Mission drift between the balance of social mission vs. financial performance of microfinance institutions

Aram Mkhitaryan

Abstract: *Recently, many researchers have highlighted the imbalance between the financial and social missions of microfinance institutions (MFIs), which is considered to be the main objective of the research. Hence, the objectives of the current study were to identify the roots of mission drift and the reasons for high interest rates. In addition, the article was focused on the examination of the most efficient products of the sector. The research paper is conceptualized and based on primary data collection through field work, which has been analyzed using SPSS software. Secondary data has been collected mainly from peer-reviewed articles. As an improvement strategy, representatives of the sector should plan strategic campaigns to solve the situation. According to the results, though the strict regulations of the sector lead to stability in the market, changes regarding micro-savings or microinsurance regulation should be developed for future enhancement of MFIs in Armenia and in the Commonwealth of Independent States (CIS) region.*

Keywords: financing, mission drift, financial institutions, financial sources, MFIs

Introduction

POVERTY REMAINS ONE OF THE KEY issues in low-income countries. Around two billion people are still facing extreme levels of poverty and millions of children are suffering from being undernourished. Even in some of the most developed countries, such as the USA, financial institutions such as loan payday centres, credit card companies, and microfinance organizations create a business from the poorer parts of the population (Banerjee and Jackson, 2017).

The roots of microfinance institutions' (hereafter MFIs) appearance go back to the 19th century, when the entrepreneur and philosopher Lysander Spooner conceived that offering microloans to entrepreneurs and farmers can be a solution for poverty alleviation. One hundred years later, Mohammad Yunus realized Spooner's idea by establishing Grameen Bank, which offered credits to the Bangladeshi population who had no access to traditional financial services. Twenty years later the World Bank announced that the microfinance sector is valued at around US$80–100 billion and offers services to more than 200 million customers (Garrity and Martin, 2018).

Aram Mkhitaryan (mkhitaryan.aram@yahoo.com), Ph.D, Associate Professor, Management chair, European University of Armenia

During the evolution of microfinance diverse priorities and concepts were at the top of the development strategy list. In the early stages, when microfinance was not globally known, a lot of grants, subsidies, and donations were required to launch an MFI, and MFIs were mainly recognized as a tool to fight against poverty. During recent decades the trends have changed and, in order to establish MFIs, there is no need for involvement of funding and donations and their activities are considered to be an alternative source of capital growth through micro-savings.

Overall, taking into account the rapid increase of competition in the sector and other global political and economic factors, MFIs face numerous issues and risks. Therefore, these companies, similar to other companies, have started struggling to maintain the business and keep the position they have already reached; hence, they have started to pay much more attention to financial performance indicators rather than to their social mission (hereafter SM).

In contrast to the above-mentioned statements that microfinance has a great influence on poverty reduction, there has been a lot of research examining the negative influence of MFIs. Even the vast majority who consider that MFIs have a positive impact also has doubts concerning the efficiency of MFI performance (Maîtrot, 2019).

The desire to achieve high profits leads MFIs to deviate from balancing their social and financial objectives and to concentrate on increasing loan portfolio volumes, which means either a disbursement of a greater number of credits or big loan amounts that exceed the creditworthiness of the clients. Therefore, MFIs create artificial over-indebtedness, customers cannot make repayments, and, as a result, such loans become problematic, turn to overdue loans, and in the worst case become write-offs. These tendencies prove the existence of MFIs' mission drift. As a result, concerns about the efficiency of existing financial services have arisen. And there is a need to identify the financial products that support the needs of the poor.

Currently, the microfinance sectors in the Commonwealth of Independent States (CIS), which includes 12 post-Soviet states, have similar structures and levels of maturity (Ibrahim et al., 2018). In Belarus, the microfinance industry started to develop in 1998; at present there are around 35 microfinance organizations with around 200 million customers (Wellalage et al., 2019). According to Utkin et al. (2018) around 2,300 MFIs are operating in Russia, with a total of six million borrowers. Ibrahim et al. (2018) found that the CIS region's microfinance sectors also have similar problems. Overall the concerns listed include lack of policy frameworks, ambiguity in legislation points, which become a cause of uncertainty over the legality of credit delivery by non-bank financial organizations, non-complementary tax regimes, or unclear funding perspectives for organizations that are not fully self-sufficient and independent.

Summarizing the above-mentioned statements, it is clear that the financial and social performance of MFIs are equally important for their efficiency. Many articles discuss separately social and financial activities, the mix of them, and even the fact that a mission drift has been recorded during recent years. Also, some articles present the regulatory frameworks in diverse countries and

describe the wide spectrum of microfinance product lines or even the experience of interest rates strategies.

Objectives

The purpose of this study is to examine the microfinance industry of Armenia and CIS countries to understand the current issues and future development prospects of the microfinance sector.

Taking into consideration the fact that the mission of MFIs is poverty reduction, current interest rates of loans put in doubt whether the financial services of MFIs for the poor can help them fight against poverty; hence, the investigation of the reasons for high interest rates around CIS countries from the professionals' position will give the opportunity to find out the original causes and make improvements if possible.

The study will mainly focus on the following research objectives:

1. Identification of the roots of the gap between the mission and performance of MFIs.
2. Identification of mission drift from the SM to profitability of MFIs.
3. Clarification of reasons for the high interest rates of MFI services.
4. Identification of the most efficient financial service provided by MFIs.
5. Proposition of the legislation and other actions that will improve microfinancing in Armenia.

Methodology

According to Guetterman et al. (2015), the integration of qualitative and quantitative data has become very popular during the last decades as it gives the opportunity to identify the opinion and the voice of the participants and to receive more complete information about the exact issues of the study. One of the key reasons for using both sources of data for research is that qualitative analyses typically express general ideas rather than precise numbers and calculations and answer to the questions of who, when, how, and what (Palinkas et al., 2015). In contrast, quantitative analyses provide information concerning how much and how many. Different hypotheses can be tested; meanwhile, in terms of quantitative research, there is a risk of losing contextual details (McCusker et al., 2015). Based on the above justifications, we conducted both quantitative and qualitative analyses. Our quantitative analysis was based on surveys of professionals and clients. Separate questionnaires were prepared for each group, which were given out both individually during the meetings and electronically. More than 80 participants took part in the survey. Most of the participants were beneficiaries of the Republic of Armenia, but the questionnaires were also filled out by participants from other countries. Results were analyzed using SPSS software. Correlations, Anova test, and Pearson analysis were performed to obtain results. At the same time, we conducted interviews with MFI managers to get a more comprehensive analysis. A total of ten managers were interviewed,

and the data was into the SPSS program and analyzed. Qualitative analysis was conducted through face-to-face interviews. The questionnaire included questions on nominal personal data and five specialized open questions.

The findings of the paper showed the existence of mission drift and the lack of SM understanding; therefore, as an improvement strategy, it is suggested to develop an SM environment campaign through social media channels directed at MFI employees and clientele. The results further show that the reasons for higher interest rates among MFIs compared to commercial banks were, in general, lack of sufficient financial support from the donors' side, higher risk, and operational costs where the positive relation is more pronounced. According to primary data analysis, MFIs resolve issues such as technical assistance or specific educational projects parallel to financing, as MFIs are much more flexible than commercial banks. Different regulatory issues were revealed, which can increase efficiency of MFI performance.

This paper consists of a literature review, which presents a deep analysis of previous studies conducted within the given topic and the issues that emerged. The main findings concerning the objectives of the paper are presented next. The results of the quantitative and qualitative analyses are shown in the form of tables, which were also analyzed and from which results were obtained. The main outcomes are presented in the conclusions section.

Literature review

Discussions on the mission drift idea in microfinance are not new. Currently, the question of whether microfinance helps to increase the welfare of the poor is an essential issue examined by both scholars and practitioners. Debates on microfinance mission drift divide researchers into two categories: those who consider that MFIs have a positive influence on clients and are predominantly meant for poor women's enhancement and poverty reduction; and the other group of scholars who claim that MFIs mainly focus on low-income population and small businesses. Overall, these companies support chiefly the increase of financial performance, as income motivates and ensures that companies are searching for new market segments and improving their performance efficiency (Kono et al., 2010).

Sultana et al. (2017) claimed that the core mission of an MFI is defined as the provision of collateral-free small loans to the poor, the ones who do not have access to traditional financial services. On the other hand, Kar (2013) stated that there are two core aims of MFIs: the first one is how to become financially self-sufficient; the second one is how to provide services to the poorest customers.

Moreover, Kar (2013) asserted that there is a trade-off between the two missions, and, generally, this trade-off is presented as mission drift. Ngo (2015) found that, in practice, different types of trade-offs exist. The first one is a trade-off between microfinance sustainability and outreach, which is very strong. To enlarge their outreach, more MFIs need to transform themselves into regulated ones. Also, Nasrin et al. (2017) found that the relationship between sustainability and outreach is nonlinear and proves that there is a threshold beyond MFIs,

performance increases with a high level of outreach. In comparison, according to Khalaf et al. (2019), MFIs need to take into account the fact that the more MFIs concentrate their activities on people who do not have access to traditional financial services, the more their offered products fit the needs of the poor.

In contrast, some analyses suggest that no trade-off exists between financial sustainability and outreach, though there are proven indicators that show that the depth of outreach has a progressive influence on the financial sustainability of an MFI (Meyer, 2019). Due to the diversity of the standard approaches to creating the sequence of business processes and the use of business process management or management information systems, the quality of MFI performance varies. In general, lack of technological equipment or use of traditional experiences of activities brings low levels of results and, as a final point, leads MFIs to deviate from their mission and start to pay more attention to financial performance ratios (Ramezanali et al., 2018).

Recently, a new tendency of over-indebtedness has been recorded. MFIs tend to increase the loan amounts and offer credits beyond the client's ability to repay. Therefore, although MFIs reach their financial objectives and generate a high level of profits, they evade their social goals (Maîtrot, 2019). On the other side, according to Christen and Drake (2002), the process of commercialization results in MFI mission drift and reinforces the idea that the profit-oriented microfinance sector is better able to serve the poor. Meanwhile, Caserta et al. (2018) found that mission drift might not be correlated with profit orientation.

In contrast to all the above-mentioned statements about mission drift, Hishigsuren (2007) asserted that there is no essential mission drift recorded by the quality, scope, and depth of outreach to poor customers. Moreover, Platteau et al. (2017) argue that there is no mission drift and there is a possibility to gain income while providing services to the poor. Therefore, there is no conflict between offering services to the poor and being profitable. Furthermore, according to Kar (2013), profit-oriented MFIs do not harm the objective of offering services to the poorest.

According to Ramezanali et al. (2018), though the annual interest rate of MFIs in Brazil on average is 25 per cent, the cost of loans provided by these companies remains very high in comparison with traditional banking services. The fact is that intensive support of the customers, frequent monitoring, and small amounts of repayments, which are mostly done in cash, lead to high expenses and high interest rates.

While examining the performance efficiency of microfinance organizations, many researchers have identified the feature of high repayment rates. For instance, a leading firm in the microcredit industry, Grameen Bank, records regularly records a 95 per cent repayment rate. This experience is not typical for historically bad repayment records of agricultural loans. The panacea of high-performance results was not a group lending approach, but active incentives and regular instalments, which have a positive impact on repayment rates (Kono et al., 2010). High repayment rates lead to a low level of portfolio at risk (PAR). Worldwide the most used financial indicator of the portfolio at risk is PAR > 30, which describes the number and volume of the loan portfolio that is more than

30 days overdue. This index, in correlation with repayment rates, characterizes the effectiveness of MFI performance. The above-mentioned performance measurements are directly interconnected with MFIs' main mission implementation process. A key issue is the process of creating efficient financial products. If MFIs suggest financial services to customers that best meet their needs, clients will be able to increase their living standards and make payments on the loan; therefore the MFI will reach a balance between mission realization and performance (Khan et al., 2016).

Similar to debates regarding mission drift and microfinance services, opinion on prudential and non-prudential regulations of MFIs also vary. There are examples of countries with non-prudential regulations where the microfinance sector is sufficiently developed, such as Arab or Asian countries. In contrast, CIS countries, MFIs meet constraints in their path towards successful development due to legislative restrictions.

While observing the most effective microfinance services of MFIs, the participants have mentioned that there is a lack of microfinance insurance products; at the same time Janzen and Carter (2018) found that the low level of microfinance insurance in CIS countries forces the clients in rural districts to cope with more losses caused by poor predictability rates of climate changes.

Similar to literature review debates on the effectiveness of micro-savings – particularly the statements of Cozarenco et al. (2016), who claimed that micro-savings have a negative influence on the living standard of the poor – our findings showed that governments in CIS countries share this point of view and put restrictions on developing deposit services. Meanwhile, top managers of MFIs consider that micro-savings constraints are one of the key barriers to industry enlargement in CIS countries.

While examining the capability of MFIs to resolve any issues, such as job training and education, it was found that there is a strong correlation between the level of education and the opinion about whether the MFIs fit the customers' needs or not. Similar findings have been proposed by Inderst (2016). In practice, the author mentioned that the client's educational level and financial literacy level are the most challenging point for MFIs.

Khalaf et al. (2019) stated that concentrating MFI activities on the population excluded from traditional banking services increases the level of satisfaction among the clientele. The results of a one-liner regression analysis in this study similarly indicated that MFI customers' opinion on whether the MFI services fit their needs depends on their thoughts about whether the MFIs' main performance target is the population excluded from banking services. In this context, it could even be stated that there is no mission drift and no need for identifying the roots of the gaps, which was one of the main research objectives.

With the purpose to identify if the mission drift takes place or not and what can be the roots of the gap between the performance and the mission of MFIs, it was important to understand whether MFI staff and clientele recognize the meaning of MFIs' SM. The qualitative analysis results showed that the majority of MFI experts have a clear view of MFIs' SM, which supports the poor by offering loans with lower collateral

requirements. Also, they are well informed that several components of the performance, such as similar business processes, are vital for being self-sufficient.

These findings correspond with the statements of Kar (2013) on the existence of two core social and financial aims of MFIs. On the other hand, the findings of the quantitative analysis proved that there is also a mission drift. 56 per cent of MFI staff and 61 per cent of MFI clientele participants disagree with the statement that MFIs serve their customers' needs. In parallel, Caserta et al. (2018) asserted that mission drift does not have any correlation with whether an MFI is for-profit or non-profit. This was obvious from the results of the research analysis, as all the MFIs involved in the processes were generating high incomes. Hence, it can be concluded that MFI experts do not recognize the existence of mission drift and do not pay attention to it.

Pedrini et al. (2016) detected that, besides traditional loan services, the poor in developing countries might need supplementary financial products, such as social microloans, remittance services, or microinsurance. These types of service are rather new for microfinance clientele; therefore, MFIs have quite a large market to expand their customers' base. Moreover, according to Janzen and Carter (2018), poor development or the absence of microinsurance lending services in the CIS region force communities and borrowers in rural districts to cope somehow with losses. The result of this is the increase in these families' expenditure. For instance, losses or threats can arise from climate disasters like hurricanes, rain with hail, or drought. Platteau et al. (2017) examined microinsurance services and concluded that economic growth and development can be improved through providing small-scale insurance policies to representatives of the poorest members of society in the least developed countries. Furthermore, Ibrahim et al. (2018) stated that the key idea behind microinsurance is that cutting the amount spent on substituting lost capital allows disposable income to grow. Hence development and economic growth are stimulated among the poorest communities in developing countries. In practice, microinsurance provides the poor with financial stability, while eliminating their need to constantly uphold funds as a safety cushion against potential losses and shocks (Mukhtar, 2016). With the help of microinsurance services, the poor are less vulnerable and they can start enjoying higher levels of disposable income as they do not need to make savings for disasters. As a result, microinsurance services might lead to the improvement of living standards and increase the social capital and security level (Jensen et al., 2017).

In contrast, Mukhtar (2016) asserted that the reason for the low request for microinsurance services is a lack of understanding of the microinsurance concept. Besides, Ahmed et al. (2016) confirmed that a lack of trust, liquidity, and behavioural constraints, as well as the significance of value proposition for the clients, are the factors that present the disadvantages of microinsurance services. Therefore, microinsurance services should be offered in a package with other financial services (Jensen et al., 2017).

In comparison to the above-mentioned product lines, according to Kar et al. (2017) credit cards can also become an effective type of MFI service. Usage of credit cards

in microfinance is quite new; it reduces operating and administrative costs and suggests an ongoing line of loan to the customer, allowing them to complement their cash flows in proportion to their needs.

Running through the discussion on effective financial products of MFIs, it is important to mention that the variety of unique services to certain targeted clients is big; therefore every MFI should develop its financial product profile that best solves the needs of its customers.

Summarizing the literature review statements above, the chief points on mission drift, development of effective microfinance ecosystems, products line, and regulatory aspects of microfinance sector are presented below:

- Overall, three categories of scholars examined the idea of MFIs' mission. The representatives of the first category considered the key to MFI performance to be its SM, with the financial aspects of it not being paid much attention. According to the second category of researchers, a different type of trade-off exists between the social and financial missions of MFIs. The third category of authors asserted that there is no correlation between the missions and that MFIs can perform efficiently through balancing both their financial and SMs.

Summarizing discussions on the MFIs' trade-off between mission and performance, other factors, such as financial awareness of the clientele or dilemmas connected to finding donors and sufficient funding with low percentage rates, as well as recent global digitalization trends in the microfinance industry, should be taken into consideration.

Findings

The qualitative research of this paper was focused on the identification of sector professionals' viewpoints toward the SM of MFIs and their assessment of overall MFI performance, including interest rates and most effective product lines. It also covered the evaluation of solutions or possible strategies suggested by participants concerning overcoming the most challenging issues and programmes to improve regulatory circumstances that currently face MFIs in Armenia and CIS countries.

As the core of the research was a comparison of the situation, attitude, and issues of MIFs in Armenia and CIS countries, participants of the qualitative analysis were invited from MFIs acting in Armenia, Georgia, Russia, Belarus, Kyrgyzstan, and Tajikistan. The targeted participants were sent invitations for a Skype call. In total 10 interviews were organized, with simple questionnaire taking up to 20 minutes from each responder (Table 1). All participants were holding positions at the top management of their companies. The majority of the participants considered that the SM of the MFI is to support micro-business, households, and farmers to expand their activities.

Some of the respondents mentioned the simple process of lending as one of the key aspects of the SM of an MFI. But simple crediting also has its negative side, as a quick creditworthiness check often does not show the whole picture of the borrower's

Table 1 MFI professionals interview questionnaire

Demographic data		
Nationality	Current location	Country
Education	Degree	Sector
Working industry	Position	
Gender:	Female	Male
Age		
Microfinance institutions performance evaluation		
What is in your opinion the SM of an MFI?		
Which points are taken most into consideration while developing the interest rates of the loans?		
Which are the financial products lines that best meet the achievement of social and financial missions of an MFI?		
What issues are MFIs able to solve along with reduction of poverty?		
Are there any regulation constraints for MFI development in Armenia? What changes would you advise in the regulation and legislation acts for MFIs in Armenia?		

liabilities and there is a possibility of over-indebtedness or high risk. Furthermore, in one representative's opinion, the SM of the MFI is to make the lending process more flexible. Another opinion was that SM is the creation of new workplaces and reduction of poverty.

Both in theory and in practice, it is positive to finance the poor. The fact is that, with this financing support, people who do not have opportunities to do business and create value now have resources to bring their ideas to life. If people who were on the passive side of the economy start to create products or provide services, they will have a positive influence on the overall economy of the country. In contrast, if MFIs provide loans to those who will not be able to pay back credit on time, the overall banking system will have losses. Bad credit portfolios of MFIs can lead to lower creditworthiness of the whole financial system, and people who take the loan for developing their business ideas have to make big efforts or lose their last capital, which will create more poverty. On the whole, all the participants of face-to-face interviews think that the SM of an MFI should include providing financial as well as non-financial services to its customers, as micro-entrepreneurs and rural inhabitants very often do not know how to effectively transform money in to capital and how to invest rationally.

In parallel with the debates about the SM of MFIs, viewpoints regarding the issues that MFIs can solve also vary significantly. The most common answer was the change of business behaviour and stimulation of micro- and small business expansion. Moreover, some of the respondents consider the support of emerging sectors of the economy and rural areas development among the top priority problems that MFIs resolve. On the other hand, there was also an opinion that MFIs increase the competitiveness of farmers' production.

Unlike the above-mentioned ideas, several respondents added that high interest rates of MFI loans do not solve issues related to poverty reduction, as start-up micro-businesses need more assistance rather than loans with high interest rates. Taking into consideration the bigger operational costs of MFIs, it is often impossible to achieve the desired interest rate for micro-entrepreneurs. At the same time, loans with average interest rates and strong technical assistance very often lead to positive results among borrowers.

According to qualitative analysis results, the SM should be at the core of MFI performance, and its objective is to provide efficient financial services to farmers, households, and micro-businesses to empower their business. These statements correlate with research by Sultana et al. (2017), which claimed that the provision of small, collateral-free credits to the poor is the core mission of MFIs. Moreover, the majority of the respondents in face-to-face interviews mentioned that possible reasons for high interest rates could be employees' salaries, laws, overhead costs, or even profit margins. In parallel, Ramezanali et al. (2018) found that the average interest rate of MFIs is 25 per cent, and frequent monitoring processes, intensive support of the clients, and small or balloon method repayments lead to a high interest rates.

Summing up the answers of the participants in the qualitative analysis, the majority has the same point of view regarding the research objectives. In particular, the vast majority of the participants agree with the following statements:

- ✓ The SM strategy plays vital role in the MFIs' efficient performance. Moreover, the chief mission of MFIs is to support households, farmers, and micro-businesses to enlarge their activities and improve their businesses.
- ✓ MFIs most commonly have an influence on clients' business behaviour and stimulate micro- and small businesses to expand.
- ✓ Overhead costs, employees' salaries, laws, regulations, and profit margins should be taken into consideration when estimating the interest rates of the loans.
- ✓ Among the microfinance products lines, agricultural loans have been considered to be the most popular, though microloans are the most effective; meanwhile there is a lack of microinsurance services.
- ✓ The government offers interest rate-subsidizing loans that aim to support the microfinance industry in all CIS countries.
- ✓ Regulatory restrictions against deposits are one of the key constraints to sector development in CIS countries.

The quantitative analysis of this paper was organized to identify the opinions and attitudes of MFI mid-level staff towards the microfinance organizations' performance, and to examine the viewpoint of the clientele on the same theme. Around 40 MFI employees from CIS countries were invited to take part in the research. In parallel, the same number of client representatives with different nationalities, ages, working industry, and education levels were involved in the qualitative research of this study. The research was conducted through the Google Form tool and engaged participants from Georgia, Ukraine, Russia, and Kyrgyzstan. Overall the survey lasted 15 days and 80 participants filled out the form.

Reliability analyses

According to Weaver et al. (2014), the reliability analyses of the research usually describe the proportion of the real information about any point of view presented in a study. In addition, Hopkins (2015) asserted that the internal dependability level between the examined concepts is described by the reliability analyses. According to Taber (2018), among the measurement list of the reliability level of an analysis, Cronbach's alpha is one of the most widely used measures.

Based on the above literature review on reliability analysis, and the fact that there are two questionnaires for the current qualitative analysis and a majority of the questions have answers in the range of 1–5, our study conducted three diverse Cronbach's alpha coefficients in SPSS with three diverse groups of questions. The first Cronbach's alpha analysis included a group of questions that were the same in both questionnaires and had answers on a scale of 1–5. The questions were mainly dedicated to the analysis of mission drift existence, the identification of whether MFIs fit customers' expectations and have a sufficient range of products, whether MFIs fulfil customers' needs and use of borrowed money for the right purposes, and whether there were any government projects that helped clients. The Cronbach's alpha of the first group of questions for the total qualitative research participants is 0.865, which is greater than the threshold of 0.8; therefore, the first group has a strong level of reliability.

Tables 2–4 portray the reliability statistics containing mean and standard deviation results.

The second Cronbach's alpha analysis contained questions from the financial knowledge section of the MFIs' clientele questionnaire and only the similar-scale questions were chosen. The resulting Cronbach's alpha is 0.851, which again presents a high level of reliability.

Table 2 Reliability statistics: first group of questions

Cronbach's alpha	Cronbach's alpha based on standardized items	No. of items
.865	.803	8

Table 3 Item statistics: first group of questions

	Mean	Std. deviation	N
Do MFIs fit their customers?	3.6582	1.3181	80
Sufficient range of products	4.5190	1.4681	80
Do MFIs target excluded people?	3.6456	1.5781	80
Do MFIs' fees meet clients' expectations?	4.9620	1.8131	80
Do existing products fulfil customers' needs?	2.8987	1.0765	80
Gov. projects help clients	3.2911	1.2314	80
Do MFI facilities seem attractive?	3.7342	1.4561	80
Do clients use money for the right purpose?	2.4304	1.17324	80

Table 4 Item-total statistics: first group of questions

	Scale mean if item deleted	Scale variance if item deleted	Corrected item: total correlation	Squared multiple correlation	Cronbach's alpha if item deleted
Do MFIs fit their customers?	18.4810	7.637	.496	.340	**.787**
Sufficient range of products	18.6203	7.521	.567	.477	**.798**
Do MFIs target excluded people?	18.4937	7.381	.827	.227	**.870**
Do MFIs' fees meet clients' expectations?	18.1772	6.481	.746	.667	**.788**
Do existing products fulfil customers' needs?	18.2405	6.826	.593	.747	**.725**
Gov. projects help clients	18.8481	7.130	.427	.499	**.664**
Do MFI facilities seems attractive?	18.4051	7.783	.616	.532	**.722**
Do clients use money for the right purpose?	18.7089	9.337	.844	.341	**.853**

The third group of questions was chosen from the questionnaire for MFIs professionals. Similar to the second Cronbach's alpha analysis, these groups of questions were also from the financial knowledge section and again were similar questions, with answers ranging from 1 to 5. The questions focused on the detection of MFI professionals' opinion about their clients' financial knowledge, whether they realized real interest rates, and if they knew how to manage the resources. The result is again more than satisfying: Cronbach's alpha is 0.898, which is the highest reliability result among all three groups of questions.

Correlation analysis between diverse factors of the qualitative analysis findings

Marrett et al. (2018) confirmed that correlation is a bivariate analysis, which indicates a strong relationship between two variables. According to statistical best practice, the Pearson coefficient is widely used to identify the direction of the affiliation and the ideal extent of the correlation between two variables. Taking into account the fact that questions in both questionnaires of the qualitative analysis were divided into four sections (mission drift, financial knowledge, risks, and additional) we decided to find out the highest correlation extent between a question from each section and the demographic indicators of the participants. Meanwhile, it is important to mention that, besides examining the overall correlation between the section and one demographic characteristic, the same question from both types of questionnaires referring directly to the research objectives of the study was chosen and a detailed evaluation was done. In all three groups of correlations, analyses were done. Each group consisted of two analyses: one correlation was done for the the MFI professionals' questionnaire and the other for the MFI clientele.

The first group of correlations presents the correlation between the attitude of MFI professionals versus whether MFIs are the best fit for their customers.

The same correlation was conducted for the MFI clientele questionnaire. Table 5 presents the results from the MFI clientele opinion questionnaire. As can be seen from the table, among nine examined dimensions, five have significant Pearson correlation coefficients ranging from 0.747 to 0.771, though the highest result (0.785) is registered between the education level and MFI clienteles' opinion on whether MFIs are the best fit for their customers. The significance (2-tailed) value is 0.000, which shows the statistically meaningful correlation between the presented variables.

In contrast to the MFI clients' opinion, the MFI professionals' point of view on MFIs fitting their customer is chiefly correlated with their gender dimension, and the Pearson coefficient is 0.791. Overall, among the 11 dimensions that were evaluated, four had significant correlation rates (starting from 0.704 to 0.786) with gender characteristics of MFI employees. Moreover, significant correlation results were registered between the questions of the mission drift section. For instance, the relation between whether MFIs target people excluded from the traditional banking sector and whether MFIs' fees meet clients' expectations or what the reasons for high interest rates are, was, respectively, 0.786 and 0.773.

The second group of correlation analysis was done to examine the correlation between the section on financial knowledge and the demographic characteristics of the participants. Table 6 presents the results of the MFI clients' opinion questionnaire. According to received Pearson correlation coefficients, the greatest correlation is 0.771, which indicates the relation between the working industry of the participants and their attitude towards MFI clients' level of financial literacy.

In comparison, MFI professionals' opinion about the level of financial literacy of MFI clientele is more correlated with the respondents' gender indicator. The Pearson coefficient is 0.772. Similar to the first group of correlation analysis regarding the MFI professionals' point of view, there is a high correlation between the gender of the responders and the main questions of this sector.

The third group of correlation analysis included information on the risk section questions and their relation to the participants' demographic data. Table 7 provides the Pearson correlation analyses for both the MFI clienteles' and MFI professionals' questionnaires. Depending on the client's age category, the view on whether the borrowed money has been used for the right purpose varies significantly; the result of the analysis is 0.735. On the other hand, the MFI professionals' opinion on whether the disbursed loans are used for the right purpose had a much higher dependency on the nationality of the respondents.

All three groups of correlation analyses indicated that there are significant correlations between diverse aspects of the research and demographic characteristics of the qualitative analysis participants.

According to the quantitative analysis results, the government of Armenia is supporting the microfinance industry through diverse programmes, such as subsidiaries, Millennium Challenges, and small- and medium-sized enterprise development. Moreover, a detailed analysis of each programme comparison in groups showed that subsidiaries are the most useful. However, it should be mentioned that this programme is not for the micro-lending sector. This kind of

Table 5 First group correlations

		Do MFIs fit their customers	Education	Sufficient range of products	MFIs explain customer rights	Grievance procedure	Could you start your business with an MFI loan	Do MFIs primarily target excluded people	Do MFI fees meet your expectations	How often do client come for another loan	Average interest rate of MFIs
Do MFIs fit their customers	Pearson correlation	1	.785*	.007	.106	.158	.217	.460	.366*	.258	.390
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000	.000	.000	.000
	N	40	40	40	40	40	40	40	40	40	40
Education	Pearson correlation	.785*	1	.147	.747	.771	.313	.446	.698	.766	.760
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000	.000	.000	.000
	N	40	40	40	40	40	40	40	40	40	40
Sufficient range of products	Pearson correlation	.007	.147	1	.404	.583	.140	.059	.223	.556	.543
	Sig. (2-tailed)	.000	.147		.000	.000	.000	.000	.000	.000	.000
	N	40	40	40	40	40	40	40	40	40	40
MFIs explain customer rights	Pearson correlation	.106	.747	.404	1	.276	.331*	.709	.374	.312	.434
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.000	.000	.000	.000
	N	40	40	40	40	40	40	40	40	40	40
Grievance procedure	Pearson correlation	.158	.771	.783	.276	1	.173	.122	.540	.334	.258
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000	.000	.000	.000
	N	40	40	40	40	40	40	40	40	40	40

(Continued)

Table 5 (Continued)

		Do MFIs fit their customers	Education	Sufficient range of products	MFIs explain customer rights	Grievance procedure	Could you start your business with an MFI loan	Do MFIs primarily target excluded people	Do MFI fees meet your expecta- tions	How often do client come for another loan	Average interest rate of MFIs
Could you start your business with an MFI loan	Pearson correlation	.217	.313	.140	.331*	.173	1	.039	.080	.253	.214
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000	.000	.000	.000
	N	40	40	40	40	40	40	40	40	40	40
Do MFIs primarily target excluded people	Pearson correlation	.460	.046	.059	**.709**	.122	.039	1	.395*	.000	.059
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000		.000	.000	.000
	N	40	40	40	40	40	40	40	40	40	40
Do MFI fees meet your expectations	Pearson correlation	.366*	.298	.223	.574	.540	.080	.395*	1	.405	.187
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000		.000	.000
	N	40	40	40	40	40	40	40	40	40	40
How often do client come for another loan	Pearson correlation	.258	**.766**	.556	.312	.334	.253	.000	.405	1	.321*
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000		.000
	N	40	40	40	40	40	40	40	40	40	40
Average interest rate of MFIs	Pearson correlation	**.760**	.160	.543	.434	.258	.214	.059	.187	.321*	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	.000	
	N	40	40	40	40	40	40	40	40	40	40

Notes: * Correlation is significant at the 0.01 level (2-tailed).
The most significant correlations are shown in bold.

Table 6 Second group correlations

		Is it mandatory to use a loan for its purpose	What components are important for loans	What are the financial performance indicators	Do MFI clients have sufficient financial knowledge	Working industry
Is it mandatory to use a loan for its purpose	Pearson correlation	1	.542	.120	.447	.452
	Sig. (2-tailed)		.381	.462	.771	.000
	N	40	40	40	40	40
What components are important for a loan	Pearson correlation	.542	1	.539	.143	.212
	Sig. (2-tailed)	.381		.138	.380	.189
	N	40	40	40	40	40
What are the financial performance indicators	Pearson correlation	.120	.539	1	.169	.648
	Sig. (2-tailed)	.462	.138		.298	.363
	N	40	40	40	40	40
Do MFI clients have sufficient financial knowledge	Pearson correlation	.447	.143	.169	1	**.771**
	Sig. (2-tailed)	.771	.380	.298		.291
	N	40	40	40	40	40
Working industry	Pearson correlation	.452	.212	.648	**.771**	1
	Sig. (2-tailed)	.000	.000	.363	.291	
	N	40	40	40	40	40

Table 7 Third group correlations

		Major categories of risks	Have financial resources been used for the right purpose	Age of participant
Major categories of risks	Pearson correlation	1	.362	.459
	Sig. (2-tailed)		.102	.327
	N	40	40	40
Have financial resources been used for the right purpose	Pearson correlation	.362	1	**.735***
	Sig. (2-tailed)	.102		.034
	N	40	40	40
Age of participant	Pearson correlation	.459	**.735***	1
	Sig. (2-tailed)	.327	.034	
	N	40	40	40

Notes: * Correlation is significant at the 0.01 level (2-tailed).
The most significant correlations are shown in bold.

experience is met in Indonesia, where the government and the central bank aim to organize all the rules and legal acts of the sector (Atmadja et al., 2018). Hence, it is obvious that the legislation and regulation of the microfinance sector in Armenia need to be improved and the future development of the industry to be supported.

Conclusion

Given the results of the quantitative and qualitative research, as well as the examination of different research papers, we have concluded that mission drift between the SM and performance of MFIs in general exists.

The empirical data analysis and questionnaire answers show that the main reasons for higher interest rates among MFI services are higher operational costs and high levels of credit risk. Also, sources of borrowings for MFIs are considered to be higher than for commercial banks. Interest rates might also be relatively high due to country-specific considerations.

Turning to the issues that MFIs can resolve, it should be stated that financial education is the most important because the reasons for existing problems are correlated with poor financial literacy. According to best practice, the best financial product of MFIs is impact financing; financing specific projects along side technical assistance can be concluded as the best product that meets the needs of people who do not have access to traditional banking loans and need resources to make their ideas become real business cases.

From the respondents' answers, it can be concluded that, among CIS countries, there are several international donors and funds that actively finance MFI services. These projects are considered to be efficient and available for clients, but not sufficient. According to the results of the study, microloans are the most effective financial services, though their negative side is the high interest rates. Consequently, it is recommended to build an ecosystem that will lead to the active networking of MFIs and donors and, as a result, it will become the background for growing MFI financing.

In general, the Central Bank of Armenia is quite aware of issues in the field, and performs and regulates well, aiming to solve current challenges. The legal environment cannot be considered a big challenge for MFI development; moreover, better attraction of funding and government support for attracting donors are key processes for developing the microloans market. On the other hand, changes in regulation and legislation related to the implementation of micro-savings or microinsurance are recommended for the improvement of the microfinance sector in Armenia.

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