

INFORMATION PAGE ABOUT THESIS

Thesis title: The Sustainability of microfinance institutions - Case studies of several Southeast Asian countries

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1. THESIS SUMMARY

The thesis aims to analyze the impact of capital structure, portfolio at risk (PAR) and level of customer access on the operational self-sustainability of microfinance institutions (MFIs) in several Southeast Asian countries and in Vietnam (2006 - 2019). Data for research provided by MIX Market. The results of the regression analysis with the GMM system model show that, in the context of MFIs in some Southeast Asian countries, deposits, borrowings and other liabilities have a negative relationship, while equity has a positive impact on operational self-sustainability (OSS). However, in the context of Vietnam, deposits and borrowings have an unclear relationship, not statistically significant enough (on OSS); equity and other liabilities have a positive relationship on OSS. In addition, the author also finds a nonlinear relationship between capital structure and the sustainability of microfinance institutions in some Southeast Asian countries, which shows that deposits and borrowings have a negative, stable impact on OSS at the both of high and low levels, while equity has unstable impact and other liabilities has no nonlinear relationship with OSS.

In addition, the results of the regression analysis also show that the portfolio at risk ($PAR > 30$) has a linear and nonlinear relationship with the operational self-sustainability of microfinance institutions in several Southeast Asian countries (OSS). Accordingly, at a low level, $PAR > 30$ has a negative relationship with OSS, however, at a higher level (but

not too high), $PAR > 30$ has a positive relationship with OSS. In the Vietnam context, $PAR > 30$ has a positive linear relationship with OSS. On the other hand, the regression analysis also shows that, there is no view that the capital receiving aid is a "gift-free" capital, so it is not focused on management, instead of focusing to manage commercial capital because they are payables.

Finally, the results of the regression analysis indicate that mission drift did not occur in the context of microfinance institutions in some Southeast Asian countries in general and Vietnam in particular (in terms of approach depth edge). Microfinance institutions in some Southeast Asian countries (including Vietnam) can still achieve operational self-sustainability (OSS) goals in the process of serving poor customers. However, in terms of breadth of access, compared to the Southeast Asian average, the larger the number of microfinance institutions in Vietnam, the lower the negative impact of $PAR > 30$ on OSS and more conducive to increasing the OSS, meanwhile, the more microfinance institutions in some Southeast Asian countries have a larger number of borrowers, increasing the negative impact of $PAR > 30$ to OSS and the more OSS is eroded.

2. CONTRIBUTIONS OF THE THESIS

Firstly, when assessing the sustainability of microfinance institutions, it is should focus on income that associated with the microfinance mission (for example income from lending, savings, payments, ..) and should be eliminated income which not from main activities, not associated with the operating principles and mission of the microfinance industry.

Secondly, when studying the level of approaching poor customers (in depth), as well as analyzing the mission drift of microfinance institutions in serving poor customers and measuring poor levels of microfinance customers with the average loan size per borrower (*ALSPB*) measure, especially for studies related to many countries, to be able to control the average poverty level for microfinance clients in different countries, it is necessary to refer to the *ALSPB* with the gross national income per capita of countries.

Thirdly, the thesis shows that, in the context of several Southeast Asian countries (including Vietnam), managers at microfinance institutions do not view aid capital as capital "gift-free" in management (governance).

Fourthly, this thesis contributes to clarifying the problem of PAR>30 target threshold of microfinance institutions.

Finally, the thesis contributes to filling the gap on the issue of "Mission drift" of microfinance institutions, as well as providing evidence that microfinance institutions in several Southeast Asian countries (and Vietnam in particular) can still achieve the operational self-sustainability (OSS) goal during serving poor customers

3. APPLICATIONS / APPLICABILITY IN PRACTICE AND DIRECTIONS FOR FUTURE STUDIES

The thesis contributes to determining the existence of target debt thresholds of microfinance institutions. The results of this study help MFIs to determine the optimal target debt threshold, which can then be applied in practical activities, contributing to enhancing and maximizing operational self-sustainability (OSS). Moreover, the thesis also provides evidence that there is a threshold for portfolio at risk more than 30 days (PAR>30). This is the basis for microfinance institutions to refer to build lending policies in order to maximize the loan portfolio (the basis for generating profits), on the other hand to minimize risk that may arise during operations.

In addition, the thesis has also contributed to clarifying arguments and providing evidence that managers at microfinance institutions do not view aid capital as "gift- free" in management. The thesis also provides evidence that microfinance institutions can still achieve operational self-sustainability in the process of serving poor customers; mission drift did not occur in the context of microfinance institutions in some Southeast Asian countries (and Vietnam in particular). These results help microfinance institutions to adjust appropriate operating policies towards target customers who are the poor and low-income people.

Future studies can further analyze the impact of other factors on operational self-sustainability such as the percentage of female borrowers, interactions between female borrowers and portfolio at risk, debt write-off rate, ..., as well as get up to date the microfinance data to provide more comprehensive assessments of the sustainability of microfinance institutions in some Southeast Asian countries in general and in Vietnam in particular.

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**Confirmation of educational institution
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