ISSN 2056-6018

CAN MICROFINANCE INSTITUTIONS REACH THE POOREST OF THE POOR AND ACCOMPLISH FINANCIAL SUSTAINABILITY AT THE SAME TIME?

Edwins Edson Odero
University of Namibia
Faculty of Economic and Management Sciences Southern Campus
NAMIBIA
jaturakanindo@gmail.com

ABSTRACT

Microfinance can be simply termed as the institution that offers poor people basic financial services. It has expended itself and has come up with approaches and offers that comprises of providing basic financial services such as loans to the range of diversified activity such as the providence of microinsurance to the people. It is the services and assistance of MFIs that must be available to the poor in the long term, to achieve financial sustainability, the assessment of factors that have a direct and indirect influence on reaching the poor and at the same time, reaching the sustainability is essential. The prolonged continuation of the Microfinance program after the activities of the projects has been ceased is referred to as sustainability. The researcher has used the deductive approach in this study. The reason for using deductive approach is that theories of microfinance are already available in the literature but its specific relation with poor and sustainable financing was missing. The results showed that most of the MFIs are working in developed countries because most of the account holders belong to these countries. The findings showed that the poorest borrowers were 110 million, which increased to 114 million by the end of 2014. It implies that the scope and priorities of MFIs were towards the poorest. For MFIs that meet the needs and objectives of now and also of the future generation, it is sustainability. Sustainability comes to the fore as a measure of the efficiency with which the poor operates and serves at the same time.

Keywords: Microfinance Institutions, financial, sustainability.

INTRODUCTION

The Microfinance Institutes have long been recognized as the vehicle to alleviate poverty in the regions of developed countries. The ability of an institution to help the poor people such as Microfinance Institutions is due to the fact that the people are excluded from the formal banking system. Microfinance can be simply termed as the institution that offers poor people basic financial services. It has expended itself and has come up with approaches and offers that comprises of providing basic financial services such as loans to the range of diversified activity such as the providence of microinsurance to the people. It refers to all types of “intermediation financial services” that range from savings to pension allowance that is given to low-income households and small and medium enterprises in the urban and rural areas of the United States (Im & Sun, 2015).

Targeting Poverty

The poor client is decided on the basis of the established criteria but the obstacle is how to decide the criteria on which to base the knowledge of the client. Microfinance is not a remedy to the poverty-stricken in a way that it does not automatically lead to the better living conditions for the poor because there is evidence that in some cases it led to worsening conditions and the ratio of debt to equity of very poor was established. The poverty measurement methods are the decisive factors in different methods to approach the issue. The common way of approaching the issue is based on income or consumption level. The level that decides the estimate of a person's income or consumption is called the poverty line. If a person is below a certain minimum level than the person is poor. The level of poverty line varies on the basis of geography, societal norms and cultural values (Bos & Millone, 2015).

The committee of Consultative Group to Assist the Poorest (CGAP) consultants though studying the issue for two years failed to come up with the tenable results. They argued that the possibility of designing reliable indicators for the identification of the really poor in more tangible ways is not possible. The Micro Credit Summit accounts people who belong to the bottom fifty percent of the group that lives below the nationally defined poverty line as the poorest people. The World Bank estimates that the consumption of $ 2 per day of average American falls under the criteria of poor while $ 1 per day consumption is the poorest people. The income or consumption is the strong variables but there are other factors that give the poverty more nuanced dimensions among them is education, health, and other societal and cultural concerns. The elements that are important to measure and that defies quantitative measurement are health, quality of life, gender roles etc. It is difficult to measure poverty with the help of precise poverty measurement method. It proves disappointing in terms of tenable results (Garcia et al, 2017).

LITERATURE REVIEW

Financial Sustainability

It has been discussed by Cull, Harten, Nishida, & Bull, (2014) that financial sustainability in terms of MFIs is one of the characteristics of the structure of funding sources in the structure of assets MFI. Unlike solvency, which assesses current assets and short-term liabilities of an enterprise, financial sustainability or stability is determined on the basis of the ratio of different types of sources of financing and its conformity to the composition of assets of an MFI. On the other hand, Mori, Golesorkhi, Randøy, & Hermes, (2015) argued that financial stability of an MFI is the stability of the financial position of the MFI, provided by a sufficient share of equity in the composition of sources of financing. A sufficient share of equity means that borrowed sources of financing are used by the enterprise only to the extent that it can ensure their full and timely return. From this point of view, short-term obligations on the amount should not exceed the value of liquid assets. In this case, liquid assets are not all current assets, which can be quickly converted into money without tangible loss of value compared to the balance sheet, but only a part of them (Wijesiri, Viganò, & Meoli, 2015).

However, D'Espallier, Goedecke, Hudon, & Mersland, (2017) further elaborated that as part of liquid assets, stocks and work in progress and their transformation into money is possible, but it will disturb the smooth operation of the MFI. It is only about those liquid assets, the transformation of which into money is the natural stage of their movement. In addition to cash and financial investments, accounts receivable and inventories of finished goods intended for sale are included (Allet, & Hudon, 2015). In contrast, Wijesiri, & Meoli, (2015) argued that the share of the listed elements of current assets in the total value of the assets of the enterprise determines the maximum possible share of short-term borrowed funds within the sources of financing. The remaining value of assets should be financed at the expense of equity or long-term liabilities in order to increase the reach of MFIs towards poorest borrowers. Proceeding from this, the sufficiency or insufficiency of own capital is determined. Two conclusions follow from the foregoing.

- The necessary (sufficient) share of own capital in the composition of sources of financing is individual for each enterprise and for each reporting or planned date; it cannot be evaluated using any normative values.
- An adequate share of equity in the composition of sources of financing is not the maximum possible share of it, but reasonable, determined by the appropriate combination of borrowed and own sources, corresponding to the structure of assets.

It is the services and the help of MFIs that must be available to the poor people in the long run so in order to achieve financial sustainability the assessment of factors that have direct and indirect influence in reaching to the poor and at the same time achieving financial sustainability is crucial. For MFIs meeting the needs and goals of now and in also of the future generation is sustainability. Sustainability then comes in the forefront as the measure of how efficiently it operates and serves the poor at the same time.

The prolonged continuation of the Microfinance program after the activities of the projects has been ceased is referred to as sustainability. As per the study of Thurman (2016), the ability to continue operations for the rural poor as a developmental financial institution is a sustainability. The long life of the organization is depended on the financial sustainability and it goes beyond the financial percept of MFIs and includes aspects of legal policy, institutionalization and situational impact aspects (Nurmakhanova, Kretzschmar, & Fedhila, 2015). The definition of sustainability is revised to include other than the financial aspects of the institute to integrate funds at market rate and deployment of local resources. Operational self-sustainability (OSS) and financial self-sustainability (FSS) are two important measurable of MFIs financial self-sustainability. FSS is achieved by the process when the institution gains profit and maintain or even expand its services with the addition of aids and benefits. OSS is achieved when the operations of the institution are potentially self-sufficient to manage the operating costs that include salaries, supplies, loan losses and other administrative costs.

Factors Influencing the Growth and Financial Sustainability of MFIs

The steady growth in demand for MFI products observed in the last few years can be explained by several factors that are divided into global and local.

Timeliness of MFI services

Widiarto, & Emrouznejad, (2015) noted that the global growth factors include the general trend of increasing demand for microfinance services, thanks to the speed, availability, and convenience of obtaining them (MFO PAY PS issues loans online for 15 minutes) on the other hand and the conservative approach of banks to consumer lending on the other. The economy of the country is not in the best condition. This affects the real incomes of citizens and, first of all, affects the ability to meet their obligations on loans provided by banks in a timely manner. After the crisis of 2014, the growth in overdue for bank loans is on the increase, on this negative background banks are reducing the volume of consumer lending (Cull, Harten, Nishida, & Bull, 2014).

High adaptability to the scoring of MFIs

Mori, Golesorkhi, Randøy, & Hermes, (2015) pointed that not the least role in reducing consumer lending by banks and the transition of population's demand for the services of microfinance organizations is provided by the more stringent requirements of the CBR applied to bank borrowers. At the same time, MFIs are ready to provide the necessary services to provide money, as they reduce their risks by reducing the amounts and applying special scoring algorithms built taking into account the negative background of the economic situation (Wijesiri, Viganò, & Meoli, 2015).

Changes in consumption of loans and borrowings

It has been discussed by Wijesiri, Viganò, & Meoli, (2015) that another global factor may be called a change in the way in which such a service is used as a loan or a loan. In the current situation, consumers try not to get involved in long-term loans with banks, but solve their current issues related to the lack of financial resources quickly and in a timely manner with the help of MFI services. It is especially convenient when a person can get money by filling out a questionnaire on the site in any place where there are an Internet and a computer or a mobile device. It is also necessary to note the growing confidence in MFIs amid changes in legislation and increased control by the regulator, thanks to which only proven companies remain on the market.

Seasonality

It has been argued by D'Espallier, Goedecke, Hudon, & Mersland, (2017) that under local factors, seasonality can be noted. The 3rd quarter is the starting point of volume growth, the peak, which will occur at the end of the year. People returning from holidays, preparing children for school, i.e. they had enough reasons for additional costs, which are easiest to close with a microloan. The volume of loans in the microfinance organization Pay PS in the third quarter of 2016 increased by 5% relative to the second quarter of 2016, and by 69% compared to the same period in 2015.

Risk in Microfinance

According to Allet, & Hudon, (2015), the risks or uncertainties affecting microfinance clients are mainly due to income volatility, capital losses and unforeseen expenses, all of which are attributable to diseases and accidents of all kinds, and to a physical and political environment. Economic and social instability hazards can be related and they have consequences that reinforce each other. If leaders of microfinance organizations, donors, national policymakers, or even beneficiaries generally expect microfinance to contribute to the creation of income-generating activities and, as a result, to poverty reduction, it is now agreed that this expectation is only very imperfectly satisfied. On the other hand, Wijesiri, & Meoli, (2015) argued that several explanations can be advanced on this subject. First, as opposed to speeches, there are few microcredit experiences that actually provide loans for business start-ups. There is the risk of the organization itself. Secondly, the funds lent are usually for a period that is too short to allow productive investments. Finally, a large number of clients do not use small investment loans in a new or existing economic activity, precisely because they are exposed to a multiplicity of risks, which hampers any projection into the time and any entrepreneurial attitude in the Schumpeterian sense of the term. They prefer to mobilize microcredits as a working capital of the domestic unit, an attitude that only reflects their concern to better manage resources and expenditures and thus to cope with inter-temporal budgetary imbalances. In the absence of such loans, "informal" interest rates - such as loans from professional lenders - can significantly affect the actual disposable income of households, to the extent that, in some companies (Mori, Golesorkhi, Randøy, & Hermes, 2015).

Moreover, Widiarto, & Emrouznejad, (2015) stated that poverty reduction and the development of micro-entrepreneurship are questioned by specialists, it is becoming increasingly clear that the real challenges that microfinance is likely to face lie elsewhere. Thus, attention shifts to focus more on the risks faced by vulnerable populations. This vision stems from a more dynamic approach to poverty and its determinants. Indeed, more poverty is thought of in terms of processes where inequality in the management of vulnerability and irregularity of resources play a central role. This approach is all the more justified because the proportion of vulnerable populations is generally much greater than that of very low-income populations. On the other hand, Cull, Harten, Nishida, & Bull, (2014) vulnerability refers to both individual and collective hazards that affect individuals and their health, personal property, and professional heritage, as well as events that punctuate the cycles of their lives that can also be translated into action by a sudden fall in income or an unexpected increase in expenses.

In order to reach the low-income and poor household, the hurdle to overcome is the factor of risk. The resources and outcomes generated from micro-entrepreneurial activities are prone to the dynamics of market fluctuation. Prior to microfinance, the transactions with micro enterprises were considered “risky and costly”. Same is the case with the advent of microfinance, therefore the risk involved in high operational costs is crucial in determining sustainability. The measures are taken to reduce poverty through the group-lending method (Clinton & Whisnant, 2018).

There are still some risks faced by MFIs if they want to continue operations and to reach the poor because they might face troubles in relying on government aid and donations. As is the case that MFIs grow rapidly and expand, they attract more customers and investments but they need to develop and establish their “internal capacity” to recognize potential risks and to avoid losses and surprises. It is proved by the evidence that apart from the fact that the growth and development of MFIs are on rising, there internal risk management system lag behind in maintaining the size and scope of their activities (Newman, Schwarz, & Ahlstrom, 2017).

The financial institution offering financial services the most important risk it faces is continually maintaining the quality of services it offers. The availability of the credits and loans to the poor is the activity of MFIs so the quality invested in loan portfolio is crucial and the concerned (credit risk) has to be eased in order for them to continue their activity.

METHODOLOGY

In this section, the researcher has explained the research methodology of this paper. In addition, the researcher has used the deductive approach in this study. Because there are two different approaches including an inductive and deductive approach. Additionally, both the approaches are completely different from each other. On another hand, the inductive approach is normally used for theory building while the deductive approach is used to solve the specific research problem. The reason is that the inductive approach follows a pattern from specific to general but deductive approach follows a pattern from general to specific. The reason for using deductive approach is that theories of microfinance are already available in the literature but its specific relation with poor and sustainable financing was missing.

On the other hand, there are three different methods of conducting a research including quantitative, qualitative and mixed method. However, this study used the quantitative method because it includes numbers and statistical tools which can better explain the results and significance of the study. The reason for not using qualitative or mixed method is that the qualitative method is based on descriptions and qualitative data which cannot provide better results in terms of financing. Furthermore, the mixed method was also inapplicable in this study because this method uses the combination of numbers and description which was not applicable for this study. Therefore, the best method for this study was a quantitative method. As a result, the researcher finalized a quantitative method for this study.

Furthermore, there are two types of data in terms of collection and two types of data in terms of their nature. In terms of collection, data types include primary and secondary data. In terms of nature, data types contain qualitative and quantitative data. For this study, the researcher has used quantitative secondary data because it allowed the researcher to provide the best possible findings related to the topic. Moreover, the data collection was done not only in terms of quantities of data but the researcher also used qualitative data. However, the qualitative data was limited to literature review while the quantitative data was used primarily for the analysis and provision of findings. Moreover, the data collection was done from different authentic sources such as The World Bank and IMF. Similarly, quantitative secondary data related to microfinance and poverty was collected, used, presented and interpreted in this study.

As far as the data analysis was concerned, the researcher used different graphs, diagrams, tables, and secondary quantitative data in order to resolve the research problem and achieve the research objectives. In addition, the researcher interpreted the results of those tables and figures in order to provide better insights into the results and then backed them with the literature in the discussion section. The reason for relying on tables and graphs was that the study and its scope were limited and due to these limitations the researcher used secondary quantitative data and interpreted them directly. Finally, after the interpretation and discussion, the researcher concluded the entire study in order to provide final results and an overall summary of the paper.

RESULTS

As discussed earlier that the results of this paper were based on figures, graphs, and tables. Because the researcher collected secondary quantitative data from secondary authentic sources such as the World Bank. In addition, the results of the study were based on different objectives but the main aim of the paper was to evaluate the factors affecting financial sustainability of Microfinance institutions and to highlight the way they effectively reach the poor. As a result, the researcher collected secondary quantitative data. Additionally, the results of the study were as follow.

Factors Affecting the Financial Sustainability of MFIs

As per the data collected from various sources, there are various factors that affect the financial sustainability of MFIs. These factors include the outreach of MFIs, financing risk and poverty targeting. However, the data provided the following figure which also justifies the same thing.

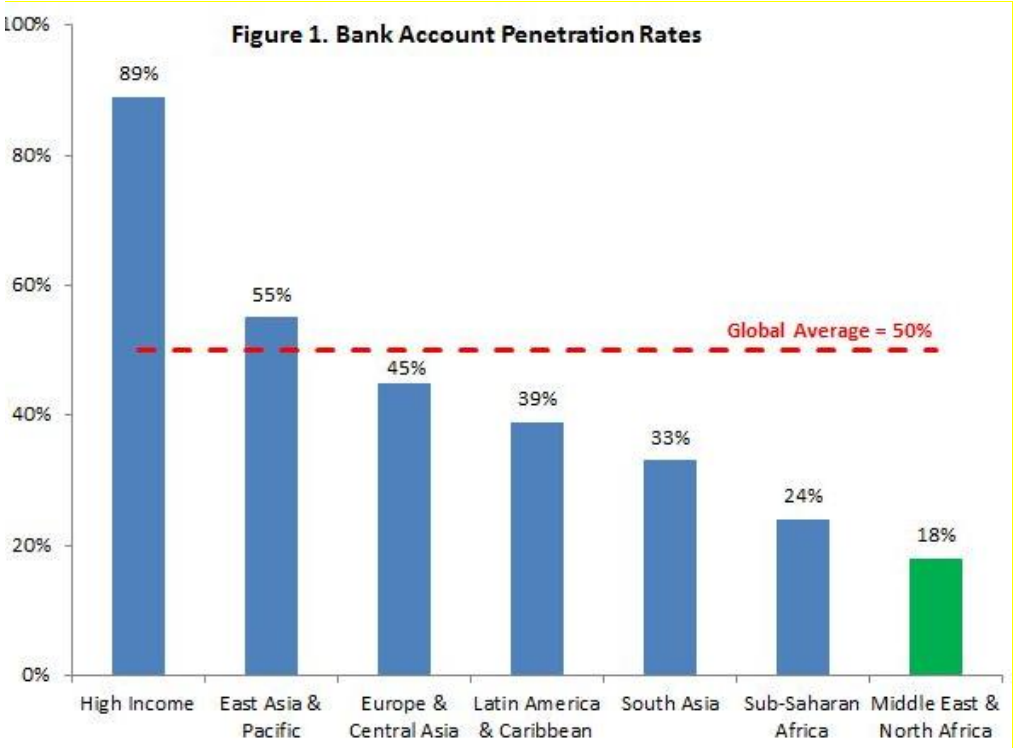

Figure 1: Percentage of Bank Account Penetration
Source: (Garcia et al, 2017)

The above figure is based on the percentage of bank account holders in different regions of the world. Moreover, this percentage of a bank account has a direct link with MFIs because most of the small business and self-financers normally use microfinance in order to strengthen or start their business. However, it can be seen from the aforementioned figure that the global average of account holding is 50% while there are 89% of rich people who have bank account holdings. On the other hand, 55% account holders belong to East Asia and Pacific Region. Similarly, 45% of people belong to Europe and Central Asia. 39% of people belong to Latin America and the Caribbean. 33% of account holders are from South Asia, 24% from Sub-Saharan Africa and 18% are from the Middle East and North Africa.

Moreover, the figure shows that most of the people who have higher reach towards finance and have the majority of account in banks belong from the developed world. It implies that the initial analysis of the study was true that outreach of MFIs, financing risk and poverty targeting are the most significant factors that influence microfinance. On the other hand, the analysis also showed that the infrastructure also plays a vital role in microfinance reach because, in those countries where infrastructure is strong, MFIs are working more appropriately as compared to those countries where infrastructure is weak. It also implies that the poor countries have low infrastructure and a higher risk of providing funds. As a result, MFIs have fewer priorities in these countries in past but a few years back these countries have gain the significant attention of MFIs due to increased priorities of MFIs to cater to this potential market.

Whether Micro Finance Institutions Reach the Poorest of the Poor

The aforementioned was the second objective of this study. This objective was also linked with the main aim of the study. However, it was found from the literature that the core aim of MFIs is to facilitate poor and reach him in order to provide finances. On the other hand, the literature evident that there are various factors that influence the financial sustainability of MFIs. Furthermore, the following figure is also used in order to justify that MFIs reach is also crucial in the entire process of microfinance. In contrast, the reach of MFIs is vital for the overall process and in past years the microfinance reach has been increased which can be also seen in following figure.

Data points	Reported to the Campaign	With MIX data added
Total borrowers	204,372,897	211,119,547
Total women	150,956,904	157,695,359
Total poorest borrowers	110,172,154	114,311,586
Total poorest women	90,332,516	94,388,701
Number of poorest family members affected*	550,860,770	571,557,930
Number of MFIs reporting since 1998^	3,725	3,098
Number of MFIs reporting in 2014	172	439
Percent of poorest borrowers represented by MFIs reporting in 2014	82%	83%

Figure 2: Progress of MFIs
Source: (Bos & Millone, 2015)

The aforementioned data was collected by The World Bank during a microfinance campaign in 2014. Moreover, it can be examined from the aforementioned table that there were initially 204 million borrowers which were increased to 211 million in the end of the same year. Similarly, a total female who participated in the overall activity was 150 million at the start of 2014 and increased to 157 million at the end of the year. Similarly, poorest borrowers were 110 million who were increased to 114 million at the end of the same year. It shows that the reach and priorities of MFIs were towards the poorest. On the other hand, total poorest women in the microfinance process were 90 million which were increased to 94 million which also implies the same thing that the priority of the MFIs is towards poor people and borrowers. However, the number of poor families affected with the MFIs were 550 million but they dramatically increased to 571 million at the end of 2014. It shows that MFIs significantly affected the poor families.

Similarly, the aforementioned table showed that the number of MFIs since 1998 was 3725 which were decreased to 3098. The reasons were that most of the small MFIs left poor countries due to associated challenges such as the risk of financing and poor infrastructure. Therefore, it can be the estimated number of MFIs have been decreased in poor countries in the past several years. In contrast, those MFIs which were started to work till 2014 were increased to 439 from 172. It implies the same analysis that MFIs have fewer priorities in these countries in past but a few years back these countries have gained the significant attention of MFIs due to increased priorities of MFIs to cater this potential market. Finally, the most significant factor that is the number of poorest borrowers increases to 83% from 82% only in one year which shows that most of MFIs are targeting the poor segment and thus working for them.

The Accomplishment of Financial Sustainability by the Help of Micro Financing

It has been discussed in the paper a couple of times that the aim of MFIs is to provide financial help and funds to poor people. It shows that the core aim and purpose of MFIs is to support the poor and help him to overcome his financial constraints. However, the third objective of the study was to assess the accomplishment of financial sustainability with the help of microfinance. Therefore, the researcher extracted the following data.

ISSN 2056-6018

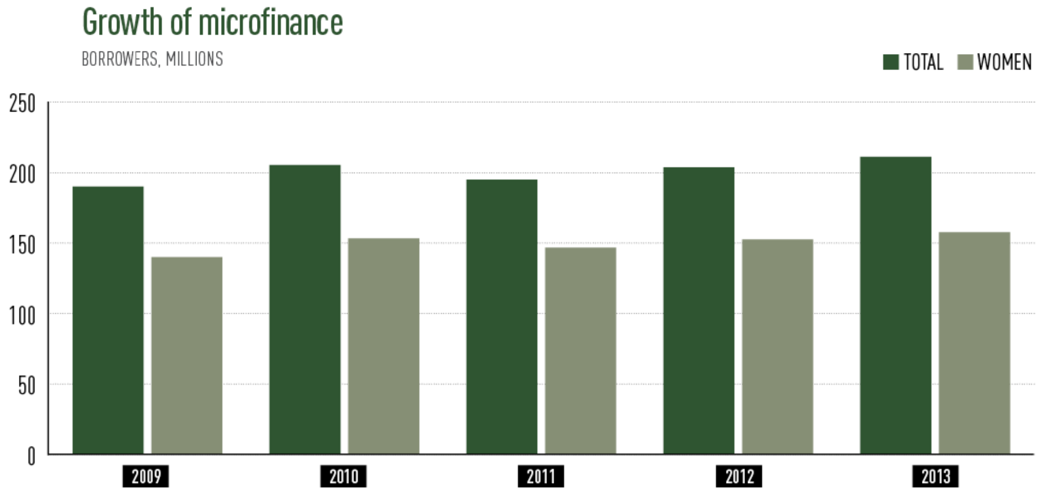

Figure 3: Growth of Microfinance Borrowers
Source: (D'Espallier, Goedecke, Hudon, & Mersland, 2017

It can be seen from the aforementioned figure that financial sustainability is increasing across the world through MFIs and they are being successful in providing funds to poor people. The above table is based on the analysis from 2009 to 2013. The reason for choosing this period is that the researcher wanted to assess the role of the MFIs in achieving financial sustainability after the financial crisis of 2008. However, the aforesaid figures witnessed that the financial sustainability has been increased with the help of MFIs throughout the period because in 2009, the number of male borrowers was 180 million and female borrowers were 125 million. These number increased to 225 million and 160 million for male and female borrowers in 2013. It implies that MFIs have helped millions of poor people to overcome their financial constraints.

DISCUSSION IN THE LIGHT OF LITERATURE

In this section, the researcher has discussed the results in the light of the literature. Firstly, the researcher described the result and then backed them with the help of literature to assess their significance. The study showed that the overall average of the account holding across the world is 50%, while 89% of this is possessed by the rich. On the other hand, 55% of account holders belong to East Asia and the Pacific region. Similarly, 45% of people belong to Europe and Central Asia. 39% of people belong to Latin America and the Caribbean. 33% of account holders come from South Asia, 24% from Sub-Saharan Africa and 18% from the Middle East and North Africa. It shows that most of the MFIs are working in developed countries because most of the account holders belong to these countries.

However, the literature also showed that the advisory group of the counseling group for the poorest (CGAP), although studied the FMIS two years ago but did not present sustainable results. Garcia et al (2017) argued that the ability to design reliable indicators to identify the poor in a more tangible way is not possible. The Micro Credit Summit believes that people who belong to fifty percent of the group living below the nationally defined poverty line are the poorest people. The World Bank estimates that the average American consumption of $ 2 per day is in the poor's criteria while the consumption of $ 1 per day is the poorest population. Income or consumption are strong variables, but there are other factors that give more nuances to poverty: education, health and other social and cultural concerns. The elements that are important to measure and which challenge quantitative measurement are health, quality of life, gender roles, etc. Poverty is difficult to measure with the help of the precise method of measuring poverty. It is disappointing in terms of sustainable results (Garcia et al, 2017).

On the other hand, results of this study showed the infrastructure also plays a fundamental role in microfinance because, in those countries where the infrastructure is sound, MFIs are working more appropriately than those countries where the infrastructures are weak. It also implies that poor countries have a low infrastructure and a greater risk of providing funds. As a result, MFIs have in the past fewer priorities in these countries, but a few years ago these countries attracted MFI attention because of the MFIs' major priorities in serving this potential market. However, the study of Boss & Millone (2015) showed that poverty measurement methods are the decisive factors in which different methods are used to tackle the problem of poverty. The common way to tackle the problem is based on the level of income or consumption. The level that decides the estimation of a person's income or consumption is called the poverty line. If a person is below a certain minimum level, the person is poor. The level of poverty can vary according to geography, social norms and cultural values and MFIs provide funds on the basis of this assumption and analysis (Bos & Millone, 2015).

The findings showed that the poorest borrowers were 110 million, which increased to 114 million by the end of 2014. It implies that the scope and priorities of MFIs were towards the poorest. It is the services and assistance of MFIs that must be available to the poor in the long term, to achieve financial sustainability, the assessment of factors that have a direct and indirect influence on reaching the poor and at the same time, reaching the sustainability is essential. For MFIs that meet the needs and objectives of now and also of the future generation, it is sustainability. Sustainability comes to the fore as a measure of the efficiency with which the poor operates and serves at the same time.

On the other hand, the results of this study showed that the total number of the poorest women in microfinance amounted to 90 million, which was increased to 94 million, which also means that the priority is poor people, MFIs, and borrowers. However, the number of poor families affected by MFIs amounted to 550 million people, but at the end of 2014, it increased significantly to 571 million. This indicates that the MFI is affected significantly by poor families. However, research Cull, Harten, Nishida, & Bull, (2014) notes that it is not the minor role in reducing credit loans for consumers and the transition from public demand for microfinance services to more stringent Central Bank requirements to banks to borrowers. At the same time, MFIs are willing to provide the services necessary to provide the money, since they reduce their risks by reducing the amount and using special calculation algorithms constructed taking into account the negative background of the economic situation (D’Espallier, Goedecke, Hudon, & Mersland, 2017).

In addition, this study showed that MFIs that have started operating up to 2014 have increased to 439 out of 172. This implies the same analysis that MFIs have less priority in these countries in the past, but a few years ago, these Countries have significant MFI attention due to the increased priorities of MFIs to satisfy this potential market. Mori, Golesorkhi, Randøy, & Hermes, (2015) argues that the overall growth factor of MFIs is to change the method of using a service such as a loan or a loan. In these circumstances, consumers tend not to participate in long-term loans from banks, but quickly and in a timely manner to solve current problems related to the lack of financial resources, with the help of services from the MFI.

Finally, the results showed that the financial stability of the poorest borrowers has increased with the help of an MFI as the number of male borrowers was 180 million, and in 2009 the borrowers accounted for 125 million. These figures increased to 225 million and 160 million men and women borrowers in 2013. This indicates that the MFI has helped millions of poor people overcome their financial difficulties. On the contrary, the study Wijesiri, Viganò, & Meoli, (2015) note that operational self-sufficiency (OSS) and financial self-sufficiency (FSS) are two important factors to ensure the financial sustainability of MFIs, and those who take their money. SFS process is achieved when an institution makes a profit and maintain, or even consume their services with added benefits and benefits. OSS is achieved when the operation is potentially self-sufficient institutions to manage operating expenses, which include salaries, supplies, loan losses and other administrative expenses. These factors make the combination and allow MFIs to provide the best services to the poor.

REFERENCES

Allet, M., & Hudon, M. (2015). Green microfinance: Characteristics of microfinance institutions involved in environmental management. *Journal of Business Ethics*, *126*(3), 395-414.

Bos, J. W., & Millone, M. (2015). Practice what you preach: Microfinance business models and operational efficiency. World Development, 70, 28-42.

Clinton, L., & Whisnant, R. (2018). Business Model Innovations for Sustainability. In Managing Sustainable Business (pp. 467-507). Springer, Dordrecht.

Cull, R., Harten, S., Nishida, I., & Bull, G. (2014). *Benchmarking the financial performance, growth, and outreach of greenfield microfinance institutions in Sub-Saharan Africa*. The World Bank.

D'Espallier, B., Goedecke, J., Hudon, M., & Mersland, R. (2017). From NGOs to banks: Does institutional transformation alter the business model of microfinance institutions?. *World Development*, *89*, 19-33.

García-Pérez, I., Muñoz-Torres, M. J., & Fernández-Izquierdo, M. Á. (2017). Microfinance literature: A sustainability level perspective survey. Journal of Cleaner Production, 142, 3382-3395.

Im, J., & Sun, S. L. (2015). Profits and outreach to the poor: The institutional logics of microfinance institutions. Asia Pacific Journal of Management, 32(1), 95-117.

Mori, N., Golesorkhi, S., Randøy, T., & Hermes, N. (2015). Board Composition and Outreach Performance of Microfinance Institutions: Evidence from East A Africa. *Strategic Change*, *24*(1), 99-113.

Newman, A., Schwarz, S., & Ahlstrom, D. (2017). Microfinance and entrepreneurship: An introduction. International Small Business Journal, 35(7), 787-792.

Nurmakhanova, M., Kretzschmar, G., & Fedhila, H. (2015). The trade-off between financial sustainability and outreach of microfinance institutions. Eurasian Economic Review, 5(2), 231-250.

Thurman, P. W. (2016). Entrepreneurship and sustainability: business solutions for poverty alleviation from around the world. Routledge.

Widiarto, I., & Emrouznejad, A. (2015). Social and financial efficiency of Islamic microfinance institutions: A Data Envelopment Analysis application. *Socio-Economic Planning Sciences*, *50*, 1-17.

Wijesiri, M., & Meoli, M. (2015). Productivity change of microfinance institutions in Kenya: A bootstrap Malmquist approach. *Journal of Retailing and Consumer Services*, *25*, 115-121.

Wijesiri, M., Viganò, L., & Meoli, M. (2015). The efficiency of microfinance institutions in Sri Lanka: a two-stage double bootstrap DEA approach. *Economic Modelling*, *47*, 74-83.