Does External Stakeholder Orientation in Corporate Governance Influence in Sustainability and Outreach of Microfinance Institutions?

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Abstract:
This is a literature based desk study that evaluates the role of external stakeholders in governance of Microfinance Institutions (MFIs) in reaching their double bottom line objectives. Specifically it tries to identify who are the external stakeholders, roles of these stakeholders in corporate governance and how these stakeholders influence outreach and sustainability of MFIs. Overall observation is that external stakeholder orientation in board does not ensure financial performance rather than social performance. Regulation and supervision, external rating, external auditing and reporting, international orientation and professional affiliation do not help in increasing profitability, however, sometimes help in deeper outreach. Competition worsens MFIs financial performance but sometimes improve organizational efficiency. There are different types of stakeholders in MFIs and due to their atypical operational formats. The involvement of external stakeholders is different than that of corporations due to their different operational and funding structures which is important to address. This study tries to address this issue.
Keywords: external stakeholders, sustainability, outreach, MFIs.

1. Introduction:

The landscape of microfinance is changing worldwide with institutional transformation, product diversification, and portfolio growth. There are different types of *Microfinance Institutions* (MFIs) operating in terms of ownership, organizational composition and funding. Today's MFIs are mostly complicated with their funding profiles; they are not owned by typical shareholders as MFIs are dependent on different entities such as donors, philanthropic organizations, individuals, socially responsible investors, commercial institutions, commercial investors, and retail savings (Pugliese, 2010). MFIs work with dual mission: social and financial. Hence, traditional agency based governance mechanism matter less in MFIs; it require stakeholder orientation. Majority of its stakeholders are external. So, external stakeholder oriented governance mechanism is important for their sustainability. Present study identifies the role of external stakeholder orientation in MFI governance on its dual missions: sustainability and outreach.

Good governance is important for traditional corporations. But it is not fully applicable to microfinance institutions as the objectives, operations, composition and market of MFIs are not same as that of conventional counterparts (Mersland and Strom 2009a, 2009b; Hartarska, 2005). Linking governance with performance by considering numerous other factors (Lynall *et al.,* 2003; Wirtz, 2011) does not properly account in conventional governance in the form of board composition due to *endogeneity* problem or agency problem (Hermalin and Weisbach, 2003; Mersland, 2011). According to Arum and Annim, (2010, p.1), "Complexity of multiple objectives, heterogeneity of varied operational strategies, regulatory and licensing variations (formal and informal) renders the governance systems of MFIs itself as a black box". Capturing the dual mission of MFIs in analyzing governance makes it more complicated (Hartarska and Mersland, 2010; Labie and Mersland, 2011). So no "one size fit for all" (Labie and Mersland 2011, p. 283) solution is perfect for microfinance governance.

This study explores the following specific questions: who are the external stakeholders? What are their roles in MFIs? How they influence in microfinance performance? Does external stakeholder orientation ensure double bottom line objective of MFIs in terms of sustainability and outreach, or they trade-off?

It is noteworthy that sustainability represents operational and financial performance of MFIs that helps in long term survival of organizations. Social performance represents outreach to women and rural areas with small average loan size (Mersland *et al.,* 2011; Hartarska and Nadolnyak, 2007; Hartarska and Mersland, 2009).

Findings of this paper provide us mixed picture. External stakeholder orientation in board does not directly ensure financial performance rather than social performance. However it has indirect benefits. Regulation and supervision do not help in increasing profitability, however, sometimes it help in deeper outreach of MFIs. Same result is true for external rating, external auditing and reporting, and for international orientation and professional affiliation of MFIs. Competition worsens MFIs financial performance but sometimes improve their organizational efficiency.

Presentation of rest of this paper is as follows: section 2 discusses why external stakeholder orientation in microfinance governance, section 3 discusses corporate governance theories, section 4 discusses different dimensions of stakeholders in MFIs, section 5 presents empirical results of external stakeholder influence on MFI sustainability and outreach based on available literature, and finally section 6 is conclusion.

2. Why External Stakeholder Orientation in Microfinance Governance?

Microfinance organizations are primarily established as the vehicle to service poor who are unable to access credit from formal financial sources as poor are considered risky and un-bankable (Benson, 2008). It is a growing industry and MFIs are now controlling significant private and development aid resources (Hartarska and Nadolnyak, 2007). Many of the microfinance institutions are not shareholder owned, not profit oriented, depend on donors or outside funds; some of them collect savings from poor and vulnerable clients who are mostly illiterate, and have low or no collateral in obtaining credit (Mersland, 2011). Operations of MFIs are also different in terms of lending technologies such as group lending, individual lending, non-collateralized and collateralized lending with different terms of interest rates (Hartarska and Nadolnyak, 2007). The higher investment stake from MIVs and different investors emerge the importance to control and monitor activities of MFIs to ensure their transparency and accountability to enhance their dual missions.

There is a paradigm shift in this sector from non-profit orientation to a more formal profit based commercial initiation (Hartarska and Nadolnyak, 2007). Recent commercialization and transformation phase of MFIs (examples are: *Compartomas* in Mexico, *SKS Microfinance* in India and *BRI* in Indonesia) indicates that they are now going to a more market orientation (Charitoneko and Afwan, 2003; Mersland and Strom, 2008). This transformation helps better access to funds and mobilize saving; and is important for MFI sustainability as subsidized funds may not exist for a long time (Sriram, 2010; Cull *et al.,* 2008, 2009a; Varottil, 2012). But in many countries it requires more regulatory intervention to ensure the stakes of helpless poor people's savings. The heterogeneity of MFIs and their commercial orientation push them to follow different path (Cull *et al.,* 2009b; Morduch, 2000; Labie, 2001). Moreover, there is vulnerability to mission drift (Morduch, 2000; Mersland and Strom, 2009c).

But the time invariant structural systems of traditional governance framework that focus on shareholder based governance mechanism, failed to address typical features and functioning of MFIs (Arun and Annim, 2010; Hartarska, 2005; Mersland and Strom, 2009a). Rock *et al.* (1998) mentions that this failure is due to the following reasons: first, dual missions of MFIs; second, their ownership structures; third, the fiduciary responsibility of board; and fourth, risk assessment of MFIs. Functioning of MFIs in this setting requires different framework of governance (Arun and Annim, 2010) by establishing legal rules, enforcing contracts, inciting collective actions to ensure proper enforcement, and monitoring within and outside the market (Royal Swedish Academy of Science, 2009). This formal orientation of MFIs needs more comprehensive governance mechanisms to protect interests of shareholders, investors and customers.

Different stakeholders provide funds to MFIs with different objectives (Ledgerwood and White, 2006). Majority of these stakeholders are external. Other external factors such as regulators, auditors, rating agencies, employees, international initiators, and competitors have influence on MFIs. Traditional agency based approach of governance has failed to address the relationship between financial sustainability and social goals of MFIs in accommodating different stakeholders interests and it emerges the need for different set of parameters to better address (Varottil, 2012), and requires stakeholder oriented approach. External stakeholder orientation in its governance can address and accommodate a broad range of influences.

3. Multi-theoretical Approach to Governance in Microfinance

Corporate governance is a system that helps in ensuring organizational accountability and transparency. It is a mechanism for efficient use of organizational resources. It "deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment" (Shleifer and Vishny, 1997, p. 737). In microfinance industry, corporate governance refers to a "mechanisms through which donors, equity investors, and other providers of funds ensure themselves that their funds will be used according to the intended purposes" (Hartarska, 2005, p. 1628). As microfinance organizations are different in terms of their products, methodologies, social objectives and profit seeking behaviors (Labie and Mersland, 2011); they all do not have same priorities (Mersland, 2009). So, microfinance governance is not only industry specific (Mersland and Strom, 2009a), but also objective and institution specific with different ownership structures (Labie and Mersland, 2011; Mersland, 2011). Their corporate governance mechanisms also differ as per organizational patterns (Mersland, 2011).

Recent theoretical literatures undermine 'agency theory' of corporate governance (Christopher, 2010; Aguilera *et al.,* 2008). Proponents of this theory argues that the logical relationship between main players in an organization is as 'principal' (shareholders) and 'agent' (management) and this relationship attribute agency costs that arise from controlling and monitoring management (Shleifer and Vishny, 1997; Christopher, 2010). This cost leads to streamline firm behaviors for superior level of performance as per owners' expectation (Fama, 1980; Fama and Jensen, 1983). 'Effective governance' evolves on the basis of this 'agency theory' by fully aligning "interests between the principal and agent" (Chrtisopher, 2010, p. 684), by discharging their accountability to dominant stakeholder group, called shareholders (Davis, 2005).

However, this monitoring and controlling mechanism does not always re-align to principal and agent (Eisenhardt, 1989) and it was a source of numerous corporate scandals in last two decades as evidenced 'Enron scandal' (Arnold and De Lange, 2004; Clarke, 2005) and it failed to provide accurate information to general shareholders, investors, creditors and market regulators (Clarke, 2005). Such failure to "comprehend full range of complexities of corporate relationship under changing market environments" (Christopher, 2010, p. 685) motivated to incorporate wider influencing forces ranging from firm specific or micro internal factors to macro external factors (Young and Thyil, 2008). Due to this failure, Christopher (2010) proposes to use a 'multi-theoretical' approach to narrow the gap between theory and practice.

Stakeholder orientation accommodates multi-theoretical approach and is attributable to changing environment where multiple stakeholders such as social obligations and third party interests in the organization are addressed (Waddock *et al.,* 2002; Donaldson and Preston, 1995; Christopher, 2010). This is more inclusive approach and complement agency theory (Coyle, 2007) that address wider influencing forces as a better governance mechanism to overcome corporate scandals and global financial crisis (Christopher, 2010). The other theories such as resource dependency theory and stewardship theory also complement this stakeholder approach.

Resource dependency theory relates to strategic management of wider influencing forces by recognizing multiple stakeholders' need by equipping their skills, knowledge and expertise using current operational resources (Christopher, 2010). Quality and effectiveness of directors as "board capital" is used to operate in a complex organizational environment (Boyd, 1990) and it helps in increasing overall organizational efficiency and in reducing costs (Christopher, 2010).

Stewardship theory requires high level of professionalism of management and staffs following ethical guidelines, codes of conduct to maintain social and cultural values by processing organizational framework and controlling organizational environment accommodating owners' expectations (Lawal, 2012; Christopher, 2010).

In microfinance organizations, typical ownership and board based mechanism may not work (Labie, 2001; Jansson, *et al.,* 2004) due to their limited regulation and 'market discipline' (Labie and Mersland, 2011), different operating environment, stakeholders, missions and organizational structures (Armendariz and Labie, 2011). So it requires a more integrative approach. "Adopting a real stakeholder approach of governance" (Labie and Mersland, 2011, p. 288) can accommodate it by paying attention to real stakeholders who have major influence or power on MFIs; by focusing the way how the power is exercised (Aghion and Tirole, 1997; Labie and Mersland, 2011). Christopher's (2010) proposed multidimensional governance approach can better accommodate it.

4. Dimensions of Stakeholders in MFIs

In majority of the MFIs, shareholders are not same as that of corporations or mainstream financial institutions. Donors or charities act as "quasi-owners" in MFIs; regular private investors are very rare (Hartarska and Mersland, 2009). Typical investors in MFIs are: founding NGOs, founding directors and senior management, multilateral and bilateral institutions, socially responsible funds, commercial (or private) investors, local investors, local government or community (Ledgerwood and White, 2006). Other external forces are also related in MFIs.

Mersland and Strom (2009) and Varottil (2012) propose three dimensional approaches of stakeholder in microfinance sector: (i) vertical dimension, (ii) horizontal dimension and (iii) external dimension. This approach to identify important stakeholders, their needs and how these needs accommodate can ensure better governance of MFIs.

4. 1. Vertical Dimension

Vertical dimension represents relationship between MFIs and their capital suppliers in the form of board dimensions (Varottil, 2012). MFIs do not focus only on shareholders' interests, but also on different types of financiers and investors.

a) Equity Investors: They provide equity capital, exercise their voting power in board formation and key decisions, and enjoy residual claims. In microfinance industry, NGOs or socially driven individuals supply seed financing at the beginning and then MFIs can obtain larger funds by issuing shares to private equity firms, individuals or social investors. Main equity investors are:

i. *Founders:* Both 'green-field MFIs' and 'transformed MFIs' that came out from takeover or transformation hold support from founders in the form of additional capital for achieving economies of scale and scope (Varottil, 2012).

ii. *Commercial Investors:* They compose of institutional investors, private equity funds, and professionally experienced fund managers such as microfinance investment vehicles (MIVs) for additional capital to support ongoing operations. They also supply technical and strategic support but require more financial discipline and control (Varottil, 2012; Amarnani and Amarnani, 2010).

iii. *Social Investors:* They help to counter balance commercialization of MFIs by placing social impact in their priority in the form of outreach. They compose of sector specific microfinance investment funds with a variety of wealthy individuals, philanthropists, development agencies, NGOs, and even institutional and commercial investors (Morduch, 1999).

iv. *Capital Market Investors:* Commercialized NGOs finally look forward to enter into local stock market for greater access to capital. This transformation into regulated financial institutions is subject to standard governance mechanisms and legal support from regulators. However, these MFIs may be vulnerable to social mission.

b. Financiers: Financiers compose of borrowing from lenders, commercial banks or public financial institutions, or in the form of securitization of microfinance debt through partnership model (Varottil, 2012).

i. *Borrowing:* Borrowing is in the form of bilateral loan, syndicated loan, or bonds. But these are subject to financial condition of global economy and MFI reputation.

ii. *Partnership Model:* It provides loan origination, monitoring and collection services for fee (Varottil, 2012) and facilitate lending from commercial banks directly to microfinance clients (Harper and Kirsten, 2008). It can helps in increasing outreach. But this type of investors considers financial impact only, not social impact. Moreover, MFIs have to bear risk of collection of debts (Varottil, 2012).

iii. *Securitization:* It is an off-balance sheet financing that provides liquidity to MFI to grant further loans to customers and make free MFIs from capital constraints (Langer, 2008). Outright purchase of MFI loan assets by commercial banks or MIVs help to achieve greater outreach by overcoming capital constraints.

International shareholder orientation and funding gives microfinance organizations different sort of benefits like additional fund, hard currency financing, technical assistance, organizational credibility and sophisticated management practice. On the other hand, local investment and credit give the MFI broader business opportunity, less foreign currency risk, dilution from foreign ownership and minimum legal formalities (Ledgerwood and White, 2006).

c. Employees: Employees of MFIs invest their human capital or intellectual capital and they are not only based on salary incentives. MFI directors and management use their self reputation as capital and collateral in obtaining funds from donors or from formal financial institutions. Some listed MFIs provide (example is SKS Microfinance in India) employee stock options (Varottil, 2012).

4. 2. Horizontal Dimension

This dimension represents social orientation of MFIs with different objectives. It helps to free poor from individual money lenders who lend on 'loan-shark rates' (Anderson, 2002). Another dimension is group lending where group guarantee works as collateral through which group members can put peer pressure to ensure timely repayment. Group lending also reduces cost of information asymmetry.

Horizontal dimension is to evaluate the relationship between MFIs and their customers. It is argued that "while profitability is an important factor for ensuring scalability and outreach, the tendency of commercial microfinance players to ignore social impact could lead to a crisis situation" (Varottil, 2012, p. 32). Donor funds and subsidized credit may help MFIs to reduce interest rates in providing small loans that help in deeper outreach. However, Hulme (2000) points out that MFIs working with donors have created an impression that microfinance is a cure for poverty; but may be at best it can reduce vulnerability to poverty.

4. 3. External Dimension

Microfinance industry is growing fast and there is increasing demand for external governance mechanism. In traditional governance system, it is believed that managers are disciplined by market forces through takeover. But these market forces have limited role in microfinance as majority of the MFIs do not have true owners (Hartarska, 2005). Private investors and donors are more concerned about regulation and supervision, audited financial statements, rating agencies and information disclosures to ensure greater transparency in their investments. Important external dimensions of stakeholders in microfinance are as follows:

a) Competitor: Competition in market creates a positive effect on products and services by making available a wider avenue for superior quality and lower price; internal governance is less important to these organizations (Schmidt, 1997; Shleifer and Vishny, 1997; Varottil, 2012). Competition in MFIs may translate into deeper outreach by introducing new products, flexible loan conditions, and lower interest rates. Or it may push into mission drift for survival and sustainability. However, competition in this sector is not same as that of corporate sectors due to the presence of different types of market players.

b) *Regulation and Supervision:* Commercial MFIs need huge funds from private sources, commercial sources or from clients' savings. For this, MFIs need to fulfill regulatory requirements (Champion and White, 1999; Hartarska, 2005). Regulation and supervision from state provide guarantee to small and dispersed vulnerable depositors to protect their savings (Hardy *et al.,* 2003; Van-Greuning *et al.,* 1999).

c) *External Audit*: External audit in commercial banks is compulsory to protect banks from vulnerability to banking crisis. When an MFI wants to obtain commercial loan or donor support, they demand external audit to protect any sort of misrepresentation, and MFIs have to comply with standard accounting practices adaptable to their operations (Hartarska, 2005).

d) *Rating Agencies:* Still there is not any developed equity or debt market where MFIs can enter for capital. They have to depend on donors and investors. But donors and investors require independent and third party evaluation of MFIs to ensure about their performance and discipline. In recent years, specialized independent rating agencies have established for MFIs that help donors, institutional investors and microfinance investment vehicles to take informed decisions. These agencies are not same as that of typical rating agencies; they mainly rate risks of issued debts and overall performance of MFIs in terms of outreach and sustainability (Hartarska, 2005).

5. Empirical Evidence on External Stakeholder Orientation in MFI Performance

5.1. External Stakeholder Orientation in MFI Board: Diverse Information in board help to improve quality of decision making by providing opportunity to open discussion and by reducing behavioral biases (Zhang 2010). Coles *et al.* 2008 finds both positive and negative relationship of outside members in board with firm performance.

In microfinance organizations, both independence and oversight of board is important to protect MFIs from collapse due to the experience of *Corposol/Finansol* in Bolivia (Otero and Chu, 2002). Muri (2010) identifies six types of stakeholders to sit in the board: owners, clients, employees, donors, creditors and government, and finds that their different roles and contribution in strategic decision making help better performance and competency. According to Hartarska *et al. (*2011) employee representation in boards may increase likelihood and magnitude of scope economies by group cohesion. As non-profit MFIs lack owners, boards offer their reputation as collateral (Mersland, 2011; Handy 1995). Hartarska (2005) finds positive relationship of large size independent board members with deeper outreach but not with better financial performance. However, Galema *et al.* (2012) finds that powerful CEOs of MFIs have more decision making freedom and this may lead to explicit predictions, which ultimately increase risk (the example is Andhra Pradesh in India) and it worsen NGO by exacerbating their financial performance. Moreover, Mersland and Strom (2009a), Hartarska and Mersland (2009) and Hartarska (2005) do not find significant improvement in MFI efficiency with social investors, donor and client representation in MFI board. In addition to this, Mersland *et al.* (2011) finds that international directorship ensure social performance, exacerbate financial performance and it reduces financial sustainability thereby creates long term dependency on donors.

As the presence of outside stakeholders in board increase board size, impact of board size is also meaningful. Larger boards are less effective due to possibility of 'free riding' (Hartarska and Mersland, 2009). Study of Cheng (2008) suggests that larger board may be supportive in supervising, fund rising, or in firm performance due to their informed and consensus decision making. However, Hartarska and Mersland (2009) find that efficiency increase up to eight or nine board members and then decline. Hartarska (2005) does not find any impact of board size on performance and outreach.

5.2. Regulation and Supervision: According to Cull *et al.* (2009), supervision ensure larger average loan size and less outreach to women than profitability, rather it cause less profitability to non-commercial source MFIs due to more costly loan per dollar lent to their clients as a condition of donor funds. The study of Hartarska (2009), Hartarska and Nadolnyak (2007) and Mersland and Strom (2009a) do not find significant impact of regulation and supervision on MFI performance. Some studies mentioned increased costs in maintaining regulatory requirements. However, Hartarska and Nadolnyak (2007) finds that regulation is associated with deeper outreach and MFIs in countries with better protection of property rights are able to more outreach. Hartarska and Mersland (2009) find weak evidence of MFI outreach with mature regulatory environment. However, indirect evidence of the study of Hartarska and Nadolnyak (2007), Cull *et al.* (2009), Ndambu (2011) and Arun and Murinde (2010) find that regulation helps MFIs to access savings, local currency deposits and commercial loans that result in deeper outreach and operational self-sustainability.

5.3. Competition: Studies of McIntosh and Waydick (2005) and Gorton and Winton (2005) show that competition worsen asymmetric information problem, enhance borrowers' indebtedness and cause more borrowers to seek additional debt. Porteous (2006) indicates that competition, as happened in Bolivia and Uganda, decreased profitability due to interest rate reduction. Hartarska and Nadolnyak (2007) find weak positive impact and Mersland and Strom (2009a) find no impact of competition on MFI performance. Hartarska and Mersland (2009) do not find consistent evidence of positive impact of competition. But Schmidt and Tyrell (1997), Besley and Ghatak (2004) find that competition in mission driven organizations can improve efficiency.

5. 4. Impact of Rating: Recent cross country evidence shows that information disclosure measurement is associated with better performing banks, but not rating (Barth *et al.,* 2005 & 2007; Hartarska and Nadolnyak, 2011). Hartarska and Mersland (2009) and Hartarska and Nadolnyak (2008) do not find consistent evidence that rating improve MFI efficiency. Wang (2007) uses larger data set and finds same evidence. However, all these studies do not exclusively look at outreach. A study of Hartarska (2005) finds that rated MFIs operating in ECA region has deeper outreach than unrated MFIs. Study of Hartarska and Nadolnyak (2009) support same result. But another study of Hartarska (2009) does not find same evidence from rest of the world.

5. 5. External Auditing and Reporting: Two separate studies done on banks by Barth *et al.* (2005 & 2007) in different periods (1999-2001 and 2000-2002) find that financial statement transparency, strength of external audit and internal accounting standards improve bank efficiency and profitability (reported by Hartarska and Nadolnyak, 2011). However, the study of Hartarska (2005) and Hartarska and Nadolnyak (2007) do not find significant evidence of better outreach and sustainability of audited MFIs than that of un-audited MFIs.

5. 6. International Affiliation and Professional Association: International orientation of MFIs helps in transfer of knowledge, best practice mechanism, policy guidelines, software, training, strategic planning and better access to funds (Mersland *et al.,* 2011). This study also finds that international orientation of MFIs enhances social performance, not financial performance.

Study of De-Gobbi (2003) finds that professional associating in MFIs help in collaboration between different savings and credit organizations in rural areas to provide technical supports to create represent and defend mutual movement. It also helps in lobbying, internal-external dialogues, training, exchanging information and resolving national conflicts.

6. Conclusion

This paper evaluates the role of external stakeholders in governance of MFIs in reaching double bottom line objectives. Specifically it identifies who are external stakeholders, roles of these stakeholders in governance of MFIs, how these stakeholders influence in microfinance performance. This study focuses three dimensions of external stakeholders that influence MFI governance: vertical dimension, horizontal dimension and external dimension (Mersland and Strom, 2009, Varottil, 2012). These dimensions vary according to organizational formation of MFIs. Based on empirical finding of different studies and literatures, these external stakeholder dimensions show us a mixed picture.

Majority of the studies do not find significant positive impact of external stakeholder orientation in board on financial performance but find positive impact on outreach of MFIs. However it has indirect benefits: diversified board helps in better strategic decision, better risk management, long term survival of MFIs, and sometimes helps in funding of MFIs. Regulation and supervision do not help in increasing profitability. Rather it sometimes increase costs in MFIs due to fulfilling supervisory and regulatory requirements. However, it sometimes helps in opening opportunity to more access to funds that may translate into deeper outreach. This is also true in case of external rating, external auditing and reporting, international orientation and professional affiliation of MFIs. Competition in many cases worsens financial performance but sometimes improve organizational efficiency.

This study has several limitations: this is a theoretical study based on literature, not an empirical one. We did not find any single study that covers all external stakeholders influence in governance of board. MFIs are heterogeneous in their organizational forms such as non-profit, for profit, NGO type, regulated and unregulated. Stakeholders' role varies from organization to organization due to these different forms of compositions. Not any study still considers organizational context specific stakeholders' influence on MFIs in reaching their dual missions.

This paper sheds light for further research also. An empirical study on role of all external stakeholders on MFIs' dual missions will help to better understand MFI governance. Organizational context specific study on role of external stakeholders can help to develop effective governance for different types of MFIs. As operating environment varies from country to country, it may cover country specific study. Three different empirical studies are possible that can address the role of stakeholders (internal and external) on MFI performance each with organization specific, country specific or cross country evidence. Studies on MFI governance is still in some specific areas. It needs rigorous study as MFIs are different from traditional banks or corporations due to their typical organizational and operational features. MFI governance cannot follow a single path. According to Labie (2001), it has to follow a long winding road.

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