpost.com/national/legal-immigration-has-downside-too-report>.

McAleer, M, Jimenez-Martin, JA & Perez-Amaral, T 2013, ‘International Evidence on GFC-Robust Forecasts for Risk Management under the Basel Accord’, *Journal of Forecasting,* vol. 32, no. 3, pp. 267-288.

McKernan, SM & Moskowitz, D 2005, *Use of the formal and informal financial sectors: Does gender matter? Empirical evidence from rural Bangladesh*, Policy research working paper: 3491, Washington, D.C.: World Bank.

McQuaid, RW, 2010, 'Theory of organizational partnerships: partnership advantages, disadvantages and success factors', in SP Osborne (ed.), *The new public governance: emerging perspectives on the theory and practice of public governance*, Routledge. pp. 127-148.

Mehta, HC & Mehta, JB 1999, *Hun Sen: Strongman of Cambodia*, Singapore, Graham Brash.

Mencher, C 1999, 'NGOs: Are They a Force for Change?' *Economic and Political Weekly*, Vol 34, no. 30, pp. 2081-2086.

Mendoza, R & Thelen, N 2008, 'Innovations to Make Markets More Inclusive for the Poor', *Development Policy Review*, vol. 26, no. 4, pp. 427-458.

Mercer, C 2002, 'NGOs, civil society and democratization: a critical review of the literature', *Progress in Development Studies*, vol. 2, no. 1, pp. 5-22.

Merriam, SB 1988, *Case Study Research in Education: A Qualitative Approach*, Jossey-Bass, San Francisco.

Merrilees, B, Miller, D & Yakimova, R 2017, 'The role of staff engagement in facilitating staff-led value co-creation', *Journal of Service Management*, vol. 28, no. 2, pp. 250-264.

Mersland R, 2009, 'The Cost of Ownership in Microfinance Organizations', *World Development*, vol.3 7, no. 2, pp. 469-478.

Metcalfe, L & Lapenta, A 2014, 'Partnerships as strategic choices in public management', *Journal of Management & Governance*, vol. 18, no. 1, pp. 51-76.

Mhando, PC 2018, 'Managing in the Informal Economy: The Informal Financial Sector in Tanzania', *Africa Journal of Management*, vol. 4, no. 3, pp. 282-305.

Michel, S & Randriamanampisoa, H 2018, 'The capability approach as a framework for assessing the role of microcredit in resource conversion: the case of rural households in the Madagascar highlands', *Oxford Development Studies*, vol. 46, no. 2, pp. 215-235,

MicroRate 2013, The State of Microfinance Investment 2013 Micro Rate's : 8th Annual Survey and Analysis of MIVs, viewed 15 December 2013, <www.microrate.com/the-state-of-microfinance-invest ment-2013-survey-and-analysis-of-mivs-8th-edition>.

Mishkin, FS 2009, *The economics of money, banking, & financial markets*, Boston: Addison-Wesley.

Mochizuki, J, Vitoontus, S, Wickramarachchi, B, Hochrainer-Stigler, S, Williges, K, Mechler, R & Sovann, R, ‘Operationalizing Iterative Risk Management under Limited Information: Fiscal and Economic Risks due to Natural Disasters in Cambodia’, *International Journal of Disaster Risk Science*, vol. 6, no. 4, pp. 321-334.

Mohan, TTR, Nitsure, RR & Joseph, M 2005, *Regulation of financial intermediaries in emerging markets*, Thousand Oaks, California: Response Books.

Mohanty, BK 2005, 'Women in SHGs: issues and evidence', *Vision*, vol. 25, no. 1-2, pp. 27-33.

Mohr, J & Spekman, R 1994, 'Characteristics of partnership success: Partnership attributes, communication behavior, and conflict resolution techniques', *Strategic Management Journal*, vol. 15, no. 2, pp. 135-152.

Molé, N J 2010. ‘Precarious Subjects: Anticipating Neoliberalism in Northern Italy’s Workplace’. *American Anthropologist*, vol. 112, no. 1, pp. 38-53.

Mondal, WI & Peters, MR 2012, Microcredit at a Crossroads: A Question of Principled Leadership, viewed 15 June 2014, <www.integralleadershipreview.com>.

Montgomery, H & Weiss, J 2011, 'Can Commercially-Oriented Microfinance Help Meet the Millennium Development Goals? Evidence from Pakistan', *World Development*, vol.39, no. 1, pp. 87-109.

Morduch, J 1999, 'The Microfinance Promise', *Journal of Economic Literature*, vol. 37, no. 4, pp. 1569-1614.

Mori, N & Mersland, R 2014, 'Boards in Microfinance Institutions: How Do Stakeholders Matter?', *Journal of Management and Governance*, vol. 18, no. 1, pp. 285-313.

Mouatt, S & Adams, C 2011, *Corporate and social transformation of money and banking: breaking the serfdom*, Basingstoke [England]; New York: Palgrave Macmillan.

Mowery, DC 1987, *Alliance politics and economics: multinational joint ventures in commercial aircraft*, Cambridge, Mass.: Ballinger Pub. Co.

Muir, K, Reeve, R, Connolly C, Marjolin A, Salignac, F & Ho, K 2016, *Financial Resilience in Australia 2015*, Centre for Social Impact- University of New South Wales for National Australia Bank, Sydney, viewed 30 July 2017, <https://www.csi.edu.au/media/uploads/Financial _Resilience_in _Australia_-_Full_Report.pdf>.

NAB [National Australia Bank] 2015, *Annual report* 2015, National Australia Bank, viewed 7 May 2016, <https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/annual-review-2015.pdf>.

NAB [National Australia Bank] 2016, *Annual report 2016*, National Australia Bank, viewed 1 March 2017, <https://www.nab.com.au/content/dam/nabrwd/documents/reports/corporate/2016-annual-rev iew.pdf>.

NAB [National Australia Bank] 2018, Corporate Responsibility, viewed 2 January 2018, National Australia Bank, <https://www. nab.com.au/about-us/corporate-responsibility>.

NBC [National Bank of Cambodia] 2015, History, National Bank of Cambodia, viewed on 29 December 2015, <https://www.nbc.or g.kh/english/about_the_bank/history_of_nbc.php>.

NBC [National Bank of Cambodia] 2016, *Annual report 2016*, National Bank of Cambodia, viewed 25 July 2017, <https://www.nbc.org.kh/download_files/publication/annual_rep_eng/AnReport2017ENG.pd>.

NBC [National Bank of Cambodia] 2017a**,** Macroeconomic and Banking Sector Development in 2016 and Outlook for 2017, National Bank of Cambodia, viewed 10 August 2017 <https://www.nbc.org.kh/download_files/research_papers/english/MacroeconomicandBankingSectorDevelopmentin2016andOutlookfor2017.pdf>.

NBC [National Bank of Cambodia] 2017b, *Annual report 2017*, National Bank of Cambodia, viewed 26 December 2018, <https://www.nbc.org.kh/english/publications/annual_reports.php>.

NBC [National Bank of Cambodia] 2018, *The Law on Banking and Financial Institutions 1999*, National Bank of Cambodia, Phnom Penh, <https://www.nbc.org.kh/download_files/legislation/laws_eng/86004-Law-on-Banking-and-Fin ancial-Institutions-1999.pdf >.

Nelson, DL & Quick, JC 2003, *Organizational behavior: foundations, realities, and challenges*, Mason, Ohio: Thomson/South-Western.

Niño-Zarazúa, M 2013, 'Microcredit, Labor, and Poverty Impacts in Urban Mexico', *Review of Development Economics*, vol.17, no. 4, pp. 747-762.

Nitescue, DC 2016, 'New pillars of the banking business model or a new model of doing banking?', *Theoretical & Applied Economics*, vol. 23, no. 4, pp. 143-152.

NobelPrize.org 2018, *The Nobel Peace Prize for 2006*, Oslo, Nobel Media AB, viewed 2 March 2018. <https://www.nobelprize.org/prizes/peace/2006/press-release/>.

Norman, DJ 2011, ‘Neoliberal Strategies of Poverty Reduction in Cambodia: The Case of Microfinance’ in C Hughes and K Un (eds.), *Cambodia’s Economic Transformation*, Copenhagen: Nias Press, pp. 161- 181.

Norton, JJ & Shams, H 2002, ‘Money Laundering Law and Terrorist Financing: Post-September 11 Responses- Let Us Step Back and Take a Deep Breath?’, *The International Lawyer*, vol. 36, no. 1, pp. 103-124.

OECD [Organisation for Economic Co-operation and Development] 2014, Finance, viewed 18 August 2014, <http://www.oecd.org/finance/>.

OECD [Organisation for Economic Co-operation and Development] 2018, Data: poverty rate, Organisation for Economic Co-operation and Development, viewed 6 October 2018, <https://data.oecd.org/inequality/poverty-rate.htm?ga=2.234791517.238249212.154592042-1536911147.1545982042>.

OECD [Organisation for Economic Co-operation and Development] 2019, OECD Better Life Index, Organisation for Economic Co-operation and Development, viewed 15 January 2019, <http://www.oecdbetterlifeindex.org/topics/income/>.

Okoye, A 2009, 'Theorising Corporate Social Responsibility as an Essentially Contested Concept: Is a Definition Necessary?', *Journal of Business Ethics*, vol.89, no. 4, pp. 613-627.

Olsen, TD 2017, 'Political Stakeholder Theory: The State, Legitimacy, and the Ethics of Microfinance in Emerging Economies', *Business Ethics Quarterly*, vol. 27, no. 1, pp. 71-98.

Omarini, A 2015, *Retail banking: Business transformation and competitive strategies for the future*, Basingstoke, Palgrave Macmillan.

O'Reilly, N & Brunette, M 2014, 'Private-sector-Not-for-profit Partnerships in the Sport and Physical Activity Contexts', *International Journal of Sport & Society*, vol.4, no.1, pp. 31-45.

Packman, C 2014, *Payday Lending: Global Growth of The High-Cost Credit Market*, n.p.: Basingstoke, Palgrave Pivot.

Parker, D 2007, *Outback: The Discovery of Australia's Interior*, Stroud, Sutton Publishing.

Partnership Brokers Association 2018, viewed 12 December 2018, <https://www.partnershipbrokers.org/>.

Patton, MQ 2002, *Qualitative research & evaluation methods,* Thousand Oaks, Calif.: Sage Publications.

Peattie, L 1987, ‘An idea in good currency and how it grew: The informal sector’, *World Development*, vol. 15, no. 7, pp. 851-860.

Peel, M & Twomey, C 2011, *A history of Australia*, Houndmills, Basingstoke, Hampshire; New York: Palgrave Macmillan.

Pembroke, MA 2013, *Arthur Phillip: sailor, mercenary, governor, spy,* Richmond, Victoria: Hardie Grant Books.

Pérez, A & Rodríguez del Bosque, I 2012, 'The Role of CSR in the Corporate Identity of Banking Service Providers', *Journal of Business Ethics,* vol. 108, no. 2, pp. 145-166.

Perilleux, A, Hudon, M & Bloy, E 2012, 'Surplus Distribution in Microfinance: Differences among Cooperative, Nonprofit, and Shareholder Forms of Ownership', *Nonprofit and Voluntary Sector Quarterly*, vol. 41, no. 3, pp. 386-404.

Phillips, RA 2011, *Stakeholder Theory: Impact and Prospects*, Cheltenham, Edward Elgar.

Prahalad, CK 2005, *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*, Upper Saddle River, NJ: Wharton School Publishing.

Premchander, S 2009, *Multiple meanings of money: how women see microfinance*, Los Angeles: SAGE.

Priyadarshee, A & Ghalib, A 2012, 'Over-indebtedness, coercion, and default: Causes of the Andhra Pradesh microfinance crisis and regulatory implications', *Enterprise Development & Microfinance*, vol. 23, no. 3, pp. 185-200.

Proske, C 2010, 'Expanding the Microfinance Footprint', *InFinance: The Magazine for Finsia Members*, no. 4, pp. 24-25.

Punch, K 2014, *Introduction to social research: quantitative & qualitative approaches*, Los Angeles, California SAGE.

Putnam, RD 1995, 'Bowling Alone: America's Declining Social Capital', *Journal of Democracy*, vol.6, no. 1, pp. 65-78.

Rabionet, SE 2011, 'How I Learned to Design and Conduct Semi-Structured Interviews: An Ongoing and Continuous Journey', *Qualitative Report*, vol. 16, no. 2, pp. 563-566.

Reback, C, Cohen, A, Freese, T & Shoptaw, S 2002, 'Making collaboration work: Key components of practice research partnerships', *Journal of Drug Issues*, vol. 32, no. 3, pp. 837-848.

Reddy, DM, 2011, 'Role of Micro-finance Institutions in poverty alleviation- A case study', *Asia Pacific Journal of Research in Business Management*, vol.2, no.11, pp. 73-81.

Reifner U 1992, 'Social banking and new poverty-Towards a new approach in Law and Economics', in U Reifner & J Ford (eds.) 1992, *Banking for people*, Berlin; New York: Walter de Gruyter, pp. 23-42.

Reiman, J 2013, *The story of purpose: the path to creating a brighter brand, a greater company, and a lasting legacy*, Hoboken, N.J.: Wiley.

Remenyi, J, 2004, 'What is Development', in D Kingsbury, J Remenyi, J McKay & J Hunt (eds), *Key Issues in Development*, Palgrave Macmillan, New York, pp. 45-60.

Reserve Bank of Australia 2019, Main Types of Financial Institutions, viewed 5 January 2019, <https:// www.rba.gov.au/fin-stability/fin-inst/main-types-of-financial-institutions.html>.

Rhyne, E & Otero, M 1994, *The New world of microenterprise finance: building healthy financial institutions for the poor*, Kumarian Press library of management for development, West Hartford, Conn.: Kumarian Press.

Riddle, T 1997, *Cambodian interlude: inside the United Nations' 1993 election*, Bangkok, White Orchid Press.

Rihoux, B & Ragin, CC 2009, *Configurational comparative methods: qualitative comparative analysis (QCA) and related technique*s, Sage, Thousand Oaks.

Ritchie, J, Lewis, J, McNaughton Nicholls, C & Ormston, R 2014, *Qualitative research practice: a guide for social science students and researchers*, California, Sage.

Robbins, J 2015, 'Policy approaches to addressing Aboriginal social inclusion in South Australia', *Australian Journal of Social Issues*, vol 50, No. 2, pp. 171-189.

Robinson, M S 2001, *The Microfinance Revolution Washington*, World Bank, New York, Open Society Institute.

Rodríguez, J & Santiso, J 2007, 'Banking on Development: Private Banks and Aid Donors in Developing Countries', *OECD Papers*, vol.7, no. 11, pp. 1-51.

Roodman D 2011, 'What Is Microfinance?', weblog post, 11 October, Center for Global Development, viewed 28 October 2016, <http://www.cgdev.org/blog/what-microfinance>.

Roodman D 2012, Due diligence: an impertinent inquiry into microfinance, Washington DC: Center for Global Development.

Rowlinson, M & Hassard, J 1993, 'The Invention of Corporate Culture: A History of the Histories of Cadbury', *Human Relations*, vol. 46, no. 3, pp. 299-326.

Ruce, PJ 2011, 'Anti-Money Laundering: The Challenges of Know Your Customer Legislation for Private Bankers and the Hidden Benefits for Relationship Management (the Bright Side of Knowing Your Customer)', *Banking Law Journal*, vol. 128, no. 6, pp. 548-564.

Rundall, P 2000, 'The Perils of Partnership- an NGO Perspective', *Addiction*, vol.95, no.10, pp.1501-1504.

Sachs, W 2000, *Development: The Rise and Decline of An Ideal*, Wuppertal Papers No.108, Wuppertal, Wuppertal Institute for Climate, Environment and Energy.

Saez, M & Gutierrez, M 2015, 'Dividend Policy with Controlling Shareholders', *Theoretical Inquiries in Law*, vol.16, no 1, pp. 107-130.

Santhakumar, V 2011, *Economic analysis of institutions: a practical guide*, New Delhi, India; Thousand Oaks, Calif.: SAGE Publications.

Santiso, J 2013, *Banking on democracy: financial markets and elections in emerging countries*, Cambridge, Mass.: MIT Press.

Sakarya, S, Bodur, M, Yildirim-Oktem, O & Selekler-Goksen, N 2012, 'Social alliances: Business and social enterprise collaboration for social transformation', *Journal of Business Research*, vol.65, no. 12, pp. 1710-1720.

Sautet, F 2000, *An entrepreneurial theory of the firm, Foundations of the market economy*, London: Routledge.

Schicks, J 2007, 'Developmental Impact and Coexistence of Sustainable and Charitable Microfinance Institutions: Analysing BancoSol and Grameen Bank', *European Journal of Development Research*, vol. 19, no. 4, pp. 551-568.

Schneider, H 1997, *Microfinance for the poor?*, Development Centre seminars, Paris: Organisation for Economic Co-operation and Development, Development Centre ; Washington, D.C. : OECD Washington Center.

Scott, S 2003, *Philanthropic foundations and development co-operation*, Paris: OECD.

Scutella, R, Wilkins, R, & Kostenko, W 2013, 'Intensity and persistence of individuals' social exclusion in Australia', *Australian Journal of Social Issues (Australian Social Policy Association)*, vol.48, no.3, pp. 273-298.

Seibel, HD & Parhusip, U 2003, 'Financial innovations for microenterprises- linking formal and informal financial institutions', *Small Enterprise Development*, vol.1, no.2, pp. 11-24.

Seitanidi, MM & Ryan, A 2007, 'A critical review of forms of corporate community involvement: from philanthropy to partnerships', *International Journal of Nonprofit & Voluntary Sector Marketing*, vol. 12, no. 3, pp. 247–266.

Seitanidi, MM 2008, 'Adaptive responsibilities: nonlinear interactions in cross sector social partnerships', *Emergence: Complexity and Organization*, vol.10, no. 3, pp. 51-64.

Sen, A 2001, *Development as freedom*, Oxford: Oxford University Press.

Sen, S & Cowley, J 2013, 'The Relevance of Stakeholder Theory and Social Capital Theory in the Context of CSR in SMEs: An Australian Perspective', *Journal of Business Ethics*, vol. 118, no. 2, pp. 413-427.

Servet J, 2011, 'Corporate Responsibility Versus Social Performances and Financial Inclusion', in B Armendariz & M Labie (eds.), *The Handbook of Microfinance, London-Singapore*, World Scientific Publishing, pp. 301-323.

Sharma, G & Bansal, P 2017, ‘Partners for good: how business and NGOs engage the commercial-social paradox’, *Organization Studies*, vol.38, no. 3-4, pp. 341-364.

Shastri, RK 2009, ‘Micro finance and poverty reduction in India: a comparative study with Asian Countries’, *African Journal of Business Management*, vol.3, no.4, pp.136-140.

Shem, AO & Atieno, R 2001, ‘Financial Dualism and Financial Sector Development in Low Income Countries’, *Savings and Development*, vol. 25, no. 4, pp. 413-438.

Shinde SV 2014, *Financial Inclusion in India*, Maharashtra, Laxmi Book Publication.

Short, D 2005, ‘Reconciliation and the Problem of Internal Colonialism’, *Journal of Intercultural Studies*, vol. 26, no. 3, pp. 267-282.

Short, D 2008, *Reconciliation and colonial power: indigenous rights in Australia*, Aldershot, Hants.: Ashgate.

Sider, S 2005, *Handbook to life in Renaissance Europe*, New York, Facts on file, Inc.

Simons, H 2009, *Case study research in practice*, Los Angeles; London: SAGE.

Smircich, L 1983, ‘Concepts of Culture and Organizational Analysis’, *Administrative Science Quarterly*, vol. 28, no. 3, pp. 339-358,

Smith DE 2006, *Institutional ethnography as practice*. Oxford, UK: Rowman & Littlefield.

Smith, W 2006, ‘Unleashing Entrepreneurship’, in L Brainard (ed), *Transforming the development landscape: the role of the private sector,* Washington, D.C.: Brookings Institution Press, pp. 29-39.

Smith, K 2010, *Mari nawi: Aboriginal odysseys*, Dural Delivery Centre, N.S.W.: Rosenberg.

Sodokin, K & Donou-Adonsou, C 2010, 'Banks, Microfinance Institutions and Economic Growth in the West African Economic and Monetary Union', *African Development Review/Revue Africaine de Developpement*, vol. 22, no. 4, pp. 495-510.

Sok, S 2017, ‘Pro-poor growth development and income inequality: Poverty-related Millennium Development Goal (MDG 1) on banks of the Lower Mekong Basin in Cambodia’, *World Development Perspectives*, vol.7-8, pp.1-8.

Soprano, A 2015, *Liquidity management: a funding risk handbook*, Wiley Finance Series, Wiley.

Spread, P 2016, 'Companies and Markets: Economic Theories of the Firm and a Concept of Companies as Bargaining Agencies', *Cambridge Journal of Economics*, vol. 40, no. 3, pp. 727-753.

Stake, RE 2008. ‘Qualitative case studies’, in N K Denzin & Y S Lincoln (eds.), *Strategies of qualitative inquiry,* Los Angeles: Sage. pp. 119-149.

Stark, B 2009, 'Theories of Poverty/The Poverty of Theory', *Brigham Young University Law Review*, vol. 2009, no. 2, pp. 381-430.

Stefan, S & Nelson C, 2012, ‘The Role of Government and Industry in Financial Inclusion’, in J Earne, J Ledgerwood & C Nelson (eds), *The new microfinance handbook: a financial market system perspective*, Washington, DC: World Bank, pp.71-95.

Steinwand, D 2001, *The alchemy of microfinance: the evolution of the Indonesian People's Credit Banks (BPR) from 1895 to 1999 and a contemporary analysis*, Berlin: VWF.

Stevenson, DL & Haberman, D 1998, *Ten Theories of Human Nature,* New York: Oxford University Press.

Strangio, S 2014, *Hun Sen’s Cambodia*, New Haven: Yale University Press.

Sundaresan, SM 2008*, Microfinance: emerging trends and challenges,* Cheltenham; Northampton, Mass.: Edward Elgar.

Szporluk M 2009, ‘Accountability of International NGOs and Global Good Governance’, *Indiana Journal of Global Legal Studies*, vol.16, no.1, pp. 339-361.

Tarling, R 2006, *Managing social research: a practical guide*, New York, NY: Routledge.

Taylor, MP & Clarida, R 2014, *Global Financial Crisis,* Routledge.

The Cambodia Daily 2014, ANZ, MFI Partner to Bridge Financial Sectors, viewed 5 October 2014, <https://www.cambodiadaily.com/news/anz-mfi-partner-to-bridge-financial-sectors-60902/>.

Toye, JF 1993, *Dilemmas of development: reflections on the counter- revolution in development economics*, Oxford, Blackwell.

Trafford, S & Proctor, T 2006, ‘Successful joint venture partnerships: public -private partnerships’, *International Journal of Public Sector Management*, vol. 19, no. 2, pp. 117–129.

Transparency International 2019, Corruption Perception Index 2017, viewed 20 January 2019, <https://www.transparency.org/news/feature/corruption_perceptions_index_2017>.

Tretyakov, K 2016, 'Corporate Identity and Group Identity', *Washington University* J*urisprudence Review*, vol. 8, no. 2, pp. 171-218.

Turnell, S 2009, *Fiery Dragons: Banks, Moneylenders and Microfinance in Burma*, Copenhagen: NIAS; Abingdon: Marston.

UCLA [University of California, Los Angeles] 1979, *The Dawn of modern banking*, New Haven: Yale University Press.

UNDP [United Nations Development Programme] 1990, Human Development Report of 1990, United Nations Development Programme, New York, viewed 7 June 2014, <www.hdr.undp.org/en/reports/global/hdr1990>.

UNDP [United Nations Development Programme] 2014, United Nations Development Programme 2014, viewed 20 September 2014, <www.undp.org>.

UNDP [United Nations Development Programme] 2018a, Sustainable Development Goals, United Nations Development Programme, viewed 3 January 2018, <http://www.undp.org/content/undp/en/home/sustainable-development-goals/background.ht ml>.

UNDP [United Nations Development Programme] 2018b, Background on the goals, United Nations Development Programme, viewed 3 January 2018, <http://www.undp.org/content/undp/en/home/sustainable-development-goals.html>.

UNESCO [United Nations Educational, Scientific and Cultural Organization] 2019, UNESCO Institute for Statistics, United Nations Educational, Scientific and Cultural Organization, Quebec, viewed 14 January 2019, <http://uis.unesco.org/country/kh>.

UNHCR [United Nations High Commissioner for Refugees] 2016, *Global Trends: Forced Displacement in 2015*, United Nations High Commissioner for Refugees, Geneva, viewed 12 October 2016, <https://s3.amazonaws.com/unhcrsharedmedia/2016/2016-06-20-global-trends/2016-06-14-Global-Trends 2015.pdf>.

United Nations 2017, *The Sustainable Development Agenda*, United Nations, New York, Viewed 15 February 2017, <https://www.un.org/sustainabledevelopment/development-agenda/>.

Unteroberdoerster, O 2014, *Cambodia: entering a new phase of growth*, Washington, District of Columbia: International Monetary Fund.

van den Berg, PT & Wilderom, CP 2004, 'Defining, Measuring, and Comparing Organisational Cultures', *Applied Psychology*: *An International Review*, vol. 53, no. 4, pp. 570-582.

VanSandt, C & Sud, M 2012, 'Poverty Alleviation through Partnerships: A Road Less Travelled for Business, Governments, and Entrepreneurs', *Journal of Business Ethics*, vol. 110, no. 3, pp. 321-332.

Vella, KJ & Melewar, TC 2008, ‘Explicating the relationship between identity and culture: A multi-perspective conceptual model’, in TC Melewar(ed), *Facets of corporate identity, communication, and reputation*, London: Routledge, pp. 3-34.

Versluysen, E 1999, *Defying the odds: banking for the poor*, West Hartford, Conn.: Kumarian Press.

Voola, AP 2013, ‘The Sustainability of What? The challenge for microfinance in Australia’, *Third Sector Review*, vol. 19, no. 1, pp. 127-146.

Vurro MC, Dacin, T & Perrini, F 2010, ‘Institutional Antecedents of Partnering for Social Change: How Institutional Logics Shape Cross-Sector Social Partnerships’, Journal *of Business Ethics*, vol. 94, pp. 39-53.

Wagner, C 2012, 'From Boom to Bust: How Different Has Microfinance Been from Traditional Banking?', *Development Policy Review*, vol. 30, no. 2, pp. 187-210.

Waite, M 2012, *Paperback Oxford English Dictionary*, Oxford, UK: Oxford University Press.

Walsh E & Lenihan, H 2006, ‘Accountability and Effectiveness of NGOs: Adapting Business Tools Successfully’, *Development in Practice*, vol. 16, no. 5, pp. 412-424.

Walter, M 2013, *Social research methods*, South Melbourne, Vic.: Oxford University Press.

Wang, M & Sun, X 2019, ‘Identity of large owner, regulation and bank risk in developing countries’, *Journal of International Financial Markets, Institutions and Money*, vol. 59, pp. 106-133.

Weber, H 2004, ‘The 'new economy' and social risk: banking on the poor?’, *Review of international political economy: RIPE*, vol. 11, no. 2, pp. 356-386.

Weber, H 2006, ‘The Global Political Economy of Microfinance and Poverty Reduction: Locating Local “Livelihoods” in Political Analysis’, in JL Fernando (ed.), *Microfinance: Perils and Prospects*, Routledge Studies in Development Economics, London and New York: Taylor and Francis, Routledge, pp. 43-63.

Wellons, PA, Germidis, DA & Glavanis, B 1986, *Banks and specialised financial intermediaries in development*, Development Centre studies, Paris: Development Centre of the Organisation for Economic Co-operation and Development; Washington, D.C.: OECD Publications and Information Centre.

Westpac Bank 2015, *Annual report* 2015, viewed 9 May 2016, <https://www. westpac.com.au /content/dam/public/wbc/documents/pdf/aw/ic/2015WBCAR2015website.pdf>.

Westpac Bank 2018, Westpac ranked world's most sustainable bank for the 10th time in 2017 Dow Jones Sustainability Index, Viewed 14 November 2018, <https://www.westpac.com.au/about-westpac/media/media-releases/2017/7-september/>.

Williamson, OE 1990, *Industrial organization*, International library of critical writings in economics: 9, Aldershot, Hants, England; Brookfield, Vt., USA: E. Elgar Pub.

Willis, K 2011, *Theories and practices of development*, Routledge, New York.

Wishart, D & Wardrop, A 2018, 'What can the banking royal commission achieve: Regulating for good corporate culture?', *Alternative Law Journal*, vol. 43, no. 2, pp. 81-88.

Woodside, AG 2010, *Case study research: theory, methods, practice*, Emerald.

World Bank 2014, Financial Access, World Bank, viewed 30 December 2016, <https://www.world bank.org/en/publication/gfdr/gfdr-2016/background/financial-access >.

World Bank 2015 Does Microfinance Still Hold Promise for Reaching the Poor, World Bank, Washington, DC, viewed 5 June 2016, <http://www.worldbank.org/en/news/feature/2015/03/30/does-microfinance-still-hold-promise-for-reaching-the-poor>.

World Bank 2016a, *Poverty and Shared Prosperity 2016: Taking on Inequality*, World Bank, Washington, DC, viewed 12 December 2016, <http://www.worldbank.org/en/publication/poverty-and-shared-prosperity-2016>.

World Bank 2016b, *World Bank East Asia and Pacific Economic Update, October 2016: Reducing Vulnerabilities*, World Bank East Asia and Pacific Economic Update, Washington, D.C.: The World Bank.

World Bank 2018, The World Bank in Cambodia, viewed 20th November 2018, <https://www.worldbank.org/en/country/cambodia/overview>.

World Bank 2019a, Cambodia, viewed 20 June 2019, <https://data.worldbank.org/country/cambodia>.

World Bank 2019b, Australia, viewed 20 June 2019, <https://data.worldbank.org/ country/australia>.

World Bank 2019c, The World Bank in Cambodia, viewed 21 January 2019, <https://www.worldbank.org/en/country/cambodia/overview>.

Yair, G 2009, *Pierre Bourdieu: The last musketeer of the French Revolution*, Lexington Books, Lanham.

Yan, A & Luo, Y 2001, *International joint ventures: theory and practice*, Armonk, N.Y.: M.E. Sharpe.

Yin, R 1994, *Case study research: Design and methods*, California: Sage Publications.

Yunus, M & Weber, K 2011, Building *Social Business: The New Kind of Capitalism that Serves Humanity's Most Pressing Needs*, New York: Public Affairs.

Yunus, M 2011, 'Social Business and Microfinance: Building Partnerships with Corporations and Other Entities to Speed the End of Poverty', in S Daley-Harris & A Awimbo (eds.), *New Pathways out of Poverty*, Sterling, Va.: Stylus, Kumarian Press, pp. 121-141.

Yunus, M & Jolis, A 1999, *Banker to The Poor: The Autobiography of Muhammad Yunus, Founder of the Grameen Bank*, London: Aurum.

Zhang, Z, Wan, D, Jia, M & Gu, L 2009, 'Prior Ties, Shared Values and Cooperation in Public–Private Partnerships', *Management & Organization Review*, vol. 5, no. 3, pp. 353-374,

Zulfiqar, G 2017, 'Does Microfinance Enhance Gender Equity in Access to Finance? Evidence from Pakistan', *Feminist Economics*, vol. 23, no. 1, pp. 160-185.