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Effect of Governance on the Performance of Selected Indian Microfinance Institutions: An Empirical Study

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Abstract
Corporate Governance has assumed heightened proportions in India, probably due to great push by the Andhra Pradesh crisis during the year 2010 to embrace corporate governance in order to attract the confidence of investors & other Stakeholders again and improve shareholders values in microfinance sector. Hence, this study attempts to study the impact of various internal governance mechanisms on the performance of Microfinance Institutions along with the effectiveness of board. The study is based on secondary data on governance and financial information covering the period from 2009-2013 and data has been collected from annual report and Mix market database. The corporate governance variable under investigation includes board size, female board, Independent director Proportion, number of board meetings, CEO duality and Board committee. Descriptive statistics, correlation and multiple regressions were used to analysis of data empirically for drawing the inference. After analysing empirically the association of internal governance mechanism and ROA as used proxy measure for performance, it is found that Board meeting, female board and proportion of Independent director indicates positive impact on the performance of NBFC-MFIs and there may be no effect of Board size, CEO duality and Board committee on ROA. Board diversity of a moderate board size with a considerable number of women should be encouraged in order to maintain relatively independent boards which enhance MFI performance. Also the separation of board chairman and CEO positions is vital in MFIs because this minimizes the tension between CEO and board members and it also reduces conflict of interest from the CEO. It was evident that MFI performance is enhanced with the presence of female Board; a Board is likely to attract more women to invest in MFI thus allow the MFI to increase profitability. The participation of independent director also encourages as they are experts in various financial related issues and due to having no any pecuniary interest in the MFIs, they take desirable decision independently for the institution.
Keywords: Corporate governance, Internal Governance mechanism, Financial Performance, Microfinance Institutions

1. Introduction

Corporate governance is related to an institution's internal operating and control procedures. It plays a key role in providing strategic direction which helps the institutions in creating transparency and trust for investors and in attracting capital. Good corporate governance contributes to efficient management and to considering stakeholder interests, boosting the microfinance institution's reputation and integrity and fostering the customer trust. In last few years, Microfinance Industries significantly changes its shape, due to several reasons in which corporate governance also one of them which plays a pivot role to enhance the performance of Microfinance institutions. Effective Governance of these institutions is necessary due to its complex business as it provides thrift, credit and other financial services and products of very small amounts mainly to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve a living standard which leads to socio and economic development of the country. Majority of MFIs have a dual mission, i.e. a social mission - to provide financial services to large numbers of low-income persons to improve their welfare, and a commercial mission -to provide those financial services in a financially viable manner. Maintaining and balancing both at the same time is very challenging and complex task for the board of directors and senior management who provides strategic vision to the institutions. Recent Andhra crises and institutional failures have also exposed important governance weaknesses. Poor corporate governance has been widely viewed as one of the structural weaknesses that were responsible for the outbreak of the 2010 Andhra Pradesh crisis in Microfinance Industry due to which they lose their trust and interest among the investors and other stakeholder leads to insufficiency of capital. Therefore, Microfinance institutions are again adopting best corporate practices to increase the investors' confidence as well as other stakeholders.

During the last two decades, there is a tremendously development of the microfinance industry and its role in the economic growth of developing countries. This success can be attributed to their ability to grant small loans to those excluded from the formal banking sector due to lack of collateral. However, MFIs find themselves in a critical situation because of weak governance structure and lack of unified code of conduct. The governance

problems are thorny. They put in danger the viability and the sustainability of the MFIs that, after granting loans, fail to cover their capital. After Andhra Pradesh crisis, most of MFIs feels that they lost their image as well as the interest of their stakeholder including employees, investors, creditors, suppliers, local communities, customers, and policy makers. It is happening due to lack of proper regulation by a sole regulator and unified code of conduct. To regain the interest of their stakeholder, it is very essential to have an effective governance and organized structure of management.

World Bank defines the concept "governance" as the rule of the rulers, typically within a given set of rules. It relates to processes and decisions that seek to define actions grant power and verify performance. In the context of corporate organizations, Governance is the system of rules, practices and processes by which a company is directed and controlled. Corporate governance essentially involves attracting the interest of investors as well as balancing the interests of the many stakeholders in a company - these include its shareholders, management, customers, suppliers, financiers, government and the community. Since corporate governance also provides the framework for attaining a company's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure. Well-executed corporate governance should be similar to a police department's internal affairs unit, weeding out and eliminating problems with extreme prejudice. A company can also hold meetings with internal members, such as shareholders and debt holders – as well as suppliers, customers and community leaders, to address the request and needs of the affected parties.

It is of paramount importance to a company and is almost as important as its primary business plan. When executed effectively, it can prevent corporate scandals, fraud and the civil and criminal liability of the company. It also enhances a company's image in the public eye as a self-policing company that is responsible and worthy of shareholder and debt holder capital. It dictates the shared philosophy, practices and culture of an organization and its employees. A corporation without a system of corporate governance is often regarded as a body without a soul or conscience. Corporate governance keeps a company honest and out of trouble. If this shared philosophy breaks down, then corners will be cut, products will be defective and management will grow complacent and corrupt. The end result is a fall that will occur when gravity – in the form of audited financial reports, criminal investigations and federal probes – finally catches up, bankrupting the company overnight. Dishonest and unethical dealings can cause shareholders to flee out of fear, distrust and disgust.

Governing bodies define and uphold the organization's goals and mission, guide major strategic directions, manage risks, maintain an organization's health over time, and ensure accountability throughout the organization. Some key pillars of good governance include risk assessment and management, internal control systems, ethics and fraud prevention strategy, and transparency and trust. So let us look at the question why good governance is important to you. It is important because good governance can help your institution:

- Prevent fraud and mismanagement
- Promote sound decision making
- Avoid costly fines and litigation
- Create/maintain a positive corporate image
- Attract and retain clients
- Attract and retain financing and investment (from commercial banks)

Board of directors of the institutions is the crucial element of Corporate Governance who define and uphold the social mission and purpose of the MFIs, develop and approve strategic direction (with management),monitor achievement of strategic goals, foster effective organizational planning, including succession planning and also ensure that the MFIs manages risks effectively; assume fiduciary responsibility. They oversee management performance, including selection, support, evaluation, and compensation of the chief executive officer (CEO) and ensure adequate resources to achieve the mission, including assistance in raising of equity and debt. They also represent the MFIs to the community and the public and ensure that the organization fulfil its responsibilities to the larger community along with the organization changes to meet emerging conditions; particularly in times of distress, temporarily assume management responsibilities. They uphold the ethical standards of the organization, with transparency and avoidance of conflicts of interest. They represent the interests of the MFIs as a whole and not those of one shareholder or group of shareholders. Effective governance occurs when a board provides proper guidance to management regarding the strategic direction for the institution, and oversees management's effort to move in the direction of the approved strategy. Therefore, Board with more skills, competencies, philosophies and life experience are very essential for the performance of microfinance institutions as they offer a depth and breadth of insight, better decision, perspective and experience to the institutions.

2. Objective of the study

The study mainly focuses on the Board and internal governance mechanism of microfinance institutions that affects directly or indirectly the day to day functioning of the business. Following are the objective of this paper:

- To study the impact of various internal governance mechanism on the performance of Microfinance Institutions.
- To analyze the effectiveness of Board in the governance structures for the performance of Microfinance Institutions.

3. Hypothesis

The null hypothesis of the study is that there is no effect of the various determinants of internal governance mechanism on Return on Asset.

4. Review of Literature

Microfinance is now a public agenda and good governance holds the key for sustainability of growth in this sector. The lack of corporate governance standards is one of the main challenges facing the microfinance sector in our country. Good governance is necessity for any institution to secure long term sustainability, to align policies and strategies with institution mission or goals and also contributes to efficient management considering stakeholder interests, boosting the microfinance institution's reputation and integrity and fostering customer trust. Zeller & Meyer (2002) points out Efficient governance is the best determinant of MFI performance, whether owned by the public or the private sector.The empirical studies concerned to Corporate Governance and firm financial performance is the most controversial issue normally faced by policy makers now-a-days (Mather & Andersson, 2000). The Corporate Governance literature is a dynamic in nature and largely expanding and there is not any model and theory of Corporate Governance and firm financial performance which could be applicable to all the firms (John & Senbet, 1998). Many more studies in the field of Corporate Governance have been carried out around the world and attempted to establish an empirical relationship between Corporate Governance and Firm financial performance even though the results of different empirical analysis were not uniform. The following paragraph presents the literature review briefly with regard to microfinance institutions in the areas of sustainability and governance in different parts of the world:

Fundamental to good governance is the ability of the directors to work in coordination in order to balance the strategic and operational responsibilities. Effective governance depends upon the guidance provided by a Board to manage the strategic issues and oversea the management in carrying out strategic plan. Good governance requires the board to focus on the three majors areas of responsibilities (K. Shivkumar 2007):-

1. Management accountability
2. Strategic planning and policy making
3. Self regulation

Roy Mersland and R. oystein Strom (2007) studied the effect of corporate governance in microfinance institutions (MFIs).They analyzed the relationship between performance and corporate governance in microfinance institutions (MFI) utilizing a self constructed global data set on MFIs, collected from third-party rating agencies. Their results show that split roles of CEO and chairman, a female CEO, and competition are important explanations. They were not found any difference between non-profit organizations and shareholder firms in financial performance and outreach and MFIs need to improve top management characteristics just as much as ordinary firms. CEO/chairman duality is associated with a lower ROA and higher operational costs, but a female CEO with higher ROA and lower operational costs.

Roy Mersland (2009) observed that better corporate governance of MFIs has been identified as a key to enhancing the viability of the industry. His findings indicated that monitoring by bank associations, depositors, donors, and local communities was important in securing the survival of savings banks. In addition, a willingness to expand their mission to serve wealthier customers alongside the poor helped the banks become financially viable. Their findings could prompt a rethinking of microfinance governance, which stresses regulation, for-profit ownership, and traditional vertical board control to identify the corporate governance mechanisms influencing the performance of MFIs.

Pamela N. Kansiime (2009*)* observed that without corporate governance, MFIs stand to lose funding from investors, donors, and public trusts, with the possible worst case scenario of business closure. Companies must adhere to the laws and business ethics in order to build and restore public confidence. Moreover Government is hesitant to interfere in microfinance operations because government is a strong supporter of microfinance activities because of their role in reducing and eradicating poverty. That's why MFIs suffer more.

Anthony Kyereboah-Coleman and Kofi A. Osei (2007) examined how selected governance indicators impact on performance measures of outreach and profitability in microfinance institutions (MFIs). Further he found that governance plays a critical role in the performance of MFIs and that the independence of the board and a clear separation of the positions of a CEO and board chairperson have a positive correlation with both performance

measures.

Mori & Olomi (2012) explored and examined the effects of the governing board on the social and financial performance of MFIs. They examined the effect of specific board member characteristics (external representation, international source, education, and gender) on the economic and social performance of the MFI through a survey of 337 board members in Kenya and Tanzania. The pilot study established that although MFI board members are largely aware of their role, a few are either not aware or assertive enough, and this impacts the extent of their influence. Contrary to expectations, less educated, female, and local directors bring about superior financial and social performance of MFIs.

Ben Soltane Bassem (2009) examined empirically the relation between governance mechanisms and the performance of Euro- Mediterranean microfinance institutions (MFIs) in terms of outreach and sustainability and results identified that trade-offs between MFIs outreach and sustainability depending on larger board size, and on higher proportion of unaffiliated directors. Moreover, the study also showed that the more women there are on the board the better the performance, and reveals that external governance mechanisms help MFIs to achieve better financial performance.

Neema Mori (2014) explored the effect of board of directors' characteristics (age, gender, and education) on their ability to effectively perform their board roles (monitoring and resource provision). They used the agency theory and resource dependence theory by a survey conducted with 105 board directors representing 63 microfinance institutions from three East African countries (Kenya, Tanzania, and Uganda) to test the empirical relationship between directors' characteristics and boards' performance found that there is a positive relationship between directors' age and their ability to monitor and provide the board with resources. The study also revealed that the effect of directors' level of education on boards' performance is positive, while no evidence was found with regard to the effect of female directors on boards. The findings imply that board directors need to be appointed based on their personal characteristics and their ability to perform their roles.

Figure1. Summary of Literature Review

Sl.No	Authors	Findings
1.	Anthony et. al. (2010)	There is no association between the position of corporate governance and their financial performance.
2.	Zeller & Richard L. Meyer (2002)	Efficient governance is the best determinant of MFI performance, whether owned by the public or the private sector.
3.	Neema Mori and Donath Olomi (2012)	Board composition is an important determinant of its effectiveness and the performance of an organization
4.	Roy O strom and Mersland (2007)	Board’s size has no effect on ROA, CEO duality is associated with lower ROA, International director and Female Board and CEO have positive impact.
5.	Ben Soltane Bassem (2009)	More Female Board and Independent director has better performance and Board committee have no effect on ROA
6.	Hartarska (2005)	CEO duality leads to less financial viable; Board size, board meeting also has not affected ROA and Board committee little has an impact.
7.	Anthony and Osei (2007)	Governance plays a critical role in the performance of MFIs. Independence of the Board and separation of CEO and Chairperson have positive impact.

After reviewing various literatures of eminent authors it is found that none of the literatures cited an in-depth treatment, as far as the studies have least ascertained the lacuna in this area and thereby the study of impact of governance issues on the MFIs’ performance is needed. This study shall thus, identify the various governance issues or aspects based on which performance becomes a matter of concern. The limited numbers of researches available indicate a need for the study that shall examine, whether good governance in Micro Finance Institutions (MFIs) is important in defining the Role of CEOs/Board/Chairperson/Promoters to create or maintain a positive image in the society, which will attract and retain customers and thereby companies leads to good performance.

5. Data and methodology

Microfinance Institutions are categories on the basis of Legal form as Non-Profit Companies register under Section 25, Companies Act, 1956; NGOs MFIs registered under registered under Indian Trust Act, 1882 and Society act, 1860. Mutual Benefits MFIs- under Mutually Aided Cooperative Societies (MACS) Act and NBFC-MFIs- registered under Company act, 1956 and regulated by RBI. Among all, NBFC-MFIs constitute over 90% share in the Indian microfinance industry. Thus, the study has been conducted on 17 NBFC-MFIs registered in RBI, based on secondary data on governance and financial information covering the period from 2009-2013 which has been collected from annual report and financial statement of individual MFIs available in their web

site and Mix market database, USA. The corporate governance variable under investigation includes board size, female board, and Independent director size, number of board meetings, CEO duality and Board committee. Descriptive statistics are used to describe the variables during the study period and correlation and multiple regressions were used for the year 2013 to show the impact of internal governance mechanism on the performance of NBFC-MFIs for drawing the inferences and suggestions. While the MFI performance was measured by Return on Assets (ROA) which are calculated by following equation:
Return on Assets (ROA) = (Net Profit/ Average Assets)*100

6. Result and Discussion

Table 1: Descriptive Statistics

	Board size	Female Board	Independent director	Board meeting	Board committee	ROA
2009						
Mean	6.470588	1.058824	2.764706	6.529412	3.705882	4.438235
Std. Dev.	2.034627	1.028992	1.678147	4.784319	1.57181	11.17783
Minimum	4	0	0	4	2	-9.13
Maximum	10	3	6	21	8	41.91
2010						
Mean	6.588235	1.176471	2.647059	5.470588	4.058824	-0.28647
Std. Dev.	2.15229	0.951006	1.617914	2.64852	1.712841	7.951533
Minimum	4	0	0	4	2	-20.75
Maximum	10	3	6	15	8	4
2011						
Mean	6.823529	1.117647	2.941176	5.823529	4.470588	1.824118
Std. Dev.	2.007339	0.92752	1.748949	3.486318	2.095162	2.677193
Minimum	4	0	0	4	2	-5.89
Maximum	10	3	6	16	9	5.32
2012						
Mean	6.647059	1.176471	2.941176	5.058824	4.529412	-1.10882
Std. Dev.	1.765686	0.882843	1.748949	1.599632	1.624717	11.93182
Minimum	4	0	0	4	3	-46.74
Maximum	11	3	7	8	8	6.44
2013						
Mean	7.058824	1.352941	3.058824	5.411765	4.941176	0.935294
Std. Dev.	2.304088	0.785905	1.784327	3.123676	1.784327	4.513566
Minimum	4	0	0	4	3	-15.77
Maximum	11	3	8	17	8	4.86

Note: Std. Dev. Means Standard Deviation

The Table 2 presented above describes the minimum and maximum board size and its composition (i.e., number of female board & size of independent director), board meeting, Board committee as well as return on assets (ROA) during the study period. The mean values tell about the average size of board, female board, independent director, board meeting, board committee and ROA and standard deviation has been used to analyze the variations in the board size and composition as well as in ROA. The overall picture of size of board has been seen the minimum board size during the study period is same i.e. 4 whereas the maximum board size is 10 up to the year 2011 but it increases to 11 in the year 2011-12 and 2012-13, indicates that the maximum value of board size increases by 9 per cent approximately. The maximum participation of female board among MFIs is only 30 % and most of the MFIs are giving chance to at-least 1 female to participate as board but still in few MFIs there is no any participation of female board member. By table, we can also say about the maximum participation of independent director in board has been 60% which increased to 72% after the year 2010-11 in total board. The participation of independent director is very essential as they are experts in various related issues and due to having any pecuniary interest in the MFIs, they take desirable decision independently for the institution. NBFC MFIs are expected to have two / three Independent Directors but table showing that there are few MFIs who still follows the old tradition due to having non- mandatory regulation.

Moreover, all the MFIs have been conducted at least 4 board meeting per year as required by followed by the listed companies but maximum number of board meeting increase to 21, 15, 16 and 17 in the year in the year 2009, 2010, 2012 and 2013 respectively showing that MFIs' board has been contributed their effort and time properly as required by the company but competitive market is not stable and external factors like government, investor, stakeholder, funder as well as borrower affecting the sector. The minimum number of

board committee is 4 during the period but it maximum number is 8 during all the study period and their average size of board committee is 5 approximately which indicates that the MFIs' board has been actively made board committee who are expert in specific areas like the Audit Committee, Shareholders'/ Investors' Grievance Committee, Loan grievances committee, Remuneration & Compensation Committee, Nomination Committee, Asset Liability Management Committee and Risk Management Committee for the dealing the specific issue in their concerned areas. ROA has been taken as proxy measure for the of NBFC-MFI's performance and efficiency. The minimum value of ROA is negative during the study period and maximum values is positive about more than 5% indicates that there is obvious few MFIs which has been pursued losses as well as some has been capable to maintain positive ROA during the study period. The average figure has been shown the positive except the year 2009-10 and 2011-12 argued that during the period of Andhra Pradesh crisis, most of the MFIs had been in difficulty to sustain their dual mission (i.e. maximum outreach and financial viable). The minimum value of ROA has been ranges from -5.89 to -46.74 and the maximum value ranges from 4% to 6.44% and the Standard Deviation values indicate that there is a huge variation in the ROA.

Table2 Correlation matrix for the year 2013

	Board Size	*female board*	*Independent director*	*CEO duality*	*Board meeting*	*Board committee*	*ROA*
Board Size	1						
female board	0.092	1					
Independent director	0.698*	-0.329	1				
CEO duality	-0.130	-0.219	0.040	1			
Board meeting	-0.291	-0.158	-0.117	-0.202	1		
Board committee	0.685*	0.149	0.550*	0.168	-0.265	1	
ROA	0.116	0.121	0.668*	-0.305	0.691*	-0.557*	1

** denotes High correlation*

The above correlation matrix shows that proportion of independent directors on boards and board meeting has high positive correlation with the board size. It could be because as the board size increases, the proportion on independent directors also increases or vice-versa. Moreover, ROA has very low positively relation with Board Size and there is very low positive relationship between board size & female board with ROA. It is also found that there is very low negative correlation seen between CEO duality and firm performance along with moderately high negative relations of board committee with MFI's performance. From the above analysis suggests that some variables among the selected internal governance mechanism affecting positively as well as negatively to the microfinance performance. An assessment of the normality of data is a prerequisite for many statistical tests because normal data is an underlying assumption in parametric testing. For testing normality, the Shapiro-Wilk test is used. The p-value is more that 5% level of significance. We can reject the alternative hypothesis and conclude that the data comes from a normal distribution.

Table3. Descriptions of Variables

Variables	**Description**	**Expected Sign**
Board Size	Total number of director on the composition of board of directors.	+
Female board	The number of women directors on the composition of total number of directors.	+
Independent Director	The number of independent non-executive directors on the board relative to the total number of directors.	+
CEO duality	Separation of Board from management. Variable equal to "1" if the CEO is also the chair of the board and "0" otherwise.	-
Board meeting	The frequency number of meetings during a year for the board directors.	+
Board committee	The commitment of the board is measured by the attendance of the board meeting.	-

The estimated equation is as follows:

ROA = $\beta_0 + \beta_1$ Board Size + β_2 Female board + β_3 Independent director - β_4 CEO duality + β_5 Board meeting - β_6 Board committee +**u**

Table4. OLS- Multiple Regressions Model Result.

Variables	Coefficient
C	4.880 (0.419)
Board Size	0.113 (0.881)
Female Board	5.750* (0.0024)
Independent Director	2.102* (0.0317)
CEO Duality	-0.161 (0.951)
Board meeting	0.675** (0.0775)
Board committee	-1.425 (0.116)
F statistic	49.07(0.0064)
R-squared	0.538

Note: ** 5% level of significance **10% level of significance*

- Table 4 have shown the impact of internal governance mechanism on the performance of MFIs. Since, p-value is more than 0.05 and 0.10 respectively; the null hypothesis cannot be rejected. Thus, there may be no effect of Board size, CEO duality and Board committee on ROA.
- The Probability value of Board meeting, female board and Independent director is significant at 5% level of significance and 10% level of significance respectively which indicate that there is positive impact on the performance of NBFC-MFIs (Hartarska, 2005 & Ben Soltane Bassem, 2009). F statistics is also showing all the variables jointly affected the performance of MFIs. Thus, Female Board, Independent director and Board meeting have an effect on ROA.
- 41% percent of selected MFIs had CEO serving as board chairman and it was also found to have a negative impact on MFI performance which suggests that chairman of board and CEO by a same person has dominated the board of MFIs would affect the performance negatively while taking the decision. Number of Board committee has been also negatively affected the performance would suggest there should be desirable number of committee maintain by each MFIs because more board committee may enhance the staff productivity but not give directly significant impact on the performance of MFIs (Micol Pistel et.al, 2012).

7. Conclusion and Suggestion

Through this study an attempt is made to test the relationship between internal governance mechanism and the performance (ROA) of the selected Indian microfinance institutions. Effective corporate governance has been identified as a crucial bottleneck in enhancing many MFIs' financial performance and expanding their outreach in the market. While using the data extracted from the annual report, it is found that all the internal governance mechanism does not affect the performance of MFIs in the same way. It varies from one to another due to having different size and coverage of their business. This study also shows board size does not significantly impact the performance indicates there is consistency in the relationship between board size. So, Larger board are better for the MFIs performance since members have a range of expertise to help to make better decision and harder for the powerful to dominate. (Ben Soltane Bassem, 2009).

Board diversity also enhances performance and again the more women there are on the board, the better the performance. Thus, board diversity is paramount for enhance performance of microfinance institutions. The participation of independent director is very essential as they are experts in various related issues and due to having any pecuniary interest in the MFIs, they take desirable decision independently for the institution. NBFC MFIs are expected to have two / three Independent Directors but table showing that there are few MFIs who still follows the old tradition due to having non- mandatory regulation. The number of board meeting also affects the performance as MFIs' board has been contributed their effort and time properly as required by the company but competitive market is not stable and external factors like government, investor, stakeholder, funder as well as borrower affecting the sector. From above discussion, it is also suggested that NBFC-MFIs should follow the master circular for corporate governance issued for the NBFCs by the RBI for effective governance. The board should consist of members who have a diversity of skills, including financial, legal and managerial expertise, to give effective guidance to senior management and to critically analyze management's plans and reports. There is no magic formula for board composition.

Although this study brings relationship among few internal governance variables with performance of MFIs, Several internal mechanism i.e. Board committee meetings, participation of stakeholder in Board, nominee director, Board qualification, board experiences, internal auditor, ownership structure etc. remain unexplored. This study does not include control variable such as age of MFIs, Size, Gross loan portfolio etc. that also affect the MFIs performance while governing. This study also does not relevant for all the MFIs as Only NBFC- MFIs are taken for the study.

Finally we can conclude that boards are effective if participation of female board and Independent director are more. So, MFIs should encourage the participation of female Board and Independent directors in composition of Board. NBFC-MFIs should comply with the master circular for corporate governance, NBFC-MFIs- Directions and Fair Practices Code which are issued by the RBI for effective governance. NBFC-MFIs are encouraged to voluntarily become members of at least one SRO for effective monitoring. Regular assessment of individual board also required for Board effectiveness. NBFC- MFIs should also disclose the corporate governance standards viz; in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions either in a separate report or on website.

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