

# **The Determinants of Operational Characteristics of Microfinance Institutions: A Comparative Analysis of Cambodia and the Philippines Using DEA and PCA**

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This study is the attempt to found successfully several differences in management characteristics and efficiency between Cambodian and Philippine MFIs. By applying the analytical methodology adopted in Gutierrez-Nieto (2007) and Yuzawa (2009) to the samples extracted from the MIX (Microfinance Information Exchange) database on MFIs in 2009-2014, this study investigated the management characteristics and management efficiency of Cambodian and Philippine MFIs. In addition, in order to quantify the impact of the country specific differences in business environments on the operational characteristics of MFIs, this study also investigate the factors which drive MFIs to shift toward outreach-oriented operation by regressing the PC2 on the environmental variables.

According to DEA and PCA, first, Cambodian MFIs tended to target sustainability (profitability) oriented management, and Philippine MFIs tended to target outreach (financial service to the poor) oriented management. Secondly, the large sized MIFs tended to have higher overall efficiency than the small and medium sized MFIs in Cambodia, but this tendency was reversed in the Philippines. Thirdly, Cambodian MFIs used personnel expenses more intensively than other non-personnel expenses, but the tendency was reversed in the Philippines. These findings are consistent with the assertion claimed by Amenomori (2010).

Regression analysis suggests that (i) the development in formal financial sector push the MFIs to more outreach-oriented operation, since the competition in the low risky customer segment becomes intense, (ii) GDP growth increase the number of potential customers for MFIs, especially the poor, and drive MFIs to focus on outreach-oriented operation, (iii) if top commercial banks have high market power, the MFIs are pushed to extend loans to the poor, (iv) there is a difference in the MFI's operation between Cambodia and Philippine, possibly because of regulatory or cultural difference or differences in government policy relating to MFI sectors.

Keywords: Cambodia, the Philippines, MFIs, Operational Characteristics, DEA, Principle PCA