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Land Titling and Microcredit in Cambodia: Examining the Reality of Hernando de Soto's 'Three Steps to Heaven'

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Abstract: Starting with the work of Hernando de Soto in the 1980s, the role of land tenure soon attracted the attention of the international development community as a neoliberal-oriented theory of change rooted in the possession and use of private individual land titles by the poor. One of the central mechanisms proposed by de Soto was a three-step process that involves the poor (1) "securing" their tenure with land titles, (2) using their newly acquired land titles as collateral to leverage large amounts of microcredit to be used to establish a functioning microenterprise, and then (3) escaping from their poverty due to the jobs and income associated with founding and running a microenterprise. This paper explores what I call de Soto's "three steps to heaven" theory of change, a concept that was taken on board with gusto by leading Western governments and virtually all of the main international development institutions, particularly the World Bank. I argue that Cambodia provides the ideal setting for evaluating de Soto's concept because, since around 2020, it has possessed the largest microcredit sector in the world (on a per capita basis), thanks largely to the obligatory use of land titles as the collateral required to obtain microcredit. While the first two of de Soto's "three steps to heaven" have been realized, the evidence shows that the assumptions related to step three have proved to be extremely problematic: the ubiquity of microcredit that was achieved since the early 2010s via steps one and two has not, in general, improved the lives and communities of Cambodia's poor through accelerated microenterprise development. It appears, instead, to have contributed to deeper poverty, insecurity, vulnerability and inequality. I conclude that de Soto's "three steps to heaven" theory reflects a fundamental misunderstanding of the real institutional drivers of sustainable local economic development and poverty reduction.

Keywords: Cambodia; land titles; Global South; microcredit; microfinance; collateral; foreign ownership

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1. Introduction

> Without legal title, property is not secure. ... People do not invest in homes or communities where they are insecure. They cannot sell them or pass them on to their children. Perhaps worst of all, without property titles, homeowners cannot use their dwellings as collateral to borrow money that would help them escape poverty.
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> World Bank, quoted in [1] (p. v).

> I have just come here from a trip to Africa which provided me with all kinds of fresh evidence of the importance of politics...In Ghana...a new President is working with a great Peruvian economist, Hernando de Soto, to bring the assets of poor people into the legal system so they can be collateral for loans.
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> Former US President Bill Clinton, quoted in [2] (p. 2).

After being for many years an issue placed on the back burner, in the 1980s, the issue of land titling came back into vogue in a very big way. This was very largely thanks to the tireless advocacy of the Peruvian economist Hernando de Soto. The issue of land titling was introduced in his first book, *El Otro Sendero: La Revolución Informal*, published in 1986 [3], [1] but the concept was developed much further in his next book, the internationally best-selling and hugely influential *The Mystery of Capital*, published in 2000 [5]. De Soto's central argument was that poverty existed in the Global South because its governments failed to embed what he considered to be the key to the success of capitalism in the Western countries—fully enforceable property rights, and especially individual land titles.

One of the most important and timely of the benefits of land titling proposed by de Soto, however, if not *the* most important according to many influential observers (see the epigraphs above), is that by lodging this new asset as collateral at a lending institution, the poor would be able to obtain large quantities of small-scale credit (or "microcredit", as it later came to be known). Since at the time, it was widely assumed that it is the general shortage of capital and credit that prevents the global poor from much more intensively engaging in individual entrepreneurship [6] (10–11), de Soto predicted that the increased supply of microcredit he expected to engineer would lead to significantly higher levels of individual entrepreneurship, which in turn would lead to the generation of many millions of additional jobs and incomes for individuals, households and communities. As a direct result of the use of land titles as collateral, de Soto argued, poverty levels would soon be falling rapidly everywhere around the Global South. De Soto's key claim was usefully broken down by Christopher Woodruff into its three essential steps [7]: (1) land titles must become ubiquitous; (2) land titles must be widely accepted by microcredit lending institutions as collateral; and (3) the sharply increased availability of microcredit must automatically result in accelerated microenterprise development in such a way that it generates a critical mass of sustainable new jobs and increased incomes, which in turn should lead to sustainable local economic development and significant poverty reduction. I have termed this three-step process de Soto's "three steps to heaven" [2].

The purpose of this article is to critically examine the robustness of de Soto's theory of change. For a number of reasons, Cambodia stands out as the most important case for evaluating his theory anywhere in the Global South. First, formal land titles are now held by a very large number of Cambodia's poorest citizens. Second, from mid-2010 onwards, Cambodia's rapidly growing raft of microcredit institutions (hereafter MCIs) began to make it obligatory for virtually all clients to provide land titles as collateral in order to access a microloan. The direct result of the near complete fulfillment of steps one and two was that, as predicted, it led to a near-exponential increase in the supply of microcredit. By around 2020, Cambodia was in possession of the world's largest microcredit sector (in per capita terms) [8] (p. 1). All that was left for de Soto's theory to be validated was for the country to experience a significant increase in credit-enabling microenterprise activity, and for that to lead to additional jobs and incomes, falling poverty levels, reduced inequality, and the many other positive knock-on effects for the community predicted by de Soto and many others.

So, has this uplifting scenario transpired in Cambodia? To answer this question, I draw upon a range of secondary data sources, backed up by a small number of informal interviews and the wider insights gathered by the author on two short research visits to Cambodia in 2017 and 2019 when attached to other research projects [3]. My conclusion is that de Soto's "three steps to heaven" concept has not contributed to Cambodia's poor escaping poverty, but has instead given rise to a number of deleterious developments and counter-trajectories that have seriously damaged the lives, communities and future prospects of Cambodia's poor.

The rest of the article is structured as follows. In the next section, I briefly summarize de Soto's well-known arguments relating to the credit-generating power of land titling and its insertion into the global microcredit movement. Section 3 then briefly explores why de Soto's land titling model has, in most locations in the Global South to date, been far less involved in delivering much easier access to microcredit. Section 4 explores why Cambodia's experience is radically different in this important respect, with land titling directly leading to a historically unparalleled increase in the supply of microcredit in the country. Section 5 briefly assesses some of the existing evidence assessing the development efficacy of microcredit in Cambodia. Section 6 provides my own assessment of the evidence that has emerged in recent years pertaining to the issue of the impact of microcredit in Cambodia. Section 7 focuses in on perhaps the most controversial issue attached to de Soto's land titling concept in Cambodia: that it is actually leading to the growing loss of land by the poor. The paper concludes with a short summary

2. de Soto's Land Titling Ideas and the Microcredit Movement

The notion that formal land titles are an important aspect of capitalism has been around since the time of Adam Smith and Karl Marx. However, repeated failures of land titling reforms to generate the anticipated impetus towards sustainable local economic development and macroeconomic growth, especially in Africa [9] (p. 8), meant that by the 1980s, the concept had become moribund. Starting in the late 1980s, the situation changed once again. The role of land titles was now catapulted into the very heart of crucial discussions within the international development community as to how to facilitate poverty reduction and development in the Global South. This resurrection of the land titling agenda emerged as a direct result of the global neoliberal project that commenced in the 1980s thanks to the election of Margaret Thatcher in the UK in 1979, and, a year later, Ronald Reagan in the US. Key neoliberal policy imperatives were immediately introduced by the new neoliberal policy-making establishment that were soon very thoroughly embedded within the three most powerful international development institutions, all based in Washington DC—the World Bank, the IMF and the US government's aid assistance arm, USAID. The idea of land reform being reconstituted as property rights formalization was one of them [10].

The sea change in global economic policy and political philosophy that reprioritized land titles also, crucially, brought to prominence core neoliberal ideas associated with the importance of individual entrepreneurship. Leading neoliberals Friedrich Hayek [11] and Milton Friedman [12] both portrayed individual entrepreneurship as the key to economic development, poverty reduction and individual freedom. Under the auspices of the World Bank, IMF, USAID and other neoliberal-oriented bilateral and multilateral institutions, from the 1980s onwards, this new policy direction was pushed in the Global South. A scenario that had always been viewed by the global poor as the last-gasp survival mechanism to be avoided if at all humanly possible—joining the large number of individuals in one's community desperately struggling to survive in ultra-low-paid, unsafe, insecure, undignified, and often dangerous work in an informal microenterprise [13]—was reconfigured into the default option that, under duress, the global poor had to accept as the way to escape their poverty [14].

De Soto was also a dedicated adherent to the neoliberal view of society and its ideas on how best to address poverty. He was also for many years a member of the Mont Pelerin Society, the institution that was to serve as the fountainhead of neoliberal thought [15]. De Soto very much supported its central emphasis on individual entrepreneurship. For de Soto, entrepreneurship was a far better way for an individual to address poverty than any form of state intervention, collective mobilization (such as trade unions or organizing and voting for leftist political parties), or social welfare programs. Indeed, de Soto's firm belief was that if only the right "enabling" conditions could be created to support the proliferation of microenterprises and self-employment ventures, *including vastly more financial support to support their establishment and growth*, then, he was to go on to conjecture, individual entrepreneurship among the poor would automatically emerge to become the Global South's main engine of local economic development and poverty reduction.

De Soto's innovative neoliberal-friendly views on poverty in the Global South resonated strongly with the views of wealthy neoliberals everywhere, as well as with key Western neoliberal-oriented governments at the time, particularly the US government. In 1979, de Soto welcomed Friedrich Hayek, the founder of the Mont Pelerin Society, to Peru.

The aim of meeting was to discuss and help propagate their deeply held joint beliefs in neoliberal solutions to global poverty [16] (305–306). As a direct result of this visit, de Soto was soon overwhelmed with funding opportunities that would allow him to make his case to governments in Latin America and elsewhere in the Global South. With extensive funding first provided by a neoliberal think tank in the US, the Atlas Foundation for Economic Research, followed by extensive ongoing financial support from the US government through its new Center for International Private Enterprise (CIPE), a semi-government body set up by the Reagan administration to promote neoliberal policies in the Global South [16] (305–307), in 1981, de Soto set up the Institute for Liberty and Democracy (ILD). The ILD was to go on to become one of the leading centers promoting neoliberal ideas in the Global South, and it enabled de Soto to personally deliver neoliberal-oriented economic policy advice to governments.

As noted, de Soto's rise to international fame began with his first book, published in 1986, *El Otro Sendero* [3]. In this book, de Soto promoted the overarching idea that the global poor were in their predicament because they were trapped in the margins of informality. This was thanks largely to their inability to comply with a mountain of government regulations and obtain permission to undertake even the most routine of business tasks. Governments everywhere, de Soto argued, over-regulated the local economy and so stifled business development. With specific reference to his native Peru, which at the time was convulsed by rising violence and revolutionary movements, de Soto claimed that individual entrepreneurship was a far better way of improving the lives of the poor than supporting the radical, and often violent, political movements then gaining ground. But Peru's poor would not be able to use this escape route until the legal system was greatly simplified and it legalized the easy forming and operating of an informal microenterprise. De Soto underpinned his argument with a major US government-financed survey that showed how it difficult it was for the poor to navigate the Peruvian bureaucracy in order to legally establish a microenterprise and thereafter run it legally [17]. But if the Peruvian government got rid of these obstacles, de Soto countered, then Peru would see a flourishing of individual entrepreneurship and, in short order, significant poverty reduction too. Furthermore, if all countries in the Global South were to do the same, they too would be able to escape their own poverty through individual entrepreneurship.

Promoting this neoliberal path to global poverty reduction enamored many Western governments of de Soto, and the main international development institutions that advised and supported governments in the Global South, especially the World Bank and USAID, were similarly smitten. It helped that governments in Latin America were more attuned to de Soto's views because he was seen as "one of their own". Indeed, as the then head of USAID readily admitted at the time, de Soto was enormously feted because "Instead of seeing the developing world as victims of capitalism, (de Soto) argues 'We're inflicting our own wounds'. Since he is Peruvian, he can make this argument credibly" [18].

In his second major work, released in 2000, *The Mystery of Capital* [5], de Soto extended his claims for individual entrepreneurship quite considerably. He now argued that the global poor were not as poor as they might appear to be because they *already* possessed considerable assets in the form of the land and buildings they informally occupied and used. However, these assets were a form of "dead" capital that could not be used to improve their lives. But if the poor owned these assets formally, in the form of a formal land title, then they could be "brought to life". Converting this "dead" capital into "live" and usable capital would, among other things, render it visible and transactable across cultural and linguistic lines. This would then lead on to a number of economic and social benefits that, de Soto claimed, would facilitate the individual escape from poverty. These benefits included the increased incentive for the poor to make long-term productivity-raising investments in their land, housing and business premises, the reduced cost of defending their now formal private property, and the development of markets (in land, housing and business premises) that would supposedly stimulate increased and more efficient business activity.

One of the main problems that de Soto and his growing band of followers argued land titles could resolve was the insufficient supply of credit that appeared to prevent the poor from more intensively engaging in individual entrepreneurship projects. However, it so happened that this problem was just beginning to be addressed in the 1980s by the microcredit model. This was a pioneering non-governmental financial innovation that coincidentally also had its roots in Latin America in the 1960s [19,20]. But while the early social mission non-governmental iterations of the microcredit concept were initially seen as a very interesting innovation, it was recognized quite early on that such institutions were not going to be able to supply the vast amount of capital that it was felt was required to meaningfully address global poverty through individual entrepreneurship. In line with the institutionalist theories of conservative economic historians (and fellow Mont Pelerin member) Douglass North [21], as well as the private property rights theories of neoclassical economists in general, notably Ronald Coase [22] and Harold Demsetz [23], de Soto saw the solution to the lack-of-credit problem in enhanced private property rights. In particular, endowing individuals with their own formal land title would allow them to use it as collateral in order to more easily access the necessary credit (i.e., a microcredit) to establish or expand a functioning microenterprise. Very soon, de Soto was promising a global revolution in individual entrepreneurship. In conjunction with the growing operations of the microcredit movement, de Soto became a key voice in the wider neoliberal policy-making community claiming that it was now possible, as perhaps never before in human history, to eradicate global poverty through free market forces, enhanced private property rights, and unfettered private individual entrepreneurial action. A major movement towards land titling in the Global South was thus catalyzed into existence.

3. New Land Titling Movement Struggles to Make an Impact on the Ground

De Soto's own Peru was the first country to buy into his bold claims for the power of land titling and its ability to liberate huge quantities of additional credit for the poor to use. He was soon taking his uplifting message elsewhere too, including to Asia and Africa. A typical example in Africa was Tanzania. Here, as Manara and Pani [24] (1219) reported, de Soto played a major role in pushing land titling as part of the country's anti-poverty effort "(By) suggesting that land titles would release the potential of land as collateral across the country".

In time, of course, the actual, as opposed to hypothesized, economic impact of these various land titling projects began to be assessed. Was de Soto's "three steps to heaven" concept actually working? It initially seemed so. Many of the earliest impact evaluations appeared to find that some progress had been made. For example, research commissioned by the World Bank found that some additional credit was indeed made available in Peru as a result of land titles being used as collateral, and that this had generated many benefits for the poor [25]. Others concurred that land titling in the Global South as a whole appeared to have produced some of the poverty reduction benefits de Soto ascribed to the concept [26,27].

However, most independent researchers appeared to disagree with this evidence. They argued that it was impossible to confirm that the World Bank's land titling effort in Peru had led to a direct reduction in poverty through the increased access to credit route [28]. Having extensively funded de Soto's ideas, and then also Peru's land titling program, this rather awkward result put the World Bank in a serious bind. As a result, as Mitchell [16] (302) argued, the World Bank had to quickly find a fallback argument to justify continuing with its global programs on land titling. It hit upon an accompanying, but quite unrelated, research result that emerged from its evaluation in Peru. This was that the hours worked in the home by those having received their land titles appeared to have increased, while child labor was apparently reduced [29]. The apparent reason for this result was that, with land titles in their possession, the poor no longer needed to remain at home to protect their main asset, and nor did their children have to go out to work to generate an income while the adult family members remained at home on guard. A number of high-profile mainstream economists, notably Brad de Long and Alan Krueger, offered their support for this fallback argument; in fact, they could hardly contain their delight that a neoliberal-oriented policy appeared to have produced such apparently good results for the poor [16] (301). However, this shifting of the goalposts damaged de Soto's reputation because this was not one of his initial claims for the power of land titling claims. But even worse for de Soto, the growing body of independent evidence emerging on the ground elsewhere in the Global South could not confirm a positive individual entrepreneurship-led poverty reduction impact arising from land titling projects and the increased availability of credit [30–37]. So where had de Soto gone wrong?

The first step—issuing land titles to the poor—has indeed become a far more commonplace policy today than in the past. This is likely to be a good thing for the poor, at least compared to the alternative of not having *any* formal title to their informal assets. But in spite of much initial optimism and patchy progress, the second of de Soto's required three steps—getting lending institutions to actually *accept* land titles as collateral—proved to be far more difficult to fulfil than de Soto had anticipated. Both established banks and the newly emerging MCIs in the Global South remained quite reluctant to accept these newly issued land titles as collateral. This reluctance was documented in Peru itself, for example, where Kagawa [37] (p. 14) reported that "land titles have not been sufficient to open doors to access to credit" [4]. In Tanzania, another important early test bed for de Soto's ideas, Stein et al. [39] found that local banks were quite unwilling to accept newly issued land titles as collateral.

While some analysis appears to show that an aversion to using land titles has been partly overcome in some regions in some countries in the Global South (in Brazil, for example [40]), there remain today few countries where land titles have become a common form of collateral that can be used to obtain microcredit, and still fewer approaching a situation where titles are an *obligatory* form of collateral. There is one obvious exception to this global trend, however—Cambodia. Following a number of major land titling projects, land titles are now very widely held today by the Cambodian population. And, crucially, providing one's land titles as collateral in order to obtain a microloan is today a mandatory requirement of the leading MCIs. All that remained was for the crucial third step in de Soto's narrative to kick in. Before I address this critical issue in the next section, however, I first need to briefly explore exactly how land titling came to drive forward the ultra-rapid growth of Cambodia's microcredit sector and thereby helped usher into existence the world's largest microcredit sector.

4. How Use of Land Titles as Collateral to Obtain Microcredit Becomes the Norm in Cambodia

The movement for land titling took off in Cambodia not long after peace returned to the country and after the right to privately owned land was reintroduced in 1989 [41]. Following a 1992 land law, the public was invited to apply for land titles, both for farming land and residential units, in order to affirm their right to continue to exercise occupancy and use rights. As a relatively easy process to submit, over four million applications for land titles were quickly received. However, due to the new post-war government's tardiness in building institutional capacity, most of the initial four million applications for land titles could not be immediately serviced, and by 2001 as few as 15 percent of them had been confirmed [42] (p. 3).

From the late 1990s on, the land titling movement in Cambodia began to make more progress. Moreover, a number of international humanitarian NGOs began to report that some of the new land titles were starting to be used by the poor to access microcredit from the modest set of foreign-funded NGOs set up in the immediate post-war period [43,44]. However, the World Bank felt it needed things to be done quicker [42] (pp. 4–5). This led, in 2002, to the establishment of the Land Management and Administration Project (LMAP), a 15-year USD 45 million World Bank-funded program. The aim of the LMAP was to quickly provide as many as one million new land titles. The World Bank made it clear that one of its principal goals was "Increased investment, both domestic and international, due to a better access to credit and establishment of a more secure, stable and predictable investment climate" [42] (p. 14). However, when it became clear that the scheme was being misused to the benefit of Cambodian elites, including land developers, in 2009, the LMAP project was cancelled prematurely [5].

Putting the aborted LMAP behind it, a new high-profile land titling program, termed Order 01, began in 2012 under the personal auspices of the Cambodian Prime Minister Hun Sen. The overall declared aim of this new program, just as the LMAP before it, was to address poverty and economic exclusion in the rural areas. Even more than before, high priority was placed on the program enabling Cambodia's poor to use land titles as collateral in order to more easily access microcredit, initially in order to upgrade their farms. In announcing the project, Hun Sen claimed that it was "A good thing for people (..) that their primary land titles can be used to deposit in banks in request for loans (. . .) this should help people to develop fast and have a vast economic effect on their own livelihood" [45] (p. 327). This new program began to make some progress in creating and legitimizing a new supply of formal land titles.

The first MCI to begin to use land titles was ACLEDA. Once the largest not-for-profit MCI in Cambodia before converting in 2003 into a full commercial bank, [6] ACLEDA grew fast in the 2000s at least partly thanks to its willingness to accept land titles [7]. Pointedly, it recognized early on that the mere *threat* of losing one's land titles very usefully encouraged the repayment of a microloan. This also removed the need for and cost of due diligence applied to every request for a microloan. It also helped that a client would invariably find other ways to repay a microloan if in danger of default and possibly losing one's land, such as accessing finance from friends, family and the informal sector. Very soon after, some of the smaller MCIs caught on to what ACLEDA was doing to bring in and profitably retain growing numbers of new clients and they followed suit.

Further impetus for land titles to be used as collateral was also directly linked to the rapid growth of foreign investment in Cambodia's microcredit sector. After around 2010, most of the largest MCIs were bought up by profit-seeking foreign investors and banking corporations, the majority of which were based in Asia. These new foreign investors typically announced their presence to the Cambodian public by proclaiming that their intention in coming to the country was not so much to make a profit but "to assist the poor" by increasing the volume of microcredit they supplied to them. In the very early 2010s, this pronouncement might have had some vague legitimacy, given that the supply of microcredit was still modest at that time and first entrants were careful to behave responsibly. But by the mid-to-late 2010s, the market for microcredit in Cambodia was approaching saturation. Foreign investors then faced an awkward reality: if they wanted to make significant profits, which was the whole point of the exercise, then the MCI they had just purchased would actually have to be far more aggressive in order to pull in large numbers of new clients and to push much more microcredit on to existing clients, while also trying to ensure that the risk of default did not rise appreciably.

It also helped that Cambodia was becoming far more receptive to the creative deployment of local measures to promote entrepreneurship compared to many other countries in the Global South. One central reason for this was that the bulk of responsibility for economic development in Cambodia was handed down to local governments. Central state-building and legitimacy in the post-conflict era that began in the early 1990s inevitably required the loyalty of subnational state structures and the military. Cambodian policymakers were clearly aware of the Chinese example of decentralization that had not just been able to ensure that central political control was comfortably retained, but also had begun to facilitate a quite stunning "bottom-up" economic success story [8]. Cambodia's central government opted to follow a broadly similar model. The result, as Hughes [48] (40) noted, was that "the economy (was) left in the hands of an entrepreneurial local government..". Very much as in China, a real incentive was created in Cambodia that saw local government officials strive to stimulate local economic activity in any way they could because they themselves were allowed to benefit, through mechanisms such as promotion to central government positions, higher salaries, bonuses, generous expenses, tolerance of unofficial side-payments, and so on. Managing such local instruments as land titles was (rightly or wrongly) thought to be one of the best ways of promoting "bottom-up" local development, while it also helped that local government officials involved in their management and transfer would also reap a small benefit (see also [49]).

Thanks to this combination of factors—the risk of lending to the poor was reduced very significantly, and local government officials were incentivized to facilitate matters as a method of personal self-advancement—virtually all of Cambodia's leading MCIs began to request land titles from clients [50] (p. 57), [51,52]. By 2020, the use of "hard" and "soft" land titles [9] to collateralize all *new* microloans was routine, if not obligatory [53,54] [10]. It was not long before the annual reports of several of the leading MCIs revealed that more than 95 percent of their microloan portfolios were collateralized with land titles [8] (p. 3).

To all intents and purposes, therefore, Cambodia had solved a problem that has bedeviled many other countries in the Global South: the reluctance of a country's financial institutions to accept land titles as collateral. As a direct result, Cambodia has, for several years now, been the world's most microcredit-saturated country (on a per capita basis). By March 2023, more than USD 16 billion of microloans was circulating across nearly 3 million households in a population of just over 17 million [8] (p. 1). This is a simply astonishing figure by comparison with any other microcredit sector in the Global South [11]. Moreover, with fewer and fewer new clients around to be signed up, existing clients were increasingly targeted and offered, or very often seriously pressured [12], to take on even more microcredit. As a direct result, the average microloan size began to grow very rapidly too, by the end of 2020 reaching a staggering USD 4280. This is not only the highest amount registered anywhere in the Global South, but for more than 95 percent of Cambodians, it represented a figure in excess of their annual income [8] (p. 2).

Thanks to the fullest application of the land titling ideas of Hernando de Soto, Cambodia's microcredit sector is booming like no other country in the Global South. The crucial question to answer now, however, is whether or not this largesse has been of net benefit to Cambodia's poor.

5. Discussion: Effects of the Land Title-Driven Increase in Microcredit on the Lives of Cambodia's Poor

Right from its introduction in the 1990s, it was claimed that Cambodia's microcredit sector was one of the country's most important anti-poverty interventions. However, almost all of the first commissioned outputs purporting to document this contention were simply hagiographies [13]. Notwithstanding this, as intended, these outputs helped "sell" the microcredit model to the Cambodian government and to many other bodies. In time, however, a growing number of studies emerged that considered (or appeared to consider) the thorny question of impact. Some of the most important examples include the following.

In 2019 a major editorial in Cambodia's main newspaper, the *Khmer Times* [58], put together by the Cambodian Microfinance Association (CMA) and a number of its external advisors, lists what it described as three of the most important studies that found a positive impact for the microcredit model. Are these studies robust? The first study referred to was published in 2010 by Daraka Chhay based on her just-completed PhD thesis. The central argument she made was that microcredit "worked" because it provided income generation and job opportunities for Cambodia's poor, and that this was especially important in terms of empowering women to improve their family situation and support their children [59]. The study thus simply celebrated the expansion of *opportunities* offered up by the rising supply of microcredit, rather than attempting to analyze any of the concrete *outcomes* (good and bad) that actually transpired [14]. This is a common flaw very many studies of impact.

The second piece of evidence presented to supposedly confirm the positive impact of the microcredit model in Cambodia was a study on the efficiency of MCIs published in 2015 by Izah Mohd Tahir and Siti Nurzahira Tahrim. It essentially found that MCIs in Cambodia were very efficient in supplying microcredit to their clients [60]. However, the distribution of microcredit to the poor essentially has nothing whatsoever to do with assessing the impact of microcredit on the poor. It is akin to declaring that some medicines were delivered very efficiently to the local pharmacy while ignoring the larger and far more important issue of whether or not the patients who took these particular medicines when they received them were being cured or not.

The third study was by World Bank economists [61]. This is probably the most misleading of all three studies highlighted. Once more, many of the presumed benefits relate to a mere operational metric—the extent of outreach achieved by the microcredit sector—not to a final outcome as it applies to clients, and still less as it applies to the wider community [15]. Moreover, the World Bank's analysis goes to great lengths to avoid touching upon any of the most important downside impacts to microcredit that many independent researchers have repeatedly highlighted [20]. This is a technique otherwise known as "distortion by omission" [16]. For example, the study avoids any examination of both the consequences of the typically high failure rate of microenterprises, [17] and the potential for average incomes to fall across the microenterprise sector as a result of the additional competition created by microcredit-stimulated microenterprise new entry.

The World Bank's analysis also all-too-conveniently side-steps the obvious connection that exists between the high real interest rates that prevail in the microfinance sector in Cambodia, which it readily admits will disadvantage clients, and the world-beating profits earned by the leading MCIs as a result of these high interest rates. Instead, it finds that "redundant paperwork and processes and excessive use of labor are key drivers of the relatively high cost of providing credit in Cambodia, especially among MFIs" [61] (14). The World Bank thus refuses to recognize that the profit element is actually largely dependent upon the real interest rate that MCIs *choose* to apply to microloans, and that it is quite clear that interest rates are higher than they need to be in order to generate the ultra-high profits that the industry demands, and could be reduced quite easily to benefit clients if there as a will to do so. Nor does the World Bank choose to discuss the implications of the fact that the bulk of the enormous profits generated in Cambodia (thanks to high interest rates) are spirited abroad as dividends and eventual capital gains when an MCI is sold off to new investors. When this large colonial-style outflow of wealth effectively deprives Cambodia's poor communities of the local demand and financial resources that could be used to promote local economic development and key investment projects to their own benefit, it is seriously misleading to simply ignore such an issue.

Another major examination of the impact of microcredit in Cambodia was then commissioned in 2021 by the German government's KfW financing arm, a developmental financing body that has been extremely active in supporting the microcredit sector in Cambodia over many years. The contract for the study was awarded to the Institute for Development and Peace (INEF), a highly reputable institution based at the University of Duisburg-Essen in Germany [64]. On the face of it, the report was part of the German government's attempts to respond to the growing criticism of the microcredit model in general and in Cambodia in particular [65]. However, it was also intended to deflect from the growing criticism of KfW itself, and especially its substantial financial support for a number of large and highly profitable MFIs in Cambodia that were adjudged by a number of leading human rights organisations to have been seriously unethical in their operations [66].

The INEF study reported on some of the extensively quoted positive outcomes generated by microcredit and critiqued some of the claims of critics relating to downside factors. However, it also confirmed that most of the critics' claims were actually correct. Most importantly, its final conclusions concerning the role of microcredit in poverty alleviation and development were almost all critical [64] (p. 78–82). Given mounting publicity about the land loss issue at the time (see Section 7 below), the report pointedly concluded that "in an unacceptable number of cases the debtors have to sell land in order to be able to repay their debts according to the contract" [64] (10). However, the INEF report still exhibited a number of familiar flaws. As with the previous World Bank analysis just noted, for example, the INEF report carefully side-stepped serious examination of the impact of the almost total foreign ownership and control of Cambodia's leading MCIs [18].

The very latest impact evaluation was commissioned in 2021 by the Cambodia Microfinance Association (CMA), the powerful lobbying body that represents the interests of the leading MCIs operating in Cambodia, with the contract awarded to the CMA's long-time partner institution, the India-based consulting unit, M-CRIL [67]. The declared objective was to assess the overall impact of microfinance, especially relating to poverty and economic growth as measured by a number of the UN's Sustainable Development Goals (SDGs). The report's authors intended it to be released in March 2023 when the research was actually completed but, tellingly, the formal launch was postponed until January 2024 on account of the CMA "(W)orking hard to control the content and presentation of the research" [68].

Not least as suggested by the reasons for the delay in its release, the legitimacy of the CMA study was called into serious question right from the start. Naturally, one of the most contentious issues was the extremely close links between the CMA and M-CRIL [19]. These links clearly represented a major conflict of interest. Reflecting this was the fact that a number of serious methodological flaws were built into the survey, especially not including a control group [68] and relying almost entirely on likely-to-be-highly-subjective interviewee perceptions of their own progress, all of which artificially inflated the supposed positive impact of microfinance in Cambodia. I therefore do not propose to examine in any detail what is, to all intents and purposes, a PR output commissioned and carefully curated by the CMA [20]. (However, since the CMA study addressed the possible loss of land as a result of using land titles as collateral on a microloan, I do address this specific issue later on in Section 7).

The next section adopts a more discursive approach by looking at a number of the generic claims made on behalf of the microcredit model in Cambodia over the years and whether they hold water or not. While perhaps giving the appearance of a critique of microcredit per se, it is a necessary diversion if we are to correctly assess the robustness of step three in de Soto's "three steps to heaven" narrative.

6. Results: Examining Key Impact Claims Made for the Microcredit Sector in Cambodia

6.1. Has Microcredit Supported More Sustainable Jobs and Incomes for Cambodia's Poor?

By far the most important early claims made by Hernando de Soto, by the global microcredit movement and its supporters, notably Muhammad Yunus [70], and by many of the main international development institutions too [71], was that more microcredit would automatically create a wave of new jobs and incomes thanks to new and expanding informal microenterprises. This would then play a major role in resolving global poverty. Moreover, in Cambodia itself, a number of international development organizations also began to claim quite early on that its poor have indeed escaped their poverty through microenterprise development (and also agricultural development), and so more microenterprises are urgently needed to continue the advance [72].

Of course, recovering from conflict and economic collapse in the early 1990s meant virtually *any* source of capital was more than welcome and could expand the local production of needed goods and services, especially food. In general, however, the data seem to show that the extent of new job creation in Cambodia linked to the microcredit sector has been minimal in terms of the actual numbers of additional jobs and incomes that have been sustained over time. This became clear in the late 2000s when already over-crowded local markets for the goods and services predominantly provided by local informal microenterprises and self-employment ventures saw almost as many new and incumbent units exiting as being established. For example, World Bank researchers found that, in spite of the very rapid increase in the supply of microcredit between 2007 and 2015 and much new microenterprise entry activity during this period, the numbers of informal non-farm household microenterprises and self-employment ventures operating in the mid-to-late

2010s had stayed pretty much the same [73] (p.14). Moreover, after 2017, when the supply of microcredit was increasing extremely rapidly, the number of informal microenterprises and self-employment ventures began to decline [21]. At a minimum, this data implied little to no net growth in the numbers of functioning microenterprises and self-employment ventures, as Table 1 suggests.

Table 1. Numbers of own-account workers/self-employed in Cambodia (000's).

Year	Women	Men	Total
2015	2123	1828	3951
2017	2148	1755	3903
2019/20	1665	1665	3330
2021	1666	1650	3226

Source: [74]. Various years.

Second, media reports emerged in the late 2000s pointed to another related problem. This was that many informal microenterprises managing/opting to stay in business in the most over-crowded microenterprise sectors were only doing so as a result of accepting falling average incomes [75]. This problem, too, was then at least partially confirmed by further research. Average incomes in easy-entry activities, notably in the case of retail, street food and personal transport, were indeed found to be stagnating for much of the early 2010s [74,76] (p. 106). Interestingly, the CMA also reported that this negative trend was continuing into the late 2010s. It found that the volume of microcredit per poor household had very rapidly expanded in the late 2010s (for example, going from USD 1640 in 2016 to USD 2368 in just one year alone, a rise of around 44 percent). Yet the incomes of poor households out of which the growing repayments on these microloans would have to be made more or less remained the same (quoted in [64] (p. 41)). The suggestion here is that the bulk of individual microenterprises operating in the same increasingly over-crowded market space were seeing gradually declining returns. But as is the almost inevitable outcome in most poor economies in the Global South when packing more and more microenterprises and self-employment ventures into the same economic space [13] (pp. 181–183), more microcredit-supported microenterprises and self-employment ventures being set up in Cambodia's poorest communities was not addressing poverty so much as simply spreading its malign impact across a larger number of the poor. One other direct consequence of the increasing unattractiveness of employment in an informal microenterprise or self-employment ventures was that most microcredit in Cambodia was increasingly taken out for consumption spending rather than investment in a business activity (for example, [64] (pp. 43, 61, 81)).

There is thus no real evidence to confirm that a large number of net jobs and additional incomes have been created in Cambodia with the help of microcredit, suggesting that microcredit-driven job creation has played no real role in Cambodia's recent poverty reduction success. When the evidence confirms this to be largely the case elsewhere in the Global South [20] (pp. 63–77) [77] (pp. 42–68), it would have been surprising to find that Cambodia had somehow managed to avoid running into what is clearly a generic problem with the microcredit model.

6.2. Have MCIs Provided a Healthy Supply of Microcredit to the Masses, or Created Mass Over-Indebtedness?

Duvendack and Mader [78] have centrally pointed out that the problem of over-indebtedness in the Global South has been almost entirely, and largely intentionally, ignored in the large number of impact evaluation studies of microcredit that have been carried out since the 1990s. Yet independent research tends to confirm that over-indebtedness is, in fact, one of the most important deleterious factors affecting MCI clients, their families and their communities in the Global South [79]. Cambodia is no exception.

As in many other countries in the Global South [80], in the absence of sufficient income, Cambodia's poor have been forced, including by its government, into taking out larger and larger volumes of quite expensive microcredit simply to ensure their social reproduction. Reports detailing the growing extent of the over-indebtedness problem that almost inevitably arose first began to appear in the mid-2010s [81,82]. The Asian Development Bank (ADB) also pointed to the growing level of debt in the very poorest communities in Cambodia, much of which it noted, for shame and humiliation reasons, went unreported [83] (pp. 14–15). The ADB's general conclusion was that "The high and potentially under-reported level of indebtedness among the poor and the significant share of loans of an unproductive nature suggest that the issue of vulnerability is more significant than existing poverty analyses recognize" [83] (p. 15). In 2022, the World Bank appeared to recognize the serious extent of the problem. With the ratio of household indebtedness to GDP in Cambodia having "exploded from 2.5 percent to 34.4 percent during 2010–2021" [84] (p. 17), the increasingly heavy burden of debt among the poorest communities was shown to be a very worrying development.

Another reflection of the depth of the problem was revealed in a growing number of studies that show the very rapidly rising volume of microcredit in Cambodia is no longer being repaid with income from a functioning microenterprise, as noted already, but is now largely repaid over time thanks to income derived from two other increasingly insecure sources. First, from one or more household members' employment in Cambodia's huge garment sector [85], and, second, from growing remittances arriving from extended family residing in the capital city, Phnom Penh, or outside of Cambodia (especially in Thailand) [86]. In other words, individuals are taking out more microloans in order to survive on a day-to-day basis, but repaying the microloan from the labor of other family members. This survival tactic essentially places a growing responsibility for the future repayment of these microloans onto those engaged in precarious forms of employment in Cambodia and elsewhere [87]. Moreover, history shows that when the repayment of microloans becomes the responsibility of other family members and friends perhaps doing a little better, the monetizing of social relationships in this way is almost always a way of destroying them in the longer term [88].

Many microcredit advocates have also added "accessing healthcare" to their list of the supposed positive impacts to be enjoyed by the global poor as a result of being able to access more microcredit [89,90]. Detailed examination of the evidence on the ground in Cambodia, however, produced no evidence of such positive impacts [91]. On the contrary, the conclusion reached was that the over-indebtedness accumulated through servicing health needs with microcredit was actually "(F)uelling not alleviating, the health poverty trap in Cambodia" and that "Over-indebtedness is associated with increased short-term health sacrifices made to repay debt, and physical, mental, and social suffering that is endured in the longer term" [91] (p. 5).

Many researchers have also linked growing over-indebtedness to forced migration. Bylander reports on how and why many individuals have taken out even more microloans in order to fund their migration (mainly to Thailand) in a desperate attempt to avoid penury and family breakdown that can be traced back to their inability to repay a microcredit debt [92]. The United Nations Office on Drugs and Crime (UNODC) concurred, pointing out that leaving Cambodia to work abroad in the informal sector is now often the only feasible option left for individuals and families to try to escape growing debts to local MCIs back home [93]. Worst of all, UNODC went on to claim, because some MCIs ensure that microloans become the responsibility of the entire household, including children, who might be expected to provide their signature or thumb-print to guarantee a microloan, this has led to many cases of "*generations* of a family being indebted to microfinance lenders" [93] (pp. 18–19) (my italics). This over-indebtedness-driven trajectory was exposed in the last few years and extensively documented by such as LICADHO [94] and by social geographers Brickell, Parsons, Natarajan and Chann [95]. Their work exposed the growing number of Cambodian families that have been plunged into a form of modern-day debt slavery linked to working in Cambodia's extensive network of brick kilns in order to repay a microcredit debt.

Finally, in 2017, the Credit Bureau of Cambodia (CBC) reported on another serious problem reflecting growing over-indebtedness—that as much as 50 percent of the microloans disbursed in Cambodia were being taken simply to refinance an *existing* microloan, that 25 percent of these refinanced microloans were accessed earlier than the original maturity date, and that 30 percent of them were refinanced at more than 130 percent of the original microloan amount [96]. This development effectively keeps clients on a "treadmill of debt" that, not coincidentally, ensures the ongoing and/or increasing profitability of the MCI. Such constant "topping up" tactics in Cambodia were also responsible for the average loan size shooting upwards to reach USD 4300 by 2021—another world record. As the INEF report noted [64] (p. 78), this effectively turned many microloans into SME loans. This seriously disadvantages MFI clients still paying the typically much higher interest rates applicable to genuine formal microcredit rather than the much lower interest rates that usually apply to SME loans.

By all accounts, the level of microcredit debt per capita in Cambodia is now the highest in the Global South. However, this "achievement" has not liberated the bulk of MCI clients from their poverty, but, on the contrary, has been a leading driver of their growing vulnerability and intensified struggle to ensure individual, household and community survival [97].

6.3. Has the Expanded Microcredit Sector Helped to Create a More Robust Financial Sector, or Will It Destroy It?

Although a fact not recognized by most neoclassical economists, private sector debt increasingly constitutes a large part of aggregate demand in almost all economies today [98]. Rising private sector debt can, thus, help stimulate an economy when needed through debt-financed demand, but if (or rather when) private sector debt begins to contract, it can easily precipitate a serious reversal, oftentimes leading to a serious recession (as in 2008), or even a full-scale depression (as in 1929). The trick here, if there is one, is to ensure that private sector debt used to fund consumption spending does not rise to such a level that its rapid collapse will wreck the economic system. When a large and growing part of demand is created through debt, such a scenario rarely ends well.

The same rule of thumb goes for a local community. A rising supply of microcredit in any particular community that is mainly used for consumption spending can help create an expanding local economy through the addition of the local demand route. But this apparent boom only persists until such time as the rising supply of microcredit levels off or, worse, goes into sharp reverse. With local demand plummeting, the boom then turns to bust and the local economy can crash—microenterprise profits and wages fall across the board due to lower turnover, many microenterprises fail, poverty begins to rise, outward migration takes hold, and so on. Such a deleterious scenario is largely what happened in Andhra Pradesh in India, for example; a local economic boom driven forward from the late 1990s onwards by the greedy CEOs of the leading MCIs and their reckless expansion of the supply of microcredit then crashed the local economy when it went into rapid reverse in late 2010 [99,100].

Cambodia's poorest communities have inevitably enjoyed some initial positive impacts from the dramatically rising supply of microcredit that begin in the early 2010s. In particular, many new microenterprises were established, and some will have survived on microcredit debt-driven spending, including by importing foreign goods (especially from China) to sell locally. These new, and many incumbent, local businesses selling a variety of locally produced consumption goods have also benefitted from increased demand underpinned by the rising supply of microcredit, and so also enjoyed higher profits, employed some local people, and paid more and higher wages as well.

What this also means, however, is that the rising supply of microcredit now clearly constitutes a very significant element in the total local aggregate demand propping up most communities in Cambodia. By definition, this artificial boost to local demand is time-limited ("what goes up must come down") and it now appears to be reaching its limits. The rapid growth in the supply of microcredit in recent years will inevitably be followed by a leveling off, or worse, a sharp reversal, which in turn will inevitably lead to a sharp decline in the level of local aggregate demand. Many, if not all, of the local economic gains during the boom years will be lost, and conceivably, as in Andhra Pradesh, this unwinding could precipitate a serious economic slump.

The possibility of such a negative Wall Street 2008-style scenario first came to the attention of the Cambodian government in the mid-2010s. It led to a series of measures to try to slow down the growth in the supply of microcredit, among other things by making it a somewhat less profitable activity for the MCIs to engage in. The most important of these measures was an interest rate cap implemented in 2017. Resistance to the measure from the CMA and the main MCIs was immediate, however. Leading microfinance lobbyists working on the CMA's behalf argued at the time that this measure would result in the supply of microcredit drying up almost completely, and thus push the poor into the hands of the informal moneylender sector in order that they could roughly maintain their current level of (debt-supported) spending [101]. As it happened, and with the tacit acceptance of the National Bank of Cambodia, [22] the MCIs quickly tripled the non-interest rate fees and hidden charges they quietly levied on their clients in order to compensate for the interest income loss. The leading MCIs also took the opportunity to load up new, and "top-up" existing, clients with even more microcredit, a measure that significantly cut the costs of, and so raised the profit element applicable to, any individual microloan [102] (p. 4). The overall impact of these reactions to the hike in the official interest rate was that the volume of microcredit rose much faster.

Moreover, many MCI clients did considerably increase their engagement with the informal money lender sector in the years after the interest rate cap was imposed. But this was not for the reasons advanced by the CMA. Instead, as the take-up of microcredit continued to increase, yet income-earning opportunities for microenterprises were becoming even scarcer than ever, a growing number of clients predictably found themselves unable to repay their microloans. Fearing being pressured to sell family land in order to do so (see Section 7), many MCI clients were driven to approach the local moneylender (once more) in order to obtain an informal microloan that would temporarily cover the installments due on their formal microloan [49] (p. 12) [103,104].

Finally, combined with a raft of new for-profit financial technology)-based MCIs—'fintechs'—now threatening to vastly increase the volume of (digital) microcredit circulating in the next few years [105], and with many existing MCIs inevitably adopting new financial technologies in order to do the same [106], Cambodia's microcredit sector is clearly on the cusp of a major restructuring. This will both vastly cut the number of employees required in the microcredit industry and, if the business plans of the new fintechs are to be believed, could increase the supply of microcredit very considerably in the next few years. The possibility of an eventual fintech-driven "meltdown" of the microcredit sector is thus becoming more likely [107,108].

The growing worries about the sustainability of Cambodia's microcredit sector appear to have peaked in the early months of 2023. Facing a potential crisis linked to the dramatic rise in private debt pumped out by the microcredit sector during the COVID-19 pandemic, even the normally cautious World Bank was forced to sound the alarm. Interestingly, it raised the specter of a financial crisis occurring along the lines charted by one of the leading heterodox economists of the 20th century, Hyman Minsky, involving rising confidence on the part of profit-seeking lenders leading to lower and lower lending standards, and then an inevitable crash when the resulting mountain of debt simply cannot be repaid (for the full explanation, see [109]). Importantly, Minsky's predictions concerning an inevitable financial crisis within financialized capitalism [23] caused by rising private debt driven by speculation were famously borne out by the events that began on Wall Street in 2007 [110]. Yet until recently at least, [24] even a mention in passing of Minsky's general thesis that destabilizing market-driven crises were a dominant feature of neoliberal capitalism, and still less that such claims were actually prescient, would simply not have been tolerated in any of the World Bank's outputs. That Minskyian analysis is now accepted today as a discussion point might be taken as a sign of just how serious the World Bank's own economists consider the current situation in Cambodia to be.

Since around 2010, an extremely fragile financial system has been constructed in Cambodia, one that is now supremely vulnerable to a wide range of economic, political and social inflection points. When the rapid increase in the supply of microcredit in Cambodia eventually comes to an end, as it must, and so also that significant portion of local demand that is debt-driven disappears, as it also must, the extent of the damage this will inflict on the poor and the wider local and national economy could be very considerable [25].

6.4. Promoting Wealth Creation, or Draining Communities of Their Wealth?

Since the 1980s, the microcredit model has been advertised on the firm belief that accelerated microenterprise activity would promote microenterprise creation by the poor and facilitate their "bottom-up" escape from poverty. However, when the global microcredit industry was pressured to convert into a for-profit business model in the 1990s, it came as no surprise that quite different and more selfish motivations and strategies began to drive forward the microcredit model thereafter. Local banks, entrepreneurs and investors soon picked up on this new business sector and jumped in. Pretty soon, microcredit was turned into one of the most profitable business sub-sectors in the entire global financial system [20,112]. Inevitably, rafts of foreign investors, banks and so-called "social impact investors" also began to push their way into the countries in the Global South, starting with the pioneers of the commercialized microcredit model—Bolivia, Bosnia and Herzegovina, Colombia, India, Mexico, Mongolia, Morocco, Nicaragua, Peru, South Africa and others. Buying into the leading MCIs, and also simply providing capital for on-lending, were now seen as extremely attractive investment propositions, especially after the Global Financial Crisis that began in 2007.

The end results for the majority of clients and for the global poor in general, however, were not so good. They were succinctly summed up by leading economic geographer, David Harvey [113], whose famous term—"accumulation by dispossession"—aptly described what he recognized as the increasingly exploitative turn taken by the global microfinance industry. His conclusion was that the poverty-reducing power of microcredit was essentially a "wondrous fiction" based on the mistaken belief that "..the informal sector of social reproduction which dominates in many cities of the developing world is in fact a seething mass of microenterprises that need only a dose of microfinance (at usurious rates of interest pocketed at the end of the trail by major financial institutions) in order to become fully fledged card-carrying members of the capitalist class" [113] (p. 186).

Harvey's "accumulation by dispossession" model has evolved to a very advanced stage in Cambodia's microcredit sector. As noted above, from around 2010 onwards, the largest NGO-style MCIs in Cambodia began to convert into for-profit private entities. The search for maximum profit quickly became their objective function. Their growing profitability soon made Cambodia's MCIs an increasingly attractive proposition for foreign shareholders and investors to buy into in anticipation of making outsize financial gains. The soon-to-be generously rewarded CEOs and senior managers of the leading MCIs were also keen on the idea of eventually selling their MCI off to a foreign purchaser on the basis of enjoying a further, perhaps even more significant, financial gain. Accordingly, within a few years, almost the entire commercial microcredit sector in Cambodia was bought up by foreign investors, banks and large commercial entities, most of which were based in Asia [114] (pp. 184–186).

The turn to foreign investors began with ACLEDA. It was one of the first MCIs in Cambodia, and the first to begin to generate significant financial returns that outpaced many of the world's most profitable banks and corporate investors [26]. By 2009, ACLEDA senior management entered into discussions with the international investment house Jardine

Matheson Holdings, registered in the well-known tax avoidance regime of Bermuda, eventually selling a 12.25 percent equity stake in ACLEDA for USD 34 million [116]. Going on to enjoy an extremely healthy 30 percent Return on Equity (ROE), in 2015 Jardine Matheson Holdings then disposed of its shareholding to two Japanese investment bodies for just short of USD 164 [117], generating a profit of around USD 132 million, a quite astounding five-fold financial gain in only six years. The die was cast. Subsequently, almost all of the largest MCIs chose to follow ACLEDA's strategy and sell off to foreign investors part or all of their equity.

One of the most notable examples of what followed took place in late 2017, involving the USD 150 million acquisition of AMK by the Taiwan-based Shanghai Commercial and Savings Bank (SCSB). An MCI that had previously very extensively advertised itself as being in "The business of doing good", that it was "on a journey to deliver on its good intentions", and that it aimed to ensure that clients were always the primary beneficiaries of its activities [57], the deal to sell AMK to SCSB was negotiated in complete secrecy. AMK's clients were not even made aware that the transaction had taken place until well after it was concluded [118]. Another notable event involved the Sri Lankan-owned LOLC, one of Cambodia's largest MCIs. LOLC went on to become a major player in the microfinance sector in several countries, notably including Cambodia. When LOLC finally sold of its equity holdings in PRASAC to South Korea's Kookmin Bank in 2020, it netted a total profit of nearly USD 700 million [119] (p. 27). Largely as a result of the success of this one investment deal, the majority Sri Lankan owner of LOLC, Ishara Nanayakkara, was reported by local news outlets in the country as having become its richest individual [120].

With Cambodia's largest suppliers of microcredit still registering extraordinarily high profits and returns on equity both during and in the aftermath of the COVID-19 pandemic, and with most of these financial gains exported abroad to shareholders and investors [121], Harvey's "accumulation by dispossession" process as it applies to the global microcredit industry has clearly reached its crescendo in Cambodia. Moreover, the "accumulation by dispossession" process appears to have been greatly facilitated by the fact that nearly all of Cambodia's largest MCIs and former MCIs providing microcredit as their main activity have to date received very substantial inflows of low-cost funds from the international development community (as much as USD 500 million [121]). These donor funds have been used by the MCIs to expand their lending activities. Many observers were of the opinion that subsidizing the operations of already hugely profitable MCIs that then quickly shift their additional profits abroad as dividend payouts was clearly not the most effective strategy to support Cambodia's poor before, during and after the COVID-19 pandemic [27].

With, on the one hand, no real evidence of any positive poverty reduction impact (see sections above) and, on the other hand, growing evidence of egregious profiteering by foreign-based shareholders, investors, wholesale lenders, and advisors attached to Cambodia's microcredit sector, aided by local CEOs and senior managers with expectations of some benefit being allocated their way, it has become more apparent than ever that the real beneficiaries of the entire microcredit industry in Cambodia are not (or are no longer) Cambodia's poor. The high profits and dividends generated by Cambodia's MCIs serve mainly to enrich foreign equity holders, thanks not least to the use of land titles that reduce risk and ensure timely repayment, while MCIs are now seen as merely "assets" to be bought and sold by foreign investors depending on their own narrow profit calculus. Put simply, a powerful colonial-style accumulation by dispossession dynamic has been created in Cambodia that now drains the country of a significant portion of the wealth created by, and circulating in, its poorest communities. Even worse, this debilitating process will soon be accelerated thanks to the adoption of fintech across Cambodia's microfinance sector. Such forms of wealth extraction now serve to impoverish the very same poor communities in Cambodia that microcredit was supposed to directly benefit.

6.5. Promoting Sustainable Long-Term Development and Growth, or Undermining It?

With little to no immediate benefits readily apparent as a result of the massive supply of microcredit in Cambodia, as the above sections argue, a popular fallback argument began to be deployed in order to justify the lavish support for the microcredit model in Cambodia. This was that the full benefits of microcredit would only begin to be realized in the longer term, so patience is required; it will all come good in the end. The rationale for this contention is the widespread belief that the growth of the microenterprise sector will eventually lead to a significant number of higher-productivity formal SMEs (if not larger businesses). This will then create the dynamism and, eventually, the required foundations for a growing local economy and the achievement of serious poverty reduction (for example [122]). However, as pointed out by such as La Porta and Shleifer in the general context [123], only a very tiny number of new microenterprises in the Global South survive for very long, and nor do more than a tiny number of the resulting survivors ever grow to become something larger or more productive. As a growing number of studies demonstrate, [28] promoting informal microenterprises and self-employment ventures is simply not going to raise productivity, which is one of the central keys to economic growth and eventual poverty reduction. Moreover, there is the serious problem in Cambodia of the "unfair" competition for local demand and market share provided by informal microenterprises [29]. This unfair competition, extensively documented by such as the World Bank's yearly "Enterprise Surveys", typically means in practice that potentially more profitable formal SMEs are less able to secure and hold market share, and so also are less likely to be able to expand, invest, innovate, train their employees and otherwise develop into larger more productive entities. Africa is the obvious case in point [125]. In other words, promoting informal microenterprise development is not the driver of "bottom-up" development that neoclassical economists assume it to be, but generally the opposite (see also [126] (157–167)).

For its part, Cambodia provides a quite compelling illustration of this. Two key market-driven "crowding out" factors in particular have worked to strongly counteract sustainable local economic growth in Cambodia by supporting the informal microenterprise sector at the expense of the much more productive formal SME sector. First, the World Bank's "Enterprise Survey" reported that the country's SMEs were seriously disadvantaged by the rise of the informal microenterprise sector, with 29 percent of small enterprises and 31 percent of medium enterprises saying it was the most important barrier to their enhanced operations [127] (p. 10). Competing against an informal sector able to enjoy the many 'advantages' of informality–paying less or no tax, less spending on environmental and health and safety regulations, paying lower wages, and so on–undermines the ability of Cambodia's formal SMEs to attain a stable market share and profit, which would otherwise allow it to be better able to reinvest, purchase new technology, innovate, train its employees, and so on.

Second, Cambodia's microcredit providers account for around 26 percent of the total loan portfolio of the entire banking industry and absorb as much as 68 percent of the total number of borrowers [102] (p. 5). This means that a very significant proportion of Cambodia's scarce financial sector resources are intermediated into microcredit applications. When not used to support consumption spending (see above), valuable financial resources are, therefore, used to support largely unproductive microenterprises. Put simply, the ultra-low-productivity informal microenterprise sector in Cambodia has effectively been offered more microcredit than it can handle, while the much higher-productivity formal SME sector has been denied sufficient credit on affordable terms and maturities [30]. This destructive form of "crowding out" actually has a long history in Cambodia, stretching back to the early 2000s. This was a time when almost all of the banks then operating in the country refused to finance SME development as it was too risky and unprofitable [128]. This was followed by a period in which supplying microcredit to the informal microenterprise sector was found to be a highly profitable operation, far more than lending to formal SMEs.

Not surprisingly, the lack of credit for formal SMEs remains one of the biggest problems holding back development in Cambodia today [102].

Adverse market structures and financial intermediation factors have, thus, seriously undermined the potential for the Cambodian economy to reduce poverty at the local level through sustainable formal technology-intensive SME development. With the offer of microcredit actually increasing in the mid-2010s relative to bank loans targeting formal SMEs [129] (p. 28), this adverse financial intermediation trend now looks to have become embedded. Like the rapidly growing weeds that block the sunlight needed by the slower-growing crops around them, Cambodia's formal SME sector appears set to continue to be stunted by the microcredit-fueled support for the informal microenterprise sector. Unless countervailing policies are introduced, Cambodia's "missing middle" is, thus, inevitably going to become an even bigger problem than it is today.

7. Results: Is Land Loss the Longer-Term Impact of Land Titling?

The above sections have shown that there is very little evidence to substantiate de Soto's step 3 and, in fact, we must come to the opposite conclusion: the growth in the supply of microcredit is associated with a number of adverse impacts that, when combined, have seriously undermined the functioning of the average local community in Cambodia and its chances of enjoying sustainable local economic development.

This final section narrows the focus on the potential for clients to actually *lose* their land as a result of their inability to repay the installments on their microloans. Many development economists recognize that loss of land in the Global South all too often constitutes the most important reason for the poor to plunge into irretrievable poverty [130]. History also shows that land dispossession linked to the (over)supply of credit has played a significant role in adversely affecting the poor [131]. This suggests that the incorporation of land titles into the operations of the financial system, thus giving rise to the possibility of individuals losing their land, is a factor that must be fully considered. Importantly, there are a number of recent examples of this form of land dispossession facilitated through the microcredit route that have all had quite serious negative consequences for the poor, including in Bosnia and Herzegovina [132] (p. 134), Egypt [133] (p. 214), Guatemala [134], Indonesia [135] and Thailand [136] (p. 1) [31]. How has this played out in the Cambodian case?

Land in Cambodia was once fairly equally distributed, and landlessness was a rarity. In more recent times, however, there has been an accelerating trend towards the concentration of land into fewer and fewer wealthy hands [138]. The data are patchy. However, most reliable sources seem to confirm that landlessness has been growing in recent years. A major survey in Cambodia's rural areas in the late 1990s, for example, found that landless households (those not owning land) accounted for just over 4 percent of the sample in 1969, but rose to around 10 percent by 1999, with the figure projected to touch 15 percent by 2001 [43] (p. 27). By 2007, landless households overall (now including families that neither own nor rent land) were calculated as 38 percent of the total number of households, a figure that then increased to 40 percent in just a few years [139] (p. 1).

Finally, after little change in the early 2010s, the regular Cambodia Socio-Economic Surveys began to report that ownership of the smallest 1–2 hectare parcels increased from 2015 to 2017, going from 13.8 percent to 27 percent of households [140] (p. 19), [141] (p. 23). This might be due to the purchase of additional land by the poor using microcredit, as reported in the CMA study discussed above [67] (viii). However, over the same period, there was also a marked decline in the ownership of small parcels of land by rural households. Landholdings in the 2–3 and 3–4 hectare categories declined from 10.7 to 7.9 percent of households, and from 6.7 to 2.3 percent, respectively [140] (p. 19), [141] (p. 23). One possibility that explains this could be inheritance-driven subdivision, which is often a problem in the Global South. Another explanation, however, could be that rural households in the two larger ownership categories are simply falling into the lower statistical category as a result of wishing to, or being forced to, sell off just part of their land [67] (viii) [32]. It is, however, difficult to determine the relative impact of distress land sales relative to other factors in driving these changes.

While research sponsored by the CMA claims that land loss is not a problem [67], most independent research confirms that land loss resulting from an inability to repay a microcredit collateralized with one's land titles *is* a serious problem. Some of the very first MCIs operating in Cambodia in the late 1990s realized right away that land was starting to be forfeited in the event that a microloan could not be repaid. Biddulph [43] (p. 30) reported in the mid-1990s that getting entangled with microloans could result in the loss of one's family land, with nearly four percent of those losing land attributable to a microcredit-supported business going bad.

Moving into the 2010s it became clear that the land loss problem was increasing. So [142] (p. 137) found a large and growing number of cases where the poor had lost their land after having lodged the land certificate with the MCI, or even just the application receipt that was given to the claimant after submitting a land title claim. As partial or full repayment of a defaulting microloan, the land certificate or application receipt was forfeited, and the MCI then informally sold the land on to a third party. Chhay [59] (p. 1128) confirmed that this process was well advanced and that "indebtedness is one of the major causes of land sales and of an increasing gap between the poorest and the rich". The Asian Development Bank also admitted at the time that landlessness was becoming an increasingly important driver of rural poverty and household vulnerability in Cambodia [143] (p. 3). Some analysts estimated that as much as 10–15 percent of Cambodia's rural land had already been sold off by the poor under the pressure of an MCI ensuring the full repayment of a microloan (figure quoted in the discussion in [144]).

More recently, Grimsditch and Schoenberger [52] reported that land loss had accelerated as a result of the successor project to LMAP, the Order 01 campaign that began in 2012. Bylander [145] also found many MCIs willing to fund the desperation-driven migration of individuals whose new landless predicament was found to be the principal cause of their poverty. Research by Ovesen and Trankell [146] also found that debt to MCIs was increasingly compelling both migration and the eventual forced sale of land. Most recently, Green and Bylander [147] helped to explain why it is often so difficult to detect land sales due to over-indebtedness, pointing out that "(D)ebt dispossession is often rendered invisible by local authorities, loan officers, and borrowers themselves who legitimize distress land sales through a moralizing discourse of legality and individual choice". In other words, much solid independent evidence accumulated in the mid-to-late 2010s to suggest that land loss attributable to the need to repay an otherwise unrepayable microcredit debt was becoming a serious problem for Cambodia's poor.

By the mid-2010s, and in spite of a major media campaign by the CMA and other leading stakeholders to undermine and block genuine discussion of the issue [148], the land loss issue erupted onto Cambodia's political stage. Desperately seeking to maintain popular support in Cambodia's rural communities, yet keen not to implicate Cambodia's elites as part of the problem (many of whom were financially linked to the microcredit industry in one way or another), Prime Minister Hun Sen was forced to respond to what was now widely seen as a major problem. At the "National Summit on the Development of the Microfinance Sector in Cambodia" held in Phnom Penh in March 2016, he reportedly "Blast [ed]) certain unnamed microfinance institutions (MFIs) and NGOs [and] he accused [them] of gouging consumers with high-interest loans and confiscating land assets when they failed to pay them back" [149].

By the late 2010s, the land loss issue finally came to a boiling point. This happened when a number of local human rights groups began to report that land loss was becoming an economic disaster for many individuals, families and communities, as well as a major breach of their human rights [33]. Leading the charge were two of Cambodia's main human rights NGOs, the Cambodian League for the Promotion and Defense of Human Rights (LICADHO), and Sahkmakum Teang Tnaut (STT). Their commissioned report found extensive human rights abuses linked to the operations of Cambodia's microcredit sector. A central focus of the investigation was the issue of forced land sales to repay a microcredit and its effect on the human rights of the nearly 2.5 million MCI clients that had experienced it. The LICADHO-STT report, *Collateral Damage: Land Loss and Abuses in Cambodia's Microfinance Sector* [53], was published in late 2019. It confirmed a number of crucial points. First, that land titles are now quite central to the entire functioning, expansion and, crucially, the profitability of the microcredit model in Cambodia. Second, the evidence went on to confirm that a not inconsiderable number of MCI clients have indeed been pressured into selling their land, often below the full market price, in order to immediately repay the outstanding balance on a microloan. Third, the report found the main beneficiaries at the end of the day were effectively the foreign investors, including a number of international development institutions (notably the World Bank's IFC investment arm) that have invested in, and as a result now own all or a significant stake in, virtually all of Cambodia's largest and most profitable MCIs.

Furthermore, thanks to the confidential testimony of two senior executives employed at leading MCIs, it was possible for the LICADHO-STT report to flesh out for the first time exactly *how* the informal practice of forced land dispossession is undertaken. It essentially begins with the MCI calling a meeting, which a client struggling to repay a microcredit debt is invited to attend, joined by an individual or company that has shown an interest in buying that individual's land. A local public official or the village chief is also invited to oversee the sale and sign any required documentation to confirm that the sale was legally carried out. In return for this service, the local public official typically receives a small payment or gift. The final agreed-upon sales price covers the outstanding debt on the microloan and any additional costs incurred in the sale process, plus an additional amount to reflect the fact that the original valuation of the land to be sold is typically well below the current market price. The MCI then gets paid by the buyer of the land. If the MCI client fails to agree to such a deal (say, the price offered is too low), their land titles can be retained until such a time as they have a change of heart. Importantly, due to legal barriers and time-consuming bureaucratic procedures, only in very few cases will the land titles actually end up being formally sold off by the MCI. One important end result of this informal procedure was that, until recently at least, it helped the MCIs maintain a comparatively healthy repayment rate. Such was the extent of the forced land sale problem uncovered that 9 of the 14 main recommendations put forward in the report explicitly focused upon the major changes required to address the issue [53] (p. 15).

The key points made in the 2019 report were then supported in a follow-up report published in 2021 by LICADHO once more and Equitable Cambodia, an advocacy body that is engaged in defending the housing, land and natural resource rights of the poor [54]. A total of fourteen communities were surveyed and the residents allowed to freely voice their experiences with microcredit and, in particular, discuss the issues arising from crop loss or business failure and its implications for loan repayment. This research provided valuable insights into the dynamics of land loss linked to microcredit, again highlighting the close relationship that many MCIs have forged with local village and commune chiefs. These links are designed to facilitate both the increased supply of microloans, and their relatively swift and full repayment—in many cases through the forced sale of land [34]. Pointedly, in eight of the fourteen communities examined, it was found that "local authorities were involved in pressuring borrowers to repay microloans, including four communities where land sales were directly pressured by government officials" [54] (p. 8). The report confirmed that the combined pressure of the MCIs' loan officers and the local authorities was now very widely used to quietly force through a sale of a client's land in order to repay an outstanding microloan. The report was followed with a formal call to the international community to take immediate action to remedy the human rights abuses taking place. Upping the stakes considerably was the inclusion of a demand that the land titles in possession of the MCIs be immediately returned to clients in order to avoid any further instances of land loss [153].

These negative conclusions were then strongly supported in 2022 by the findings of two comprehensive independent studies of the impact of microcredit in Cambodia. The first of these was the aforementioned INEF study commissioned by the German government [64]. The report provided important supporting evidence to confirm the extent of the land titling problem, finding that over the previous five-year period, just over 6 percent, or around 167,000 households [35], had to sell their family land in order to repay a microloan, a figure the INEF report described as an "alarmingly high number" [64] (p. 73). A UK government-funded research project entitled *Depleted by Debt*, coordinated by Royal Holloway College at the University of London [119], also found land loss to be quite central to many of the problems that villagers encountered when using microcredit. Their data collected over the last ten years pointed to 5.2 percent of indebted households having had to sell agricultural land to repay microloans [119] (p. 53). Overall, and not just because of the issues related to land loss, the report concluded that the microcredit model was not a feasible way of dealing with Cambodia's rural poverty.

The most recent report covering land loss—*Debt threats: A quantitative study of microloan borrowers in Kampong Speu Province*—was published in August 2023 again by LICADHO and Equitable Cambodia [8]. For the first time [36], this report provided in-depth quantitative evidence of the problems involved, especially with regard to the land loss issue. Covering one fairly representative province in Cambodia—Kampong Speu—it confirmed that the main reasons for borrowing are not, or are no longer, the intent to establish or expand a microenterprise. Instead, "building or repairing a house" was the most important reason for nearly a third of all those accessing a microloan from one of the leading MCIs. Using a microloan to fund a microenterprise was only the second most important reason, accounting for only 17 percent of those accessing a formal microloan [8] (p. 10). Importantly, nearly 14 percent of respondents stated that they needed a microloan from one of the formal MCIs simply in order to repay another microloan accessed from both formal and informal sources [8] (p. 10). Business development was now a less prominent reason for accessing a formal microloan, in spite of the formal theory of change. Another important finding was that only a tiny number of respondents had to prepare a business plan in order to obtain a microloan (just 0.3 percent), underlining the reckless lending that has become an embedded feature of Cambodia's microcredit sector.

The report further confirmed the extensive use of land titles as collateral [37], reporting that just over 93 percent of the 717 households surveyed were required to post land titles as collateral—corroborating other reports demonstrating that the microcredit portfolios of the largest MCIs are 95 percent collateralized with land titles [8] (p. 3). It also went on to show that 44 (6.1 percent) of the 717 households interviewed had had to sell land in order to repay a microloan to one of the leading MCIs [8] (p. 18) [38]. Across Kampong Speu Province, an estimated 9600 households had to sell land to repay a microloan to a formal MCI [8] (p. 25). The specific actions recommended to resolve this problem were for the MCIs to agree to return all land titles to clients and for the immediate cessation of all land sales involving pressure from MCIs, loan offices and local authorities [54] (p. 1).

Perhaps the most worrying aspect of this latest report, however, was the rapid rise in the extent to which households are taking out new informal and formal microloans simply in order to repay an outstanding formal or informal microloan, thereby avoiding losing one's land. The survey found that in 2022, "borrowing to repay" was now the most important reason for accessing a formal or informal microloan, amounting to around 35 percent of microloans. This stands in sharp contrast to 2012, when only 3.5 percent of formal and informal microloans were taken out to repay existing microloans [8] (p. 10). This is an indication of the desperation that drives families onto a "debt treadmill" (see Table 1).

The once rock-solid low default NPL (Non-Performing Loan) rates enjoyed by the leading MCIs in Cambodia are now beginning to rise in an alarming manner, and a growing number of microloans are now heading into *actual* default. This deleterious development was evidenced, for example, when in 2022, Cambodia's largest provider of microcredit, ACLEDA, was forced to double (to USD 60 million) the category of microloans that it considers at serious risk but which are not yet classed as an NPL [154]. Data from the

2022 annual reports of the leading MCIs collated by the India-based consulting company M-CRIL also show that microloans deemed to be "at risk" have risen by as much as 150 to 300 percent since 2021 (quoted in [154]). Finally, the most recent official data released in 2023 show that the NPL rate had risen to a worryingly high 6.7 percent, up from around 1.5 to 2 percent in 2020 [155].

Reaction to the rising number of formal complaints about the exploitative strategies pursued by the leading MCIs reached a crescendo in 2022. Two events were important reflections of this. First, in 2022 a formal complaint was submitted by Equitable Cambodia and LICADHO to the World Bank's Compliance Advisory Ombudsman (CAO) [156]. It accused six of Cambodia's leading MCIs [39], alongside four of the financial intermediaries that have extensively invested in these (and other) MCIs [40], of being engaged in "predatory and deceptive lending practices" that gravely harmed the MCI's clients. On the grounds that it has made very significant direct and indirect financial investments into all six MCIs since the late 2000s (to the tune of around USD 400 million), the World Bank's IFC investment arm was also included in the formal complaint. The human rights abuses that have transpired have been directly facilitated not just by the IFC's very generous financial support, it is claimed, but principally because of its serious lack of due diligence and follow-up. Pointedly, the issue of the forced sale of clients' land in the event of their inability to repay a microloan, especially involving Indigenous Peoples' land (see also [157]), was a central aspect of the formal complaint. The IFC was accused of being at serious fault for failing to prevent the "coercion and threats from loan officers (employed by the MCIs) that have been used to circumvent the Cambodian legal system and gain possession of communities' and individuals' land" [158] (p. 1). To the astonishment of many, based on the initial body of evidence presented [41], and in spite of an unprecedented (but aborted) attempt by the IFC itself to reverse the CAO's decision [42], the CAO concluded that the evidence presented to it by all sides was sufficiently robust as to constitute a strong enough case for the complaint to be more fully investigated. The final and full assessment of the complaint, and any proposed resolution mechanisms attached to it, will apparently be forthcoming sometime in mid-to-late 2024 [66] [43].

The second major event relating to the land loss issue was the decision of the CMA to "come out fighting" to counteract the wave of bad publicity. It sought to do this by commissioning its own impact study, one that would be designed in advance to present its members in a far better light than both independent academics and humanitarian bodies. Awarded in 2022 to an India-based company with extensive institutional and personal links to the CMA (see footnote 20), it was no surprise to most independent observers that the CMA's study's conclusions as to the land loss issue were largely specious. The study claimed that it found very little to confirm that land loss arising from the use of land titles as collateral was a problem for the clients in their survey [66] (viii). It also pointed out that its interviewees also report microcredit is often used to purchase land, reporting that "nearly 6% reported some sales of land over the past five years, (while) 20% reported purchases of some land" [66] (viii). Nonetheless, there was no attempt to engage with the voluminous body of evidence, provided both by independent researchers and humanitarian bodies based in Cambodia, demonstrating that land loss due to microcredit debt is considered by clients and households to be a serious problem.

An intervention—microcredit—that was first massively popularized in Bangladesh in the 1980s as a way of assisting the country's landless poor to rise out of poverty, appears to have evolved in Cambodia into an intervention that most independent evidence shows is beginning to separate many of Cambodia's poorest from their long-held family land. This risks plunging those directly involved into irretrievable poverty. De Soto's "three steps to heaven" theory is therefore not just problematic overall, as the above sections have noted at length, but it is specifically damaging with regard to the very issue of the poor and their continued ownership of their land. De Soto's land titling theory was supposed to ensure that the global poor would be empowered to retain and use the formal ownership and control of their land, but in the one country in which his ideas have been most thoroughly tested, this appears not to have transpired. Accordingly, Harvey's [113] (p. 198) counter-view to de Soto appears to have been apposite; namely that "Providing legal title for land and property ownership in the hope that it will bring economic and social stability to the lives of the marginalised will almost certainly lead in the long run to their dispossession and eviction from that space and place they already hold through customary use rights".

8. Conclusions

This article has examined at length the widely publicized claims made by Hernando de Soto in the 1980s, supported by very many other institutions thereafter, and stoically maintained by de Soto as extremely relevant even today [160,161], that securing formal land titles for the poor constitutes a powerful engine for poverty reduction and sustainable development, especially through their use as collateral in order to obtain microcredit. The evidence from Cambodia that exists remains patchy and incomplete. Much of the evidence is seriously biased, an inevitable result of having largely been financed, coordinated and prepared by the key microcredit stakeholders themselves (a notable example being the CMA report discussed above [67]). Nonetheless, thanks to a growing number of studies by independent researchers and institutions in recent years, I believe it has been possible to provide a fair and comprehensive enough assessment of Hernando de Soto's "three steps to heaven" land titling concept as it has been applied to Cambodia.

Quite clearly, the very easy access to vast quantities of microcredit that de Soto's land titling concept has been able to leverage in Cambodia demonstrates that steps one and two of his "three steps to heaven" concept have been fully achieved. This has undoubtedly produced some benefits for a small section of the poorest population in Cambodia, including those given the opportunity to launch, and who were able to maintain, a reasonably successful microenterprise. This is not an unimportant benefit. However, it is the third stage of de Soto's "three steps to heaven" concept—the ubiquity of microcredit automatically catalyzing into existence a significant poverty reduction and sustainable local economic development episode through accelerated microenterprise development—where there is a serious problem that swamps the few success stories registered. The evidence for this land title-driven trajectory is conspicuous by its absence. Rather than improving the communities of Cambodia's poor, it appears to have plunged the majority of the poor (both clients and non-clients) into an overlapping series of setbacks, reversals and crises. The microcredit sector has counteracted the benefits arising from the expansion of garment sector employment and the rise in remittances, which are seen by most observers as the key factors behind Cambodia's recent very impressive poverty reduction experience. In fact, the main beneficiaries of land titling have turned out to be the local and foreign elites that (mis)used land titles in order to considerably reduce the risk of default and so maximize their profits. Pointedly, also, the fact that a not unimportant number of the land titles (and land) lodged by Cambodia's poor at an MFI in order to access a microcredit have been lost over time is a further indication of the fundamental flaws that run throughout de Soto's basic idea. Hernando de Soto's "three steps to heaven" concept therefore stands out as one of the most problematic of the many neoliberal-oriented solutions to global poverty that quickly emerged and were instantly, but quite wrongly, validated in the early years of the global neoliberal revolution.

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Notes

1 The English version, *The Other Path: The Invisible Revolution in the Third World*, was released in 1989 [4].

2 This phrase comes from the title of a classic 1950s song by Eddie Cochran about the necessary steps one must take to find true love.

3 A planned more-substantial research visit in 2020 to examine the land titling issue in depth, and other issues had to be abandoned following the outbreak of the COVID-19 pandemic.

4 It should be noted that in later years, when Peru began to experience a quite dramatic increase in the volume of microcredit—in the early 2010s becoming the then world's most microcredit-saturated country—the proliferation of land titles played no role whatsoever in this development. Instead, as Bird [38] (p. 72) documents, the microcredit boom that took place there actually came about thanks to effective regulations and a comprehensive credit reporting system that quickly and quietly excluded the weakest borrowers from the microcredit system. Another important misconception that had to be discounted is that it was not the significantly increased supply of microcredit in Peru that precipitated the country's famously rapid economic development in the 2000s and its significant success in reducing poverty, but precisely the reverse. Rapid economic development began in Peru in the early 1990s with the commodity boom (particularly natural resource exports to China) which generated the financial resources that the Peruvian government opted to use to promote a large number of social programs that significantly reduced poverty. In turn, this gave Peru's now somewhat less poor individuals the confidence and repayment ability to access more microcredit in order to immediately purchase needed consumer goods, rather than having to save up and purchase them at a later date.

5 The LMAP scheme was found to have deliberately avoided working with one particular group of vulnerable people because their land was needed for a luxury real estate development project. Pressured by the international NGO community, the World Bank attempted negotiations with the Cambodian government to bring the scheme back into compliance, but to no avail, thus leading to its cancellation [45] (p. 324).

6 However, ACLEDA's core business even today (around 90 percent) remains its huge microloan portfolio.

7 By the early 2010s, it was reported that one in three of the new microloans issued by ACLEDA were backed by land titles [46].

8 China's economic success over the last fifty years is largely the result of a decentralized model that saw political control remaining firmly with the central authorities but the responsibility for economic development assigned to subnational government units. Local and city government officials were incentivized to seek promotion to higher positions and also allowed to personally financially benefit from the direct promotion of local businesses (including by owning their own businesses), but only on condition that they could robustly demonstrate how much local economic development and poverty reduction success they had achieved [47].

9 "Hard" titles are legally recognized and registered at the national level, whereas a "soft title" is registered at the local authority level. The former are recognized as legally more secure, but the latter are the preferred option for most small land transfers (about 85 percent of land owners have a soft title to back up their claim of ownership) as they are quick and easy to arrange and also do not attract the transfer tax of four percent applied to hard title transfers.

10 In some cases, an MCI would demand to hold *all* of the land titles in the possession of a new client, thereby ensuring that a competitor MCI would effectively be prevented from offering a new microloan to that particular client.

11 This figure includes registered MCIs and the growing groups of former MCIs converted into commercial banks, such as ACLEDA and PRASAC, that still hold a major microloan portfolio [8] (p. 1).

12 In Bangladesh, the process of pushing clients to take on more and more microcredit, often far more than they can realistically repay, is euphemistically termed "topping up" [55].

13 Two of the most notable examples of this genre include a book focused on ACLEDA written by a leading microcredit advocate, Heather Clark [56], and a book promoting the "social mission" of AMK co-authored by another leading microcredit advocate, Anton Simanowitz, and colleague [57].

14 Just one example would be that the study noted in passing that "(S)ome of the borrowers failed in their businesses" (p. 1132), which is an important point to raise as microenterprise failure everywhere is typically widespread and very often results in an individual or household's descent into deeper poverty. But the analysis studiously avoids undertaking any further examination of this important point.

15 For example, a central conclusion was that "Growth in microcredit is having positive financial and welfare impacts for households in Cambodia. The share of households who borrowed from formal sources of credit quadrupled during 2004–2016. This shift increased access to finance for segments of the population who previously relied on unregulated money lenders and provided households with longer loan durations and lower effective interest rates relative to informal lending" [61] (p. 6).

16 The work of such as James Ferguson [62] highlights that such misleading techniques are commonplace in the work of the international development institutions.

17 The important role of exit has recently been raised by one of the World Bank's own senior economists, David McKenzie, who admitted that it is a common example of "distortion by omission" in the field of microfinance impact evaluations, even with regard to the so-called "gold standard" of impact evaluations, the Randomized Control Trial (RCT) methodology [63].

18 Given that the German economy since 1945 has benefitted greatly from the huge build-up of its private foreign assets, which includes some investments in the microfinance sector in Cambodia, it is very likely that this development was not something that KfW would want highlighted in the report as a negative development.

19 M-CRIL's co-owner/co-founder, Frances Sinha, is a long-term advocate for microfinance and is also the long-time director of Social Performance at AMK, one of Cambodia's largest MFIs, and where until recently the long-time CEO, Kea Borann, was also serving as the long-time chairman of the CMA. In addition, one of the five long-time board members of M-CRIL itself, Tanmay Chetan, is a major investor in microfinance as Group CEO of Agora Microfinance, one of the most aggressive of the "social impact" investors in microfinance that in Cambodia have enjoyed very high profits along the way, and he was also the previous CEO of AMK from 2003 to 2007. Finally, M-CRIL were also responsible for automatically awarding highly positive assessments of the social performance of some of Cambodia's leading MFIs when in fact, on looking closer, as several leading humanitarian NGOs ([8,53,54]) as well as the IFC's Compliance Advisor Ombudsman did (CAO) [66], these very same MFIs were shown to have abused the human rights of clients.

20 I very briefly listed just some of the more egregious misrepresentations and distortions contained in the M-CRIL study in a LinkedIn blog post on January 22nd, 2024 [69] and will use this example as a case study in a forthcoming book.

21 One reason for this decline in the number of own-account workers and the self-employed may be that the individuals concerned obtained better-paying jobs in larger formal sector enterprises, which would be a good thing, but it could also be because of business failure or forced migration, which would be bad things. The data are insufficiently fine-grained to provide a definitive answer either way, however (but see Section 6.5 below). Note also that a part of the reduction from mid-2020 onwards would have been due to the arrival in Cambodia of the COVID-19 pandemic and the forced reduction in business activity this entailed.

22 This was part of the National Bank of Cambodia's effort to appease both the CMA and the Prime Minister of Cambodia, Hun Sen. Thanks to an external reviewer for pointing this out to me.

23 Minsky actually called it at the time he wrote "money manager capitalism" but it is essentially what, form the 1980s onwards, is now most often referred to as "financialized capitalism", or else "neoliberal capitalism".

24 Minsky's work was "discovered" by many neoclassical economists in 2008 because his analysis of why such an event was inevitable due to the instability of financialized capitalism very closely tracked what actually happened. A debt-driven financial crisis is now commonly referred to as a "Minsky Moment" [110].

25 While a destructive Andhra Pradesh-style microcredit collapse scenario remains one obvious eventuality given current trends, this is not the only future course that can be taken. There is also the option of state financial bail-outs of the MCIs and gradual contraction and forced consolidation of the entire microcredit sector under stronger regulation, as took place in South Africa in the late 2000s [111] and in Peru in the 2010s [38]. However, this alternative scenario also implies significant costs to society, and to the poor. Injecting scarce financial resources into facilitating the rescue of once hugely profitable MFIs represents the loss of resources that could have gone directly into supporting the poor (such as, for example, through more robust welfare programs).

26 In an interview with the *Phnom Penh Post* in 2011, former senior banker at Standard Chartered Bank and then long-time vice chairman and then chairman at ACLEDA, John Brinsden, quite openly boasted about the spectacular profits ACLEDA was making at the time. He recounted being asked by his former chairman at Standard Chartered Bank, for many years one of the most profitable banks in the world, why on earth he had chosen to go to work in the microcredit sector. Brinsden's pointed reply to his former colleague was, "When you get a 24 percent return on investment, you can come and see me, I might give you a job!" [115] (p. 188).

27 As one UK government-funded research report on the issue saw it, "Given the almost complete lack of real evidence that Cambodia's microfinance sector has made a net positive impact on the poor in the run up to the COVID-19 crisis, investing considerable sums of international financial support in supporting many of the most profitable microfinance institutions during the COVID-19 crisis might legitimately be viewed as a textbook example of 'throwing good money after bad'" [119] (p. 28).

28 For example, a robust demonstration of this point came in a major publication produced by the Inter-American Development Bank [124] showing that the continent had become trapped in poverty and under-development in the 2000s precisely because of the credit-driven expansion of the ultra-unproductive microenterprise sector. This hugely deleterious trajectory commenced in the 1980s thanks to the regional neoliberal-inspired shift in labour market policy. As a result, the IDB itself was forced to conclude that "(T)he overwhelming presence of small companies and self-employed workers (in Latin America) is a sign of *failure*, not of *success*" (my italics) [124] (p. 6).

29 "Unfair" because it is competition based on the informal microenterprise, typically paying low to no taxes, ultra-low wages to any employees, no adherence to health and safety or environmental regulations, and so on.

30 A number of observers have argued that Cambodia's world's-highest-average microloan amount means that its MCIs are de facto SME financing bodies, not microfinancing bodies [65] (p. 94). Reorienting Cambodia's MCIs into genuine SME support units would not be easy, however, as profits are likely to be very much lower and risks generally much higher in that specific sector, and so investors are highly unlikely to want to move in that direction thanks to market forces.

31 It has been claimed that at least one of the ways that one of the richest and most powerful families in Thailand, the Shinawatras, rose to economic and political power was through their small-scale lending to the poor and confiscating their land when they were unable to repay the loan [137].

32 This specific point was made to me by a confidential informant interviewed in Phnom Penh in 2017. It is also a quite common illusion when assessing enterprise development in general. Many SMEs are often forced to downsize into a microenterprise, but this negative trajectory is typically ignoredthe resulting statistical increase in the number of microenterprises claimed as a major positive development.

33 The link between rising microcredit-driven private debt and human rights abuses was also rising on the agenda of the UN at this time, and a major report was produced in 2020 by its independent expert on the effects of foreign debt [150].

34 This close relationship has remained strong even though the central government tried to foreclose on such intimacy between the MCIs and government in 2017 [151]. This move was made because it was becoming apparent that the microfinance sector was pushing the Cambodian economy into a potential economic and social crisis and, above all, a political crisis that could undermine the ruling party and its long-time authoritarian Prime Minister, Hun Sen [152] (p. 6).

35 This figure was calculated by LICADHO and Equitable Cambodia based on the INEF data [6] (p. 2).

36 The apparent unwillingness of the international development community and other relevant bodies to provide funds meant that the quantitative study was unable to cover Cambodia as a whole [8] (p. 2).

37 It should also be noted that land is not the first and/or only asset that is subject to loss. An important finding was that 85 out of the total of 717 households also reported having had to sell other important household items in order to repay a microloan to a formal MCI, primarily gold, silver or platinum (54 households), followed by farm animals (22 households), and finally motorbikes and cars (20 households) [8] (p. 20).

38 A further four of the land sales reported were by households selling land to repay an informal debt, but in two of these four cases, this informal debt was initially accumulated to repay a formal debt to an MCI [8] (p. 19).

39 The six are ACLEDA, Amret, PRASAC, Hattha Bank, LOLC and Sathapana, which together represent more than 70 percent of the microcredit market in Cambodia.

40 The four are the Microfinance Enhancement Facility (MEF), Microfinance Initiative for Asia Debt Fund (MIFA), Advans S.A. and North Haven Thai Private Equity Fund L.P.

41 Full disclosure: I was one of the individuals the CAO invited to interview, which took place on 1 November 2022.

42 The IFC instructed its board of directors to review the decision to mount a full investigation into Cambodia's leading MCI and their funders, including the IFC itself, but the request was later dropped.

43 Moreover, not long after this first formal complaint was made, it was joined by another formal complaint put forward to the Dutch government by Equitable Cambodia and LICADHO, joined by a German human rights NGO, FIAN. It concerned the Dutch financial cooperative, Oikocredit, and three of the largest MCIs that it had invested in for many years—Amret, LOLC Cambodia and PRASAC. Once again, the complaint alleged predatory and exploitative behavior, including the coerced sale of land, and once again to the surprise of many, this second formal complaint was fully accepted, and a resolution is now being sought that is agreeable to both sides [158,159].

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