

The relationship between microfinance mission drift and financial returns to stakeholders

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Abstract

Some microfinance institutions (MFIs) can lose sight of their social mission, generating well-studied effects for their borrowers. We focussed on the lesser-known effect of mission drift on the financial return to other stakeholders (employees, government, micro-savers and banking creditors). We calculated the economic value distributed by the MFI to these stakeholders by considering salaries, taxes and interest paid. We tested the model using a panel data sample of 534 MFIs. Mission-focused MFIs are usually small, labour-intensive nonprofit institutions. We found a negative relationship between average loan size and return to employees, government and banking creditors, and a positive relationship between women borrowers and return to employees and government. The relationship between average loan size and return to micro-savers was positive, and the relationship between women borrowers and return to micro-savers was negative, which is explained because many mission-focused MFIs do not offer micro-savings, which undermines the goal of financial inclusion.

Keywords: Microfinance, nonprofit, mission drift, social performance, stakeholders.

1. Introduction

Mission drift is a popular research topic with respect to nonprofit organisations (Irvin & Kavvas, 2020; Jones, 2007) and, in particular, microfinance institutions (MFIs) (Beisland et al., 2019). The need for many microfinance institutions to generate profit often leads these institutions to lose sight of their social mission under the influence of for-profit funders (Mia & Lee, 2017) and loan officers (Beisland et al., 2019). The consequences of mission drift on borrowers and MFI reputation have been extensively studied. Mission drift usually reduces outreach (Pedrini & Ferri, 2016), can be detrimental to the poorest clients (Fouillet & Augsburg, 2010), harmful to women (Frank et al., 2008) and disappointing to donors and social investors (Grimes et al., 2019). However, the effects of mission drift on other stakeholders (employees, government, micro-savers and banking creditors) have been insufficiently studied, a gap which this paper seeks to address. Our paper first calculates the economic value that MFIs distribute to each stakeholder. Second, we study the relationship between mission drift and the financial returns to stakeholders.

We propose a model to explain the effect of microfinance mission drift on stakeholder financial returns. Our conceptual framework is stakeholder theory, but organisational ecology theory (Hannan & Freeman, 1984) and social capital theory (Coleman, 1988) provide arguments for the hypotheses. Many papers study the effect of mission drift on borrowers and donors (Armendáriz & Szafarz, 2011; Beisland et al., 2019; Hermes et al., 2011; Pedrini & Ferri, 2016). Our paper contributes to these strands of literature by relating mission drift to stakeholders, such as employees, the government, depositors and banking creditors. We tested the model through an empirical study using a panel data sample of 534 MFIs from 80 countries. We used the average loan size and the percentage of female borrowers as proxies for mission drift (D'Espallier et al., 2017; Mersland & Strøm, 2010; Quayes, 2021). We provide new insights into the effect of mission drift on employees, government, micro-savers and banking creditors.

There are many ways to study MFI performance, whether it is financial performance (CGAP, 2003), social performance (Schreiner, 2002) or impact (Banerjee et al., 2015). We apply the idea proposed in the guidelines of the Global Reporting Initiative (GRI, 2016) and measure the economic value that an organisation distributes among its stakeholders. The concept of economic value distributed is a similar idea to surplus

distribution, which has already been applied in microfinance (Hudon & Périlleux, 2014; Périlleux et al., 2012). The approach followed and the indicators used can help organisations to implement the management-for-stakeholders approach.

2. Literature review and hypotheses development

2.1 Explanatory theories of mission drift

Mission-focused MFIs target the poorest members of society, especially women and rural populations, but some MFIs have been accused of failing to serve those most in need. The debate on the magnitude of the mission drift problem in microfinance is not yet closed. There is evidence of institutions that have abandoned their mission (Beisland et al., 2019; D'Espallier et al., 2017), but it is doubtful that the problem affects the industry as a whole (Mersland et al., 2019; Quayes, 2021).

Many theories try to explain the reason MFIs deviate from their mission. The high transaction costs involved in making small loans is the most commonly accepted explanation, but it is not the only motivation (Armendáriz & Szafarz, 2011). Resource dependence theory states that organisations must find the means to access key resources in order to survive (Froelich, 1999), including physical, human and organisational resources (Barney, 1991). Therefore, some MFIs do not want to rely exclusively on poor borrowers and diversify their clientele. Teleological theory assumes that every organisation has a purpose which is the ultimate goal guiding the movement of the entity (Van de Ven & Poole, 1995). This may explain the reason some MFIs become bankable and expand their mission, although this does not always mean abandoning the poor (Armendáriz & Szafarz, 2011). Indeed, loans often increase in size simply because some clients are no longer poor and therefore demand larger loans than before. Serving these clients is simply a strategy to achieve the MFI's laudable end goal. Life cycle theory explains that MFIs change their original mission as they evolve from the birth phase to maturity because of the desire for growth (Hoque et al., 2011). The for-profit or nonprofit status of the institution also matters, and MFIs that follow the social welfare logic strive to maintain their social mission (Im & Sun, 2015).

Some deviations from the mission can be explained by internal stakeholders, such as employees; others can be explained by external stakeholders, such as funders; and still others can be explained by the environment, such as changes in legislation (Minkoff &

Powell, 2006). Dialectical theory proposes that an alteration of the status quo between different power groups triggers changes in organisations (Van de Ven & Poole, 1995) and may explain why MFI employees, such as loan officers, sometimes generate the actual deviation of a well-intentioned MFI (Beisland et al., 2019). Regulations that increase MFI requirements (e.g., capping maximum interest rates) may result in the MFI leaving its traditional clientele (Hudon, 2011).

2.2 Explanatory theories of return to stakeholders

Stakeholder theory is a theory of organisational management and ethics that explicitly addresses morals and values as a central feature of the management of organisations (Phillips, 2003). The theory states that management should create value, not only for shareholders but also for the remaining stakeholders (Freeman, 1984). The return to stakeholders may be affected by internal factors (e.g., the for-profit or nonprofit status of the MFI) and by external factors (e.g., the country where the MFI operates). Im and Sun (2015) distinguished between MFIs that follow the social welfare logic and MFIs that follow the commercial logic and found that the former made every effort to expand outreach to the poor by making small loans while the latter were more likely to seek high profitability. The for-profit or nonprofit status of the MFI guides management decisions, affects the MFI's performance and may justify differences in financial returns to stakeholders.

The theory of social capital provides arguments that justify the effect of country characteristics on the return to stakeholders. Social capital is generated through networks of relationships, reciprocity and social norms (Coleman, 1988). Its determinants include social trust, group membership, country fractionalisation, income inequality, educational level and personal income (Alesina & Zhuravskaya, 2011; Christoforou, 2011). There is strong evidence that the social capital of a country can have a positive impact on the performance of the companies operating in that country because societies with a high level of social capital create a favourable business climate (Westlund & Adam, 2010). Chmelíková et al. (2019) found a positive relationship between social capital intensity and MFI performance as measured by profitability, repayment, efficiency and outreach. Microfinance succeeds in societies conducive to the development of social capital (Postelnicu & Hermes, 2018) because the threat of social sanction in the case of late repayment is not very credible in fragmented societies, which increases credit risk and

discourages lending to the poor. The social capital of the country in which the MFI operates may affect the MFI's performance and explain differences in the financial return to stakeholders.

2.3 Hypotheses development

Our first hypothesis concerns the financial return to employees. Transaction cost theories may justify the relationship between mission drift and financial return to employees. The transaction costs of an MFI include the costs to search and gather information; negotiate and decide; manage, process, deliver and administer credit; and monitor and enforce borrower compliance (Armendáriz & Szafarz, 2011). Prior studies indicate that the business model of mission-focused MFIs, which generally include as their mission to lend to the poorest and to women (Mersland et al., 2019), is more labour intensive than that of mission-drifted MFIs (Serrano-Cinca & Gutiérrez-Nieto, 2014). Then, the benefits of maintaining its mission can be extended to employees by generating local employment. Loans for just a few dollars require many loan officers to be employed to grant microcredits that have to be entered into a computerised system to be analysed and monitored, sometimes with on-site visits. Consequently, these institutions have to employ a large workforce to grant small loans (Serrano-Cinca & Gutiérrez-Nieto, 2014). These MFIs are usually small nonprofit institutions (D'Espallier et al., 2017). We must also take into account that payments to employees depend not only on the number of employees but also on their salaries, so MFIs that pay on average high salaries are expected to show the highest contributions to employees.

However, the efficient use of information and communication technologies can break the strong expected association between mission-focused MFIs and employment. Peer-to-peer lending platforms automate as much as possible the management of the loans. Some of these platforms offer microcredits, but they are still a minority and do not describe the reality of the current microfinance industry.

Based on the above discussion, our first hypothesis is:

Hypothesis 1a: Ceteris paribus, there is a negative relationship between average loan size and return to employees.

Hypothesis 1b: Ceteris paribus, there is a positive relationship between percentage of

women borrowers and return to employees.

Our second hypothesis concerns the financial return to the government. MFIs contribute to governments by paying taxes, which directly and indirectly contribute to society as a whole, because taxes pay for public spending and the welfare state. The amount of fees and taxes received by the government should be reduced by the amount of subsidies and grants provided by the government to correctly calculate the contribution to government (McLeay, 1983). The financial return to the government depends on the profit made by the MFI, the tax rate and the practices the institution can put in place to avoid the payment of taxes.

Many empirical studies have found no difference between the profitability of mission-focused MFIs that make small loans and MFIs that make larger loans (Serrano-Cinca & Gutiérrez-Nieto, 2014). MFIs that make small loans have high operating costs, but these can be offset by the high interest rates paid by clients. Regarding the percentage of loans to women, some empirical studies have found that women tend to pay higher interest rates than men, although women pose no more risk than men (Alesina et al., 2008; Bellucci et al., 2010). The cause of these high-interest rates may be that female entrepreneurs face tighter credit availability (Bellucci et al., 2010). Mission-focused entities retain a high loan portfolio yield in order to survive, but many of them are not self-sustainable (Hudon et al., 2018). However, these mission-focused MFIs have greater access to donations than those that have drifted their mission, thus maintaining the level of profits.

Organisational ecology theory states that structural inertia causes organisations to remain as they are (Hannan & Freeman, 1984). However, organisations can suffer from stress, which is usually caused by dissatisfaction with their performance and indicates the need to renew (Huff et al., 1992). According to the stress–inertia theory, organisations change when the accumulation of stress exceeds structural inertia (Jas & Skelcher, 2005). Therefore, if an MFI drifts from its mission, it may be because it is not performing well and is trying a new strategy. When an organisation changes its goals, its performance usually worsens and it achieves less profit than before because of the confusion generated by the change (Naranjo-Gil et al., 2008). This leads to decreased performance which can provoke some talented employees to leave the MFI and can lead some donors to stop their

support of the organisation. This would explain why mission drift often leads to low profits.

The optimisation of tax savings requires significant economic and legal resources, which explains the negative relationship between company size and effective tax rates (Lanis & Richardson, 2015). This provides the justification for mission-focused MFIs, which are usually small-sized institutions, to not engage in tax optimisation practices. However, mission drift affects nonprofit MFIs more than for-profit MFIs (Serrano-Cinca & Gutiérrez-Nieto, 2014), and some countries have special transaction-tax allowances for nonprofits (CGAP, 2012). This argument favours a negative relationship between focus on mission and the financial return to government, but we do not believe it outweighs the negative effects associated with mission drift.

Based on the above discussion, our second hypothesis is:

Hypothesis 2a: Ceteris paribus, there is a negative relationship between average loan size and return to government.

Hypothesis 2b: Ceteris paribus, there is a positive relationship between percentage of women borrowers and return to government.

Our third hypothesis refers to the financial return distributed by the MFI to depositors and banking creditors through interest payments. The higher are the indebtedness and the interest rates, the greater the contribution to the creditors will be. The pecking order theory describes a manager's preferences in financing due to information asymmetry which increases the cost of financing (Donaldson, 1961; Myers & Majluf, 1984). Donaldson (1961) argued that companies should first prefer internal funds, then external funds, and of these, debt should be preferred to equity. For MFIs, the hierarchy starts with internal financing from retained earnings, followed by subsidies and donations, deposits, bank debt and, as the last resource, a request for equity from its shareholders and the capital markets.

Although the hierarchy remains, not all options are available to some kinds of MFIs. For example, not all MFIs can receive donations, collect deposits or access the capital markets. It is unfeasible for micro-savers to monitor banks; therefore, the financial sector

is highly regulated, as justified by the public and private interest regulation theories (Goodhart et al., 2013). Deposits are a cheaper source of funding than funds borrowed from banks, but unregulated MFIs cannot take deposits and have to borrow funds from banks. Many mission-focused entities are small unregulated MFIs (D’Espallier et al., 2017); obviously, if deposits cannot be taken, the returns to depositors are zero. We expect mission-focused MFIs to generate fewer financial returns for depositors than mission-drifted MFIs. By contrast, the typical pattern of a drifted MFI is a large for-profit institution (Serrano-Cinca and Gutiérrez-Nieto, 2014). Drifted MFIs receive fewer donations than focused ones (Serrano-Cinca & Gutiérrez-Nieto, 2014). The higher the percentage of donor funding, the less interest the MFI will pay, which argues in favour of a negative relationship between mission-focused MFIs and interest payments to banking creditors.

Based on the above discussion, our third hypothesis is:

Hypothesis 3a: Ceteris paribus, there is a negative (positive) relationship between average loan size and return to banking creditors (depositors).

Hypothesis 3b: Ceteris paribus, there is a positive (negative) relationship between percentage of women borrowers and return to banking creditors (depositors).

2.4 Control variables

Some financial indicators that measure portfolio yield, financial efficiency, productivity, firm size, and the average cost per employee should be used as control variables for the analysis. The loan portfolio or revenue divided by number of employees is expected to be low in mission-focused MFIs because these entities have many employees compared to the small loan portfolio they generate. By contrast, the number of loans outstanding per number of employees is expected to be high in mission-focused MFIs. These MFIs are usually small nonprofit institutions because banks are more inclined to attract higher-end customers. MFIs paying high average salaries are expected to show the highest employee contributions. Understandably, mission-focused entities may be rather financially inefficient – that is, they have high operating costs and achieve not very high revenues (D’Espallier et al., 2017).

Life cycle theory applied to microfinance shows that MFIs are usually funded with grants, and when they mature, they are more commercially oriented and reduce donations in favour of other sources of funding (Hoque et al., 2011). The age of the MFI is thus expected to be an explanatory factor for interest payments because MFIs can become regulated entities over time. The financial structure of MFIs consists of equity and liabilities. The higher the equity ratio is, the lower the MFI's use of leverage will be and the lower the contribution from the creditors will be. Many MFIs receive donations, which are a free form of funding, so the larger the donations are, the lower the interest payments will be. When an MFI becomes regulated, it usually decreases operating costs and gains in efficiency (D'Espallier et al., 2017). Therefore, it is expected that greater efficiency will be associated with a higher contribution to depositors but a lower contribution in the form of bank interest.

The country context is an important determinant of MFI performance (Ahlin et al., 2011), and, in a similar way, the country where the MFI operates can play a role in determining wages, taxes and the payment of interest paid by MFIs. The theory of social capital justifies a positive relationship between the level of social capital in a country and the performance of the MFIs which operate in it for reasons related to social trust, country fractionalisation and educational level. A positive association exists between social capital and per capita gross domestic product (GDP), employment-to-population ratio and spending on education (Schyns, 2002). Several country-related factors favour the payment of taxes. For example, the corporate tax rate, the shadow economy level (Lee, 2013), the gross domestic product (GDP) per capita (Fuest and Riedel, 2009) and the country's fractionalisation (Postelnicu & Hermes, 2018). A similar effect can be expected on the financial return to employees. Several country characteristics favour the payment of interest. For example, the country's lending rate and the development of the credit market because MFIs can access credit and are not dependent on donations or equity (Berdiev & Saunoris, 2016).

3. Empirical study

Dependent variables

Table 1 shows the variables used and their definitions. First, we calculated the economic value that each stakeholder received, i.e., personnel expenses for employees, taxes for governments, banking interest for banking creditors, and deposits for depositors. However, the largest MFIs contribute the most in salaries, taxes and interest. We opted to scale contributions to control for size effects by dividing the economic value that each stakeholder received by total assets. In this way, we calculated financial ratios, which is a standard approach to assessing the performance of an organisation. The dependent variables are the returns to each of the four stakeholders analysed – that is, financial return to employees (*RTE*), financial return to the government (*RTG*), financial return to depositors (*RTD*) and financial return to banking creditors (*RTB*).

—Table 1—

Independent variables

Measuring mission drift is as difficult as measuring social impact (Mair & Marti, 2006; Mersland et al., 2019). The topic of microfinance mission drift can be understood in two ways; the first is when MFIs deviate from desired social outcomes over time, and the second is when MFIs deviate from their own stated mission (Mersland et al., 2019). We have followed the first approach, using the mission drift proxies standard in MFI studies. Mission drift was measured using two indicators: average loan balance per borrower (*ALB/GNI*) and the percentage of women borrowers (*WOMEN*). Both indicators have been widely used in the literature on mission drift in microfinance (Copestake, 2007; Cull et al., 2007; Hermes et al., 2011). Average loan size is the traditional measure of depth of outreach, which attempts to capture the poverty level of the clients, but also borrower sex (women are preferred) is often used as a simple, indirect proxy for depth of outreach (Schreiner, 2002). The average loan balance per borrower was corrected by the gross national income per capita of the respective country to standardise for the variation in income across countries. Many MFIs include in their missions the empowerment of women, who are associated with poverty in the countries where MFIs operate; consequently, the percentage of women borrowers is usually considered as another mission drift indicator. It can be questioned to what extent these indicators are adequate to measure mission drift (Armendáriz & Szafarz, 2011; Copestake, 2007, Cozarenco et al., 2022; Mersland et al., 2019). Mersland et al. (2019) matched mission statements with the actual practices of microfinance organisations using content analysis. MFIs that

claimed to have a poverty alleviation mission had significantly smaller average loan sizes, and MFIs whose mission statements focused on women had an impressive 80.5% of women in their clientele base.

Control variables

MFI characteristics were measured using several financial indicators. Financial performance indicators for MFIs included operational self-sufficiency (*OSS*), portfolio yield (*YIELD*), equity ratio (*TE/TA*), efficiency (*EXP/REV*), the ratio of gross loan to staff (*LOAN/STAFF*), the average cost per employee (*SALARY/STAFF*), and donations to equity ratio (*DON/TE*). Particular characteristics included firm size, measured by total assets (*TA*), firm age (*AGE*) and type of entity (*TYPE*) as well as dummy variables indicating whether the MFI was financially self-sufficient (*FSS*), was a nonprofit institution (*NONPROFIT*) or was a regulated institution (*REGULATED*). The MFI's home country was represented by a set of dummy variables, one for each country (*COUNTRY*).

Sample and data

Data on MFIs came from the MIX market database covering the period 1999–2017. After deleting observations with missing data, the final sample contained a total of 534 MFIs from 80 different countries. Table 2 shows the distribution of the sample by type of MFI, geographic area, age, financial sustainability, regulation characterisation and profit status.

—Table 2—

Table 3 presents the descriptive statistics for all variables. We winsorised the data to minimise the distortionary effects of outliers. Table 4 presents the Pearson correlation coefficients with levels of significance for the continuous variables. A particularly interesting result is the correlation between the contributions to the four stakeholders, which is small but statistically significant. Three of the six correlation coefficients are negative. For example, the Pearson's correlation coefficient between *RTE* and *RTB* is positive (0.11), but it is negative (−0.16) between *RTE* and *RTD*. This means that it is not possible to simultaneously serve all four stakeholders because their interests are often opposed, and it is logically impossible to maximise in more than one dimension at the same time (Jensen, 2001).

—Table 3—

—Table 4—

Panel data results

We used regression analysis on panel data to test our hypotheses. We chose this technique because of its ability to analyse data with temporal and cross-sectional variability. We used a balanced panel data set with 534 MFIs and six years of observations, which resulted in 3,204 MFI-year observations. Our model explains financial return to stakeholders by mission drift. MFI characteristics and country variables were included as control variables. We developed the following four linear regression equations:

$$RTE_{i,t} = \beta_0 + \beta_1 ALB/GNI_{i,t} + \beta_2 WOMEN_{i,t} + \sum \beta_h MFI_{i,t} + \sum \beta_k COUNTRY_{i,t} + \varepsilon_{i,t} \quad (1)$$

$$RTG_{i,t} = \beta_0 + \beta_1 ALB/GNI_{i,t} + \beta_2 WOMEN_{i,t} + \sum \beta_h MFI_{i,t} + \sum \beta_k COUNTRY_{i,t} + \varepsilon_{i,t} \quad (2)$$

$$RTD_{i,t} = \beta_0 + \beta_1 ALB/GNI_{i,t} + \beta_2 WOMEN_{i,t} + \sum \beta_h MFI_{i,t} + \sum \beta_k COUNTRY_{i,t} + \varepsilon_{i,t} \quad (3)$$

$$RTB_{i,t} = \beta_0 + \beta_1 ALB/GNI_{i,t} + \beta_2 WOMEN_{i,t} + \sum \beta_h MFI_{i,t} + \sum \beta_k COUNTRY_{i,t} + \varepsilon_{i,t} \quad (4)$$

where $i=1, \dots, 534$; and $t=1, \dots, 6$. *RTE* is the financial return to employees for MFI i at year t and so on; *ALB/GNI* is the standardised average loan size; and *WOMEN* is the percentage of female borrowers. *MFI* is a vector of MFI feature control variables, and *COUNTRY* is a vector of variables capturing the country characteristics. Regression models were estimated using pooled OLS and panel data methods. ε_{it} is a composite error term ($\alpha_i + d_t + e_{it}$) that includes: α_i , an MFI-specific component of the error term; d_t , a macroeconomic shock term for events that affect all MFIs; and e_{it} , an idiosyncratic error term.

We used both the fixed-effects model (FE) and the random-effects model (RE) to estimate the panel data. We applied the Hausman χ^2 test to select the appropriate model between FE and RE models. We applied some tests for panel data to test the independence and the identical distribution of errors in the model specification, namely the Wooldridge test for autocorrelation to test serial correlation, the Pesaran test of cross-sectional independence to test contemporaneous cross-sectional correlation and a modified Wald statistic for group-wise heteroscedasticity in the residuals. We used panel-corrected standard error (PCSE) estimates to obtain standard errors for the FE estimator to deal with the problems of serial correlation and heteroscedasticity.

Tables 5 to 8 present the results of the panel data analysis. The first two columns show the results of the estimation of FE and RE models. The third column presents the PCSE. The Hausman χ^2 test rejects the RE estimator (Prob > χ^2 is less than 0.001) in favour of an FE model. The results of the Wald test are significant in all of the regression models (p-values < 0.000), indicating that the error terms exhibit heteroscedasticity. The Wooldridge test and Pesaran test indicate that serial and cross-sectional correlation exists in the error terms (Wooldridge's test p-values < 0.05; Pesaran test p-values < 0.000).

Table 5 reports the results of the model that used the financial return to employees (RTE) as a dependent variable. Results of the data support Hypothesis 1a: a negative relationship exists between average loan size and the return to employees, and Hypothesis 1b, a positive relationship between the percentage of loans to women and the return to employees. The estimated coefficients are significant in most models. In terms of the control variables, the greatest financial return to employees is associated with a typical pattern of a mission-centred MFI – that is, small unregulated entities, not very sustainable, not very productive and burdening borrowers with high margins. As expected, as average salaries increase, so do the financial returns to employees. Results show that there is a country effect.

—Table 5—

Table 6 reports the results of the model that used the financial return to government (RTG) as a dependent variable. Data support Hypothesis 2a: a negative relationship exists between average loan size and the return to government, and Hypothesis 2b, a positive relationship between the percentage of loans to women and the return to government. As for the control variables, the greatest financial return to the government is associated with large and regulated MFIs that are sustainable and do not receive donations. Results show that there is a country effect.

—Table 6—

Tables 7 and 8 show the results of the models that used the financial return to depositors (RTD) and the financial return to banking creditors (RTB) as dependent variables, respectively. Data support Hypothesis 3a: a positive relationship exists between average loan size and the return to depositors, while the relationship between average loan size and banking creditors is negative. Hypothesis 3b is partially supported, a

negative relationship exists between the percentage of loans to women and the return to depositors. Regulated MFIs pay less banking interest than unregulated MFIs because they take deposits, which are a cheaper form of financing than are other liabilities. The larger the MFI, the greater are the financial returns to both depositors and banking creditors. The lower is the leverage, the lower the financial returns to both depositors and banking creditors. Results show that there is a country effect.

—Table 7—

—Table 8—

It can be conjectured that the hypothesised relationships depend on the profit status of the MFI. Therefore, we divided the sample into two subsamples (for-profit and nonprofit). Tables 6–9 show the results of the PCSE regression models. The association between mission drift proxies and return to stakeholders is similar for both subsamples. We also analysed the findings to determine if they were stable in all geographic areas. We divided the samples into six subsamples, one for each geographic area. Some significant differences were found in the relationship between mission drift proxies and return to stakeholders depending on the geographic region.

4. Discussion and Conclusions

This paper offers additional insight into microfinance mission drift, a widely debated issue. The impact of mission drift on customers and donors is well studied (Beisland et al., 2019; Fouillet & Augsburg, 2010; Frank et al., 2008; Pedrini & Ferri, 2016), but our paper analyses the effect of mission drift on employees, the government, micro-savers and banking creditors. Our study is in line with stakeholder theory which states that management should create value, not only for shareholders but also for the remaining stakeholders (Freeman, 1984).

MFI mission drift is generally explained by transaction cost theories (Armendáriz & Szafarz, 2011) and negatively affects borrowers (Fouillet & Augsburg, 2010; Frank et al., 2008). We used the average loan size and the percentage of female borrowers as indicators to measure mission drift. We found a negative relationship between average loan size and return to employees and a positive relationship between women borrowers and return to employees, which is justified because mission-focused MFIs are labour

intensive. We found a negative relationship between average loan size and return to the government and a positive relationship between women borrowers and return to the government, which is consistent with the stress inertia theory that predicts that organisational change causes negative effects on firm performance (Jas and Skelcher, 2005). We found a positive relationship between average loan size and return to micro-savers, and a negative relationship between women borrowers and return to micro-savers, which is justified because mission-focused MFIs are usually unregulated NGOs that cannot collect savings. If the poorest cannot deposit their money in an MFI, alternative ways of channelling savings are rotating savings groups, keeping money at home or even paying private savings collectors. Deposits offer security, pay interest and can be the first step in accessing future loans because of the relationship established with the MFI. The win-win situation would be to continue lending to the poorest but attract deposits, and the way to accomplish this is through regulation. The transformation of an NGO into a bank can be associated with an increase in loan size and a decrease in the percentage of women borrowers (Frank et al., 2008), but this brings advantages such as reduced costs for the institution, which then translate into decreased interest rates for customers (D'Espallier et al., 2017). However, it is not always positive for the institution to opt for regulation, and shifting goals often create confusion and impair performance (Naranjo-Gil et al., 2008). Social capital theory justifies a positive relationship between the level of social capital in a country and the performance of the MFIs operating within it (Chmelíková et al., 2019). The country in which the MFI operates can also be expected to influence the return to stakeholders, as the results of our study show, which is explained because the country where the MFI operates play a role in determining wages, taxes and the payment of interest paid by MFIs.

A management-for-stakeholders approach requires managers to obtain indicators that measure the value created by the MFI for each of its stakeholders. However, when we reviewed the literature on microfinance assessment, we found no well-established indicators that measure the return of MFIs to stakeholders (Coupet et al., 2020; MacIndoe & Barman, 2013). Hudon and Périlleux (2014) studied the surplus that MFIs distribute to stakeholders. Our paper follows their approach, as we calculated the economic value distributed by the MFI, which could be used to review microfinance policies according to the demands of society in general and each stakeholder in particular. Social investors,

public decision makers and microfinance managers responsive to the management-for-stakeholders approach may find both the results obtained and the indicators used in the study to be useful. It would be interesting for social rating agencies to extend their role to other stakeholders, reporting on the return that they receive and using indicators such as those used in our study.

Stakeholders should be taken into account when assessing the performance of MFIs (Mori & Mersland, 2014). However, sometimes stakeholder objectives are incompatible (Jensen, 2001). We found that the correlation coefficients between some of the indicators that measure the return to stakeholders are negative. The win-win MFI model would be a mission-centred institution, labour-intensive, profitable to pay taxes and regulated to collect deposits. Not surprisingly, few MFIs match these criteria and only 12.4% of the analysed sample (66 out of 534). Lowering the financial margin benefits customers but can compromise sustainability, thus harming shareholders. In any financial institution, loan recovery practices are necessary to control delinquency, but an MFI must apply ethical limits. Efficiency gains in an MFI cannot be made at the expense of squeezing employees: a balance has to be achieved. It is difficult to combine the interests of all stakeholders, because sometimes they conflict and management has to make a choice. Ethics and the fulfilment of the mission must guide any social entity and avoid any kind of abuse (Hudon, 2011).

Our paper has several limitations. By using a database with only accounting information, our study focused on financial return and not on other types of social return, such as community impact, sustainability, wellbeing, environmental impact and equality. Stakeholder theory has a broader view which is related to who has a stake in decision making. The fairness of the procedures employed for distribution is as important to stakeholder theory as the final distribution (Phillips et al., 2003). As a future line of research, we expect to incorporate non-financial returns into our model and study the procedures used for distribution and the degree of control within the process. MixMarket database does not capture the entire microfinance sector and is subject to self-selection bias because MFIs voluntarily self-report their data. MixMarket does not provide sufficient detail for accounting items, such as the origin of the subsidies, employee compensation, training expenses and employee benefits. Some MFIs do not have poverty alleviation or lending to women as part of their mission. It would be highly appropriate

to match mission statements with actual practices of microfinance organizations because this approach avoids criticizing MIFs for not doing something they did not set out to do (Mersland et al., 2019). Even so, it is possible to argue that the microfinance sector is drifting if it deviates from desired social outcomes over time.

Another limitation of our study is that it considers all stakeholders to be of equal importance, but they are not (Phillips et al., 2003). It seems reasonable to argue that raising the savings of a poor person excluded from the financial sector and paying for those deposits is a bonus for any social MFI. This is not the same as paying interest to an international bank that lends money to the MFI. An MFI may be inefficient, unproductive, generate little profit and pay few taxes and little interest, but it can still achieve a notable outreach to clients, have a remarkable impact on the community and also generate local employment by hiring many credit officers. This is a multi-objective problem that could be solved by incorporating multi-criteria decision-making techniques. Then, another future line of research could be to study how the return to one stakeholder is related to that of another.

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<i>Variable</i>	<i>Definition</i>
Return to stakeholders	
<i>RTE</i>	Financial return to employees. Personnel expenses to total assets
<i>RTG</i>	Financial return to government. Taxes to total assets
<i>RTD</i>	Financial return to depositors. Interest from depositors to total assets
<i>RTB</i>	Financial return to banking creditors. Banking interest to total assets
Mission drift	
<i>ALB/GNI</i>	Average loan balance per borrower to gross national income (GNI) per capita
<i>WOMEN</i>	Number of active female borrowers to number of active borrowers
Control variables	
<i>OSS</i>	Operational self-sufficiency. Financial revenue to (Financial expense + Net loan loss provision expense + Operating expense)
<i>FSS</i>	1= Financial self-sufficiency; 0= otherwise. An MFI is financially self-sufficient (FSS=1) when Financial revenue is greater than the sum of Financial expense + Operating expense + Net loan loss + Net inflation adjustment + MIX Market subsidy adjustment
<i>YIELD</i>	Portfolio yield. Financial revenue from loan portfolio to gross loan portfolio
<i>LOAN/STAFF</i>	Labour productivity. Number of loans outstanding to number of employees
<i>SALARY/STAFF</i>	Personnel expenses to number of employees. Personnel expenses include staff salaries, bonuses and benefits, as well as employment taxes incurred by the MFI
<i>EXP/REV</i>	Efficiency. Total expenses to financial revenues
<i>TE/TA</i>	Equity ratio. Total equity to total assets
<i>DON/TE</i>	Donations to total equity
<i>TA</i>	Firm size. Total assets
<i>AGE</i>	Firm age. 1=New (1–4 years), 2=Young (4–8 years), 3=Mature (more than 8 years)
<i>TYPE</i>	Type of MFI. 1=Bank; 2=NGO; 3=Other
<i>REGULATED</i>	1=Regulated MFI; 0=Non regulated MFI
<i>NONPROFIT</i>	Profit status. 1=Nonprofit MFI; 0=For-profit MFI
<i>COUNTRY</i>	A set of dummy variables representing the MFI's countries of origin

Table 1. Variables employed and their definitions.

<i>MFI Type</i>	<i>%</i>	<i>Num.</i>
<i>Banks</i>	18.90%	101
<i>NGO</i>	31.65%	169
<i>Others</i>	49.44%	264
<i>Geographic area</i>	<i>%</i>	<i>Num.</i>
<i>Africa</i>	13.30%	71
<i>East Asia and the Pacific</i>	8.80%	47
<i>Eastern Europe and Central Asia</i>	17.42%	93
<i>Latin America and The Caribbean</i>	39.33%	210
<i>Middle East and North Africa</i>	4.12%	22
<i>South Asia</i>	17.04%	91
<i>Age</i>	<i>%</i>	<i>Num.</i>
<i>New</i>	17.40%	93
<i>Young</i>	19.70%	105
<i>Mature</i>	62.90%	336
<i>Financial sustainability (FSS)</i>	<i>%</i>	<i>Num.</i>
<i>Sustainable</i>	61.05%	326
<i>Non Sustainable</i>	39.95%	208
<i>Regulation characterization</i>	<i>%</i>	<i>Num.</i>
<i>Regulated</i>	71.91%	384
<i>Non Regulated</i>	28.09%	150
<i>Profit status</i>	<i>%</i>	<i>Num.</i>
<i>For-profit</i>	44.76%	239
<i>Nonprofit</i>	55.24%	295

Table 2. Sample characteristics.

<i>Variable</i>	<i>25th</i>	<i>Median</i>	<i>75th</i>	<i>Mean</i>	<i>St. Desv.</i>
Return to stakeholders					
<i>RTE</i>	0.044	0.071	0.115	0.091	0.073
<i>RTG</i>	0.000	0.000	0.007	0.005	0.011
<i>RTD</i>	0.000	0.000	0.008	0.008	0.019
<i>RTB</i>	0.024	0.045	0.064	0.051	0.134
Mission drift					
<i>ALB/GNI</i>	0.134	0.321	0.776	0.677	1.119
<i>WOMEN</i>	0.453	0.622	0.884	0.642	0.243
Control variables					
<i>OSS</i>	1.104	1.141	1.262	1.167	0.229
<i>FSS</i>	0.000	1.000	1.000	0.605	0.489
<i>YIELD</i>	0.135	0.199	0.300	0.256	0.242
<i>LOAN/STAFF</i>	74.116	119.36	179.65	141.08	94.36
<i>Ln(LOAN/STAFF)</i>	4.306	4.782	5.191	4.733	0.687
<i>SALARY/STAFF</i>	4,053.83	8,587.65	13,451.7	11,516.9	58,653.8
<i>Ln(SALARY/STAFF)</i>	8.307	9.058	9.507	8.877	0.817
<i>EXP/REV</i>	0.800	0.885	0.968	0.913	0.273
<i>TE/TA</i>	0.151	0.236	0.393	0.298	0.203
<i>DON/TE</i>	0.000	0.000	0.017	0.040	0.261
<i>TA</i>	6,068,773	20,900,000	79,500,000	91,500,000	171,575,103
<i>Ln(TA)</i>	15.558	16.795	18.133	16.860	1.793
<i>AGE</i>	3	3	3	2.818	0.397

Table 3. Descriptive statistics for continuous variables. N=3,204

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
<i>RTE (1)</i>	1													
<i>RTG (2)</i>	0.04**	1												
<i>RTD (3)</i>	-0.16***	-0.03*	1											
<i>RTB (4)</i>	0.11***	0.04*	-0.12***	1										
<i>ALB/GNI (5)</i>	-0.22***	-0.03*	0.08***	-0.03*	1									
<i>WOMEN (6)</i>	0.23***	0.05*	-0.12***	0.04*	-0.35***	1								
<i>OSS (7)</i>	-0.23***	0.29***	-0.02	-0.03*	-0.01	0.03	1							
<i>YIELD (8)</i>	0.53***	0.07***	-0.10***	-0.03*	-0.14***	0.15***	-0.08***	1						
<i>TE/TA (9)</i>	0.26***	0.02	-0.19***	-0.10**	-0.15***	0.10***	0.25***	0.21***	1					
<i>DON/TE (10)</i>	0.11***	-0.05***	-0.05***	-0.02	-0.02	0.08***	-0.20***	0.03	-0.02	1				
<i>Ln(SALARY/STAFF) (11)</i>	0.13***	0.03*	0.10***	0.01	0.11***	-0.41***	-0.12***	0.10***	0.04**	-0.10***	1			
<i>Ln(LOAN/STAFF) (12)</i>	-0.03**	-0.03*	-0.08***	0.01	-0.54***	0.49***	0.19***	-0.03	0.07***	-0.05***	-0.22***	1		
<i>EXP/REV (13)</i>	0.18***	-0.19***	-0.02	0.01	-0.01	0.01	-0.70***	0.05***	-0.10***	0.23***	0.00	-0.11***	1	
<i>Ln(TA) (14)</i>	-0.31***	0.13***	0.26***	0.04**	0.23***	-0.20***	0.07***	-0.18***	-0.45***	-0.12***	0.25***	-0.00	-0.13***	1
<i>AGE (15)</i>	-0.12***	-0.03	0.10***	-0.03	-0.02	-0.08**	0.05**	-0.19**	-0.08***	-0.05**	0.14***	0.06***	-0.10***	0.21***

Table 4. Pearson correlations coefficients. * $p < 0.05$; ** $p < 0.001$

<i>Depend. variable: RTE</i>	Full sample			Profit status		Geographical region					
	Fixed effects	Random Effects	Panel-corrected standard errors	For-profit	Nonprofit	Latin America & The Caribbean	South Asia	Eastern Europe & Central Asia	Sub-Saharan Africa	East Asia & Pacific	Middle East & North Africa
<i>ALB/GNI</i>	-0.003	-0.004	-0.006	-0.006	-0.004	-0.005	0.019	-0.004	-0.001	-0.014	0.014
<i>WOMEN</i>	-0.012	0.042	0.045	-0.005	0.088	0.04	0.016	0.035	0.052	0.162	0.034
<i>MFI features</i>											
<i>REGULATED</i>	--	-0.021	-0.021	-0.016	-0.029	-0.023	-0.003	-0.029	-0.031	0.014	0.012
<i>OSS</i>	-0.003	-0.04	-0.061	-0.082	-0.042	-0.108	-0.034	-0.034	-0.03	-0.034	0.000
<i>YIELD</i>	0.043	0.059	0.051	0.147	0.018	0.212	0.076	0.04	0.034	0.238	-0.002
<i>Ln(SALARY/STAFF)</i>	0.021	0.023	0.025	0.026	0.022	0.008	0.028	0.065	0.013	0.035	0.087
<i>Ln(LOAN/STAFF)</i>	0.002	-0.005	-0.009	-0.015	-0.007	-0.016	-0.009	-0.007	0.006	0.012	-0.054
<i>Ln(TA)</i>	-0.037	-0.011	-0.01	-0.009	-0.009	-0.011	-0.006	-0.008	-0.003	-0.012	-0.024
<i>Intercept</i>	0.698	0.336	0.363	0.342	0.321	0.439	0.261	0.266	0.104	0.070	0.709
<i>Country effects</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>Time effects</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>R-square</i>	0.108	0.572	0.700	0.708	0.793	0.702	0.670	0.724	0.780	0.758	0.865
<i>F test fixed effect</i>	8.62										
<i>Hausman test</i>	125.32										
<i>N obs.</i>	2,978	2,978	2,978	1,350	1,628	1,242	546	444	396	252	98
<i>N MFI</i>	498	498	498	225	273	207	91	74	66	42	18
<i>F /chi2 model</i>	23.11***	1,334.4***	3,924.6***	6,044.9***	1,375.3***	28,053.4***	983.1***	23,139.5***	38,399.5***	15,898.4***	10,347.7***
<i>corr(u_i, X_b)</i>	-0.551	0									
<i>sigma u</i>	0.070	0.032									
<i>Rho</i>	0.779	0.432									
<i>Wooldridge test</i>	F(1,495) = 18.23										
<i>Modified Wald test</i>	χ^2 (498) = 4.4e+07										
<i>Pesaran test</i>	43.132										

Table 5. Data panel regression results for the dependent variable return to employees (RTE). * $p < 0.10$; ** $p < 0.05$; *** $p < 0.001$

<i>Depend. variable: RTG</i>	Full sample			Profit status		Geographical region					
	Fixed effects	Random Effects	Panel-corrected standard errors	For-profit	Nonprofit	Latin America & The Caribbean	South Asia	Eastern Europe & Central Asia	Sub-Saharan Africa	East Asia & Pacific	Middle East & North Africa
<i>ALB/GNI</i>	-0.001	-0.001 ^{***}	-0.001 ^{***}	0.000	0.000	0.000	-0.001	0.000	0.000	-0.005 ^{***}	0.000
<i>WOMEN</i>	0.003	0.001 ^{***}	0.002 ^{***}	-0.001	0.001	0.001	0.007 ^{***}	0.005 ^{***}	-0.001	-0.007	0.001
<i>MFI features</i>											
<i>REGULATED</i>	--	0.003 ^{****}	0.001	0.000	0.000	0.005 ^{****}	0.004 ^{****}	0.005 ^{***}	0.005 ^{**}	-0.003	-0.000
<i>OSS</i>	0.01 ^{****}	0.013 ^{****}	0.015 ^{****}	0.027 ^{****}	0.005 ^{****}	0.021 ^{****}	0.003	0.017 ^{****}	0.007 ^{**}	0.027 ^{****}	0.000
<i>YIELD</i>	0.000	0.001	0.001	0.003	0.001	0.012 ^{****}	-0.004	.003	-0.002 ^{**}	-0.018 ^{****}	-0.000
<i>DON/TE</i>	-0.004 ^{****}	-0.002 ^{***}	-0.003 ^{**}	-0.026 ^{**}	-0.001 ^{****}	-0.003 ^{**}	-0.004 ^{****}	0.013	0.007	0.01 ^{****}	-0.000
<i>Ln(TA)</i>	0.002 ^{****}	0.001 ^{****}	0.001 ^{**}	0.000	0.001 ^{****}	0.001 ^{**}	0.001 ^{****}	0.000	0.002 ^{****}	0.001 ^{****}	-0.000
<i>Intercept</i>	-0.031 ^{****}	-0.024 ^{****}	-0.023 ^{****}	-0.035 ^{****}	-0.013 ^{****}	-0.075 ^{****}	-0.028 ^{****}	-0.01	-0.037 ^{****}	-0.028 ^{***}	0.000
<i>Country effects</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>Time effects</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>R-sq</i>	0.028	0.279	0.285	0.320	0.511	0.251	0.315	0.449	0.186	0.375	0.186
<i>F test fixed effect</i>	5.45 ^{****}										
<i>Hausman test</i>	20.97 ^{***}										
<i>N obs.</i>	3,204	3,204	3,204	1,434	1770	1260	546	558	426	282	132
<i>N MFI</i>	534	534	534	239	295	210	91	93	71	47	19
<i>F/chi2 model</i>	7.01 ^{****}	477.17 ^{****}	20,570.46 ^{****}	13,604.3 ^{****}	19,421.31 ^{****}	13,043.8	2,422.7 ^{****}	9,441.3 ^{****}	6,616.8 ^{****}	6,566.2 ^{****}	118.2 ^{****}
<i>corr(u_i, X_b)</i>	-0.123	0									
<i>sigma u</i>	0.007	0.005									
<i>rho</i>	0.501	0.337	--								
<i>Wooldridge test</i>	F(1, 533) = 15.14 ^{****}										
<i>Modified Wald test</i>	$\chi^2(534) = 2.6e+07****$										
<i>Pesaran test</i>	69.27 ^{****}										

Table 6. Data panel regression results for the dependent variable return to government (RTG). * $p < 0.10$; ** $p < 0.05$; *** $p < 0.001$

<i>Depend. variable: RTD</i>	Full sample			Profit status		Geographical region					
	Fixed effects	Random Effects	Panel-corrected standard errors	For-profit	Nonprofit	Latin America & The Caribbean	South Asia	Eastern Europe & Central Asia	Sub-Saharan Africa	East Asia & Pacific	Middle East & North Africa
<i>ALB/GNI</i>	0.001	0.001	0.001 ^{***}	0.001 ^{***}	-0.000	0.000	0.001	0.000	0.000	0.004 ^{***}	-0.002
<i>WOMEN</i>	-0.141 ^{**}	-0.006 ^{**}	-0.004 [*]	-0.010 ^{***}	-0.000	-0.006 [*]	0.001	0.000	-0.003	-0.016 ^{***}	0.027
<i>MFI features</i>											
<i>REGULATED</i>	--	0.088 ^{**}	0.319 ^{***}	0.023 ^{**}	0.032 ^{**}	0.102	0.010 ^{**}	0.441	0.023 ^{**}	-0.081	-0.012
<i>OSS</i>	-0.12	-0.317 ^{***}	-0.292 ^{***}	-0.552	-0.234	0.102	-0.008 ^{***}	-1.214	0.002	-0.475	0.009
<i>TE/TA</i>	0.388	-0.548 ^{***}	-0.731 ^{***}	-0.022	-1.051	0.043	-0.014 ^{***}	-3.706	-0.006 ^{***}	0.045	-0.012
<i>DON/TE</i>	-0.097	-0.040	-0.032	0.539	-0.135	0.023	-0.002	-1.408	-0.006	-0.682 ^{***}	-0.063 [*]
<i>AGE</i>	0.470	0.155	0.112	-0.024	0.788	-0.043	0.002 ^{***}	1.556	0.001	-0.268 [*]	-0.020 ^{**}
<i>LN(TA)</i>	0.076	0.158 ^{**}	0.196 ^{**}	0.127 ^{**}	0.104	0.024	0.002 ^{**}	-0.517 [*]	0.001 ^{**}	-0.023	0.001
<i>Intercept</i>	-0.566	0.283 ^{**}	0.267 ^{***}	1.910	-3.101	-0.124	-0.046 ^{***}	4.322	-0.017 ^{**}	1.309 [*]	0.053
<i>Country effects</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>Time effects</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<i>R-sq</i>	0.001	0.019	0.019	0.067	0.037	0.028	0.199	0.025	0.245	0.122	0.215
<i>F test fixed effect</i>	3.71 ^{***}	--	--								
<i>Hausman test</i>	5.86										
<i>N obs.</i>	3,204	3,204	3,204	1,434	1,770	1260	546	558	426	282	132
<i>N MFI</i>	534	534	534	239	295	210	91	93	71	47	22
<i>F/chi2 model</i>	0.41	55.19	16,909,27 ^{***}	282.4 ^{***}	239.6 ^{***}	2,144.8 ^{***}	15,542.5 ^{***}	147.51 ^{***}	943.4 ^{***}	444.1 ^{***}	319.17 ^{***}
<i>corr(u_i, X_b)</i>	-0.198	0									
<i>sigma u</i>	2.314	0.717									
<i>Rho</i>	0.153	0.017									
<i>Wooldridge test</i>	F(1, 533) = 0.708										
<i>Modified Wald test</i>	$\chi^2(534) = 1.1e+09$ ^{***}										
<i>Pesaran test</i>	667,33 ^{***}										

Table 7. Data panel regression results for the dependent variable return to depositors (RTD). * $p < 0.10$; ** $p < 0.05$; *** $p < 0.001$

<i>Depend. variable: RTB</i>	Full sample			Profit status		Geographical region						
	Fixed effects	Random Effects	Panel-corrected standard errors	For-profit	Nonprofit	Latin America & The Caribbean	South Asia	Eastern Europe & Central Asia	Sub-Saharan Africa	East Asia & Pacific	Middle East & North Africa	
<i>ALB/GNI</i>	-0.004	-0.002	-0.007 ^{***}	0.000	-0.012 ^{***}	-0.009 [*]	-0.004	-0.003	0.002	-0.006 ^{**}	-0.01	
<i>WOMEN</i>	0.002	0.001	0.026	0.004	0.009	0.016	-0.027	0.002	0.017 [*]	-0.012	-0.012 [*]	
<i>MFI features</i>												
<i>REGULATED</i>	--	-0.033 ^{**}	-0.101 ^{**}	-0.012 ^{**}	-0.049 ^{**}	-0.034 ^{**}	-0.027	0.003	0.007	-0.082 ^{**}	-0.022 ^{**}	
<i>OSS</i>	0.011	-0.006	0.003	-0.021 ^{**}	-0.013	0.005	0.019	-0.016 ^{**}	0.006	-0.010	-0.019 ^{**}	
<i>TE/TA</i>	-0.092 ^{***}	-0.069 ^{***}	-0.092 ^{***}	-0.052 ^{***}	-0.111 ^{***}	-0.071 ^{***}	-0.021 ^{***}	-0.02	-0.046 ^{***}	-0.05 ^{***}	-0.046 ^{***}	
<i>DON/TE</i>	-0.015	-0.013	-0.014 ^{***}	-0.033 ^{***}	-0.022 ^{***}	-0.011 ^{***}	-0.108	-0.078 ^{***}	0.011	-0.021 ^{***}	-0.027	
<i>AGE</i>	0.025 [*]	0.013 [*]	0.041 ^{**}	0.013 ^{***}	0.17 ^{**}	0.191 ^{***}	0.004 [*]	0.013 [*]	0.007	0.007 ^{***}	0.004	
<i>LN(TA)</i>	0.020 ^{**}	0.002	0.004 [*]	0.001	0.005	0.007 ^{**}	0.024	0.000	0.003	0.001	0.000	
<i>Intercept</i>	0.558 ^{***}	0.153 ^{**}	0.272 ^{**}	0.061 ^{**}	0.047 ^{**}	0.659 ^{***}	0.331 ^{**}	0.027	0.050	0.069 ^{**}	0.088 ^{**}	
<i>Country effects</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
<i>Time effects</i>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
<i>R-sq</i>	0.102	0.159	0.229	0.664	0.195	0.169	0.235	0.513	0.427	0.744	0.748	
<i>F test fixed effect</i>	1.8 ^{***}	--										
<i>Hausman test</i>	7.06											
<i>N obs.</i>	3,204	3,204	3,204	1,434	1770	1260	546	558	426	282	132	
<i>N MFI</i>	534	534	534	239	295	210	91	93	71	47	22	
<i>F/chi2 model</i>	1.93 ^{**}	102.4	8,146.15 ^{***}	15,231.2 ^{***}	5,956.33 ^{***}	8,628.79 ^{***}	5,887.6 ^{***}	91,318.9 ^{***}	8,788.8 ^{***}	10,389.1 ^{***}	1,576.6 ^{***}	
<i>corr(u_i, X_b)</i>	-0.477	0										
<i>sigma u</i>	0.072	0.033										
<i>Rho</i>	0.236	0.062										
<i>Wooldridge test</i>	F(1, 422) = 298.046 ^{***}											
<i>Modified Wald test</i>	$\chi^2(423) = 8e+07$ ^{***}											
<i>Pesaran test</i>	199.62 ^{***}											

Table 8. Data panel regression results for the dependent variable return to banking creditors (RTB). * $p < 0.10$; ** $p < 0.05$; *** $p < 0.001$