DETERMINANTS OF MICROFINANCE INSTITUTIONS' ACCESS TO BANK CREDIT IN COTE D'IVOIRE

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Abstract - The financial relationship between banks and microfinance institutions (MFIs) is a key element of the debate on establishing accessible financial systems in sub-Saharan countries. Today, MFIs face strong and growing pressure in terms of resources, especially due to an increasing demand for funding, both in number and volumes. However, there is virtually no academic literature on refinancing between banks and MFIs. Also, the existing empirical literature on microfinance access to external funding has to some extend neglected the importance of bank financing funds, focusing more on international external funds. The purpose of this paper is to analyze the access of MFIs to external funds from the local banking system. Specifically, we examine the link between an MFI's access to Banks funding and its maturity and performance. From a panel of 258 Ivorian MFIs, we have created a fixed-effects model to help explain the influence of key variables (MFI size, profitability, risk, etc.) on an MFI's ability to raise funds from the local banking system. The results show that bank financing generally benefit large MFIs, those with significant tangible assets and with a high quality portfolio. Profitability does not seem to be a key determinant of MFI's access to bank funding. However, the funds deposited by microfinance organizations in banks act as a financing guarantee and strongly help MFIs to raise funds from local commercial banks.