

Institutional Analysis to explain the Success of Moroccan Microfinance Institutions

Virginie Allaire^a, Arvind Ashta^b, Laurence Attuel-Mendes^c, Karuna Krishnaswamy^d

^a Master's student at Burgundy School of Business

^b Professor, Burgundy School of Business, CEREN [corresponding author]

^c Professor, Burgundy School of Business, CEREN

^d Consultant – Microfinance

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Abstract

This paper looks at whether Morocco meets the usual criteria of a country where MFIs can succeed and what distinguishes Morocco from its North African neighbors (Algeria, Tunisia, Libya and Egypt) where a priori the culture is similar even though institutions may be different. The paper uses the similarities and differences of these five countries to identify cultural, institutional, economic and geographic factors which explain why Microfinance in particular and development in general arrives sooner in some environments than in others. The objective of the research is to identify controllable institutional factors which can be introduced in regulation to enable Microfinance to succeed in a country. We used a case study approach combined with a little bit of correlation analysis. The case study approach is the most adapted to studying small samples in more detail. The success of Microfinance is linked to population density, smallness of a country's geographical size and its poverty as well as the amount of international donor funds it has received. The availability of oil exports as revenues may lead to a delay in developing microfinance. Establishing a specific legal framework for Microfinance, such as in Morocco, may help foster the growth of Microfinance. The existence of Apex organizations for centralizing international aid and redistributing funds may in fact lead to lower donor participation since their choices are reduced and an extra level of bureaucratic costs is imposed. The results also indicate the need for a better quality database than that currently provided by the MIX. Biases may come in from the small sample size as well as from the lack of data on Libya. Future research may focus on correlation with violence, corruption, women's rights, political risk and economic sanctions. The findings would lead microfinance institutions to lobby for specific laws, more initial direct donor funding, less government apex distribution and better information databases. This kind of comparative institutional analysis has not been performed, at least for this region.

Key Words: Institutional analysis, regulation, microfinance, North Africa
