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The Governance Structure of Microfinance Institutions: A Comparison of Models of Sustainability and their Implication on Outreach

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Authors' contributions

This work was carried out in collaboration among all authors. All authors read and approved the final manuscript.

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ABSTRACT

Purpose: This research aims to discover whether or not there is a connection between the governance structure of microfinance institutions (MFIs) and the outreach these organisations provide. The research looks at how the different kinds of MFIs, like Microfinance Banks (MFB) or Self-Help Groups (SHG), Microcredit Programme (MCP), and Rural Development Scheme (RDS), affect the number of people who can use MFIs' services.
Design: In the process of the discussions and analysis, one microfinance institution from each of the three models will be considered. The country of Bangladesh will serve as the primary source of empirical study. The questionnaire was sent to the top managers or directors of MFIs to obtain the data for the research. The study relied on secondary data for the most part, which was mainly collected from the annual reports of these MFIs.
Findings: The research discovered a connection between the governance structure of MFI outreach and the institution's capacity to maintain its operations. The three models all use the same method of operation, but they are pretty different in terms of the interest rate and the amount of time it takes to repay the debt.
Research Limitations: The research is restricted to the materials (annual reports) made accessible by each MFI.

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Practical Implications: The results of this study are significant for understanding how microfinance will change in the future, as defined by the global development discourse and the public policy decisions that go along with it.
Social Implications: The reduction of poverty, the empowerment of the poor, and improved access to financial services all contribute favourably to financial inclusion. It contributes to sustainable economic development. MFIs that have greater outreach and are more sustainable also have a good effect.
Originality: The governing structure of MFIs hasn't been extensively studied, which influences the MFIs' outreach.

Keywords: Microfinance; self-help organisations; microfinance banks; rural development program; islamic financing; outreach; sustainability.

1. INTRODUCTION

Since the founding of Grameen Bank (GB) in 1978, which marked the beginning of microfinance in Bangladesh, the microfinance industry in the nation has continued to grow and develop ever since that time swiftly. With more than 23.28 million active borrowers and a total loan portfolio of USD 5.74 billion, Bangladesh boasts the most important and extensive microfinance sector in the world [1]. This sector is responsible for managing deposits of 2.7 billion USD made by 17.4 million customers, who are also referred to as members. In addition, according to the microcredit regulating body, the vast network of 655 MFIs has made it possible for 77% of the population to get access to some financial assistance [2]. Due to the high number of different microfinance models found in Bangladesh, the nation offers a one-of-a-kind chance for research into the specifics of many facets associated with microfinance.

According to Bhuiyan et al. [3] and Hasan et al. [4], the Central Bank of Bangladesh (Bangladesh Bank) and the Microcredit Regulatory Authority (MRA) in Bangladesh are the organisations responsible for the management and regulation of the country's various financial institutions (2018). Microfinance institutions (MFIs) prioritise outreach and sustainability. However, the most important thing to remember is that they provide loans to economically disadvantaged people [5]. There have been few successes in terms of cost efficiency for many MFIs operating in underdeveloped nations [6]. Therefore, it is a significant obstacle for microfinance institutions (MFIs) to decide between sustainability and outreach to the poor [7]. The capacity of an MFI to remain financially viable while expanding its reach is often seen as the performance barometer. According to Yunus [8], a financially sustainable organisation could secure its continued functioning and contribution to society over the long run. Microcredit programs' effectiveness in various geographic areas has been investigated in several studies [6].

On the other hand, there hasn't been enough research to determine how financially sustainable MFIs are. Several studies that were done not too long ago showed that MFIs' financial performance was going down. Because of this, it is essential to study how well MFIs work [9]. The Microfinance Banking (MFB) and NGO-MFIs' operational and financing techniques are precisely replicated by the RDS, but the sorts of operations and items offered by IsMFIs are distinct from those of MFB and NGO-MFIs. Microcredit was initially modelled after the Grameen Bank, the pioneer in this field. Following the prevalent pattern, several other MFIs, such as the Self-Help Group, have adopted this strategy (SHP). Providing financial services to the underprivileged is another area in which MFBs have pioneered innovative and unique approaches.

Another well-known example is the Rural Development Service of Islamic Bank Bangladesh Limited (IBBL), which provides services to the underprivileged following the fundamental tenets of shariah law [10,11]. The RDS also duplicates some of the ideas of the Grameen Model [12]. Both sorts of models have widespread recognition and credibility across Bangladesh and beyond.

This paper examines three models of MFIs concerning their governance structures and operational characteristics. These models have significant ramifications, notably for the types of services that MFIs provide to their borrowers. There are various ways in which the notions of conventional MFIs and Islamic MFIs are distinct. Conventional microfinance institutions (MFIs) are distinguished by their use of interest as a business strategy, while Islamic microfinance institutions (IsMFIs) are distinguished by their adherence to income and loss sharing principles. This study aims to discover whether there is a connection between the governance structure of microfinance institutions (MFIs), the institutions' outreach, and the institutions' capacity to remain sustainable. The research gap that exists for microfinance institutions (MFIs) in Bangladesh is to undertake a mission with two parts: the first part is to describe the MBF, MCF, and RDS practices; and the second part is to investigate the impact that these governance practices have on the MFIs' outreach in Bangladesh. It is vital to do this research to give a comprehensive comparative analysis of MCB and MFBs in contrast to RDS. In addition, it examines how the form of organisational governance may affect institutional behaviours. These activities include client outreach and the sustainability factors of microfinance institutions, such as transparency, dependability, and adaptability. In this study, an agency theory framework was used to evaluate, on a practical level, how financial responsibility, financial sustainability, and financial transparency practices may promote outreach MFIs in Bangladesh. Specifically, the research focused on Bangladesh.

This research examines the three primary microfinance models: the MBF, the MCP, and the RDS. Subsequently, it examines the operational structure of microfinance institutions (MFIs) and the services and activities they provide. In particular, a comparison of the Grameen Bank, BRAC, and RDS's financial success has been conducted, addressing topics such as their outreach and longevity, management structure, finance, and financial performance. The development of microfinance in Bangladesh and the regulatory framework are analysed in this paper. This research analyses the potential effects of the governance structure of MFIs in Bangladesh, specifically how it impacts the capacity of a business entity to service its clients and earn a profit, as well as how it influences the firm's attractiveness as a business organisation. It has been shown that MFB and MCP both hurt the financial efficiency of MFIs. However, RDS may favour financial efficiency if there is an increase in gender diversity in management. The remaining parts of the article are organised as described below. Section 2 gives an overview of the literature review on the governance structure of MFIs. Section 3 explains how the research was done. Section 4 gives the results, a discussion, and an analysis of how the governance structure affects the efficiency of MFIs. Finally, Section 5 gives some closing remarks, including a conclusion, a discussion of some limitations, and some suggestions for the possible future scope of the study.

2. LITERATURE REVIEW

Bangladesh is widely regarded as the birthplace of microfinance institutions (MFIs). It is a significant industry in the nation. The journey began with the idea of microcredit, presented by Nobel Peace Laureate Professor Muhammad Yunus via MFB almost forty years ago [13]. The microfinance industry is made up of hundreds of different financial institutions that are active all across the nation. Akbar & Siti-Nabiha [14] found that MFIs are primarily founded to eradicate poverty by elevating the borrowers' income, efficiency, and production [14]. MFIs now account for approximately 60% of the market. It is also estimated that the industry assists more than 30 million low-income individuals and provides employment for around 200,000 individuals working for various MFIs. Only the top twenty MFIs, which also include MFB, account for 87% of the microfinance industry's total servings of USD 1.33 billion (about BDT 93 billion) as well as 81% of the sector's total outstanding loan balance of USD 2.25 billion (approximately BDT 157.82 billion) [2,15]. The authority has the power to issue permits, place restrictions on what may be collected, and conduct regular audits of how well MFIs are operating. It is essential to understand the many ways that MFIs are categorised and the different sources of financing and models they utilise.

2.1 Models of Prominent Microfinance

The Grameen Model, also known as the Self-Help Group Model, was the prototype first used to present the concept of microcredit. As was indicated before, several other MFIs went on to copy this concept in the years that followed. Along with the concept of MFB, the MCP offers several unique aspects of financial products to low-income individuals who are also qualified to receive assistance from conventional banks. Both models are well-known and widely purchased in Bangladesh and other countries outside of Bangladesh [16,17]. The RDS of IBBL, which is the third most well-known model, is founded on Syariah principles and offers certain microfinance services to those who are impoverished [18,19].

2.2 Model of Microfinance Banking (MFB)

The MFB is also known as the SHG model, and the functioning is based on a group-oriented approach to credit [1,20]. It concentrates on those even poorer than the rest of the poor. This structure offers its members the opportunity for mutual support and encourages the group to exercise severe self-discipline. As a result, the borrowers can keep an excellent credit position, and the payback is ensured within the specified time. The program relies on the participant's confidence. Any official agreement does not bind the MFB and its debtors. It is worth noting that 87 per cent of its members are female, and the bank has a loan recovery rate of 99.10 per cent, both of which are impressive [4]. Yunus [8] also emphasised the need for expanding resources and financing methods beneficial to the less fortunate. It was anticipated that organisations and programs focused on social progress and poverty alleviation would give sufficient thought to their outcomes and consequences. The MFB has 2568 branches open, over 9 million borrowers, and a payback percentage of 93.15 per cent [12,21]. According to Yunus [8], "microcredit is expected to describe loans provided with no security to support income-generating businesses focused on lifting the poor out of poverty." Microcredit is expected to describe loans with no security because they are intended to lift the poor out of poverty. It also suggests that the microcredit summit campaign, a data source for the entire microcredit system, should include only one type of application (poverty-fighting) because this contributes to the campaign's objective of using microcredit to help eliminate poverty. This is because the microcredit summit campaign is a data source for the entire microcredit system. Indeed, Muhammad Yunus, who established MFB in Bangladesh and is credited with starting microfinance institutions (MFIs), is responsible for the widespread recognition of MFIs. Muhammad Yunus and the Microfinance Bank (MFB) were awarded the Nobel Peace Prize in 2006 for addressing the myriad factors contributing to poverty reduction. At the Nobel honorary reception, Professor Yunus said: "*I passionately think that we can build a society that is free from hunger and poverty if we jointly believe in it."* If there were no longer any poor people in the world, the only place we would be able to see examples of poverty would be in museums [8]. According to what he thinks, "*poor people have an entrepreneurial development and are well equipped with success skills that enable them to transform into successful micro-entrepreneurs*." Geresem & Michael [22] supported this idea of the microcredit that Yunus had to offer and its possible positive effects on the surface. Most notably, microfinance institutions (MFIs) are part of a more significant financial movement that aims to assist the less fortunate since these individuals cannot provide sufficient collateral [23]. By creating MFB in Bangladesh, Yunus demonstrated that the poor are creditworthy and bankable. In general, established banks and other organisations in the financial sector do not see the poor as candidates for credit, but Yunus disproved this notion. He also points out that credit is not a new habit for the poorest members of society since most of them borrow either from friends and family or local moneylenders. This implies that credit is not a new activity. According to the United Nations Millennium Project, microfinance institutions (MFIs) are "one of the essential advancement techniques, ways that should be promoted to achieve the significant aim of decreasing global poverty by half" [10,15]. In light of the MFB model, the following subsection takes a closer look at the standard MFI measurement practices that are in place in Bangladesh.

2.3 Model of Microcredit Program

MCP has been operating its credit business since 1974, becoming one of the most successful MFIs regarding loan coverage and clientele [24]. The method by which it is financed is very similar to that of the MFB. It has a purpose similar to that of many other microfinance institutions (MFIs), which is to reduce poverty by empowering those who live below the federal poverty line [18,25]. Bangladesh has a significant rural-urban financial gap, financial illiteracy, and a lack of adequate health and sanitary facilities, with 42 per cent of the population living below the poverty line and 16 per cent living in extreme poverty [4,21]. Because a large percentage of the population resides in rural regions, the nation's economy may be classified as agricultural. As a direct consequence of the large-scale migration of people from rural regions to urban centres, the industries of agriculture and handicrafts are no longer in a position to provide further job opportunities. The rural regions' economies are characterised by agriculture that has reached a plateau and the presence of just a few small industrial sectors. In recent years, underemployment and unemployment have emerged as two of the most significant challenges, particularly in rural regions [26].

Because of a severe lack of education, schooling, financing, and joint initiatives to develop the rural economy, the massive volume of human resources management (HRM) has continued to be underutilised. This is since HRM is an acronym for "Human Resource Management." MCP offers a wide variety of holistic approaches to help eliminate poverty. One of the methods via which debtors may demonstrate their appreciation for quality inputs, education, and the necessary assistance for selling their products is the "credit plus" strategy [3,18].

Debtors may get loans ranging from $100 to $1,000 via another lending scheme called "Microloan," also known as Dabi. This type of loan is typically disbursed to carry out various activities that result in the production of income. Examples of these activities include operating a fishing farm, poultry farm, livestock farm, fruit and vegetable farm, handicraft business, or another type of rural enterprise [27]. The method of repaying a mortgage has, over time, been more adaptable, enabling borrowers to make their payments on a more consistent weekly schedule. Another program that the MCP runs to help alleviate poverty is called the "Progoti loan" (which translates to "Modern loan"), and it provides credit to both male and female business owners in amounts ranging from $1,000 to $10,000. These company owners cannot establish banking relationships and thus cannot acquire a loan from a commercial bank for their tiny enterprises, which may include a grocery store or a small range of processing farms [17]. To reach out to the ultra-poor (those enduring severe poverty) and assist them in achieving the socio-economic development goal, these low-income individuals are eligible for various assistance programs, including asset grants, training opportunities, and medical services. In addition, the MCP organises "community poverty reduction" to oversee and keep an eye on the actions of the focus group as a whole [3,28]. After the ultra-poor members have completed their assigned function in the two-year offer phase, they are eligible to sign up for the well-known advancement system of the MCP. Once they do this, they can access various financial solutions and help with human rights and legal issues.

2.4 The Model for Rural Development Scheme (RDS)

RDS was created in 1995 to ensure non-urban people have access to equality, justice, and work opportunities [19]. The needs of the people living in rural areas, particularly those involved in the agricultural industry, are considered throughout the system's development. RDS works with low-income people in rural areas to help them escape poverty and achieve financial independence. It focuses on farming and non-farming businesses that give farmers jobs and make them more money [12]. At the same time, it tries to improve the lives of the people there. At this point, the system has been recognised as one of the essential IsMFIs applications in the nation [23,29]. According to Mia [28], just 7% of 1 million borrowers in Bangladesh have acquired access to financial services. This information comes from Mia. This relatively small group of borrowers is likelier to obtain microfinance services from RDS. This is not only because RDS is flexible about the rules and circumstances of the loan but also because the fee for the loan amount is relatively cheap.

The RDS ensures that a sufficient savings provision is in place by requiring each member to make a weekly deposit of BDT10 into the Mudarabah savings account. In an emergency, RDS members who do not owe the organisation are permitted to access whatever funds they have amassed. In addition to these savings, every member must contribute a minimum amount of BDT 2.00 every week into Mudarabah savings accounts, which are then titled with the name of the particular centre. Doing this creates a pool of spending savings, which is then utilised later as microinsurance to cover the unexpected decrease of the borrowers attributed to their incidents or other unanticipated organic bad events [30]. The Bai-mujjal is an example of a financial strategy that RDS practices.

Some other viable forms of finance still have not been implemented, such as Mudharabah, Ijarah, and Bai-salam [17]. The particular group member requests the money in around eight weeks of the regular membership and the first loan that they might acquire ranges anywhere from BDT 8000–10,000 to as much as BDT 30,000. Users can apply for a higher loan under the Microenterprise Investment Scheme once they have successfully repaid this loan category. The amount of this higher loan ranges from BDT 30,000 (about USD 375) to BDT 200,000 (about USD 2500), and the users can apply for it once they have successfully repaid the lower loan (MFIs). Some of the ideas it promotes are: doing good things, obeying the law and not doing anything illegal, becoming self-reliant for success, raising wellness awareness, and getting an education [9,30]. Users of group loans are required to pay their complete financial responsibilities (principal amount with income) in 44 equal instalments every week, regardless of the loan they have taken out [30]. The RDS strongly focuses on its members' ethical and spiritual development. These are put into practice via various initiatives that teach individuals about the social and spiritual responsibilities of running a company from an Islamic point of view. In addition, it teaches its users a great deal of morality.

2.5 Transparency and Financial Accountability

Financial accountability (Fig. 1) refers to how MFI spends budget funds. The term "financial accountability" refers to the instrument microfinance institutions (MFIs) use to explore responsibility for the independence of their board of directors, budgets, and cash flow statements. Accountability demonstrates the desirable behaviour of MFIs in practising accountability to their budgets and cash flow statements (Fig. 1), which refers to the norm concept. Accountability shows the desirable behaviour of MFIs in practice and their accountability to their budgets and cash flow statements [31,32]. In addition, accountability is comparable to informal accountability because actors carry out their accountability responsibilities within a forum that allows for communication, explanation, and board independence [33]. Cash flow statements and board independence have much control over the given budget, whereas social accountability enables donors and MFIs to discuss how to use the funds in a way that is satisfactory to both parties. According to Mia [28], there is a significant emphasis placed on openness in MFIs.

However, the numerous stakeholders in the intuitions each interpret what it means. It argues that the extent to which transparency has become a buzzword in MFIs has made it politically impossible for stakeholders to make rational arguments about the optimal level of transparency regarding topics such as MFIs, financial reporting, and financial control. This is because transparency has become a buzzword in MFIs [34]. The primary interest in transparency that can be found in MFIs relates to financial reporting and control (Fig. 1), both of which are often lacking in other types of financial institutions [13]. It is widely held that microfinance clients undergo solid growth due to their involvement with the service. Subsidies are often provided to MFIs through grants and low-interest loans. Because of the quality of the institutions, determining their level of financial transparency is made more difficult.

Additionally, the likelihood that managers of MFIs might affect reported contributions and loan-default levels has caused donors and investors to doubt the financial reporting of MFIs. This is because of the possibility that managers of MFIs can impact these levels [35]. Microfinance institutions may be significant places for transparency. Donations and subsidies are often used as a source of funding for the activities; the organisations that offer the funding are of a higher professional calibre than other institutions. Also, customers are more likely to lose money than they would be at most traditional banks.

2.6 Microfinance Program Outreach and Sustainability

The nature of the MFIs and the setting in which they operate influence the outreach efforts and sustainability studies. A study finds considerable evidence on the outreach and sustainability of MFIs in poverty alleviation. However, there is research that also discovers certain defects in MFIs, which are the obstacles to the reduction of poverty. According to the research findings, sufficient and methodologically sound research is deficient on this topic, especially in the region [12]. The disparate results may be attributable, in part, to the inadequacies of the study designs and the inappropriate research methodologies. Active research should contain a more comprehensive statistical analysis and suitable research methods, including outreach and sustainability concerning choosing a sample, location, and the study framework [28]. Therefore, the outcomes of MFPs' outreach and sustainability rely not only on suitable analysis and technology but also on the region, time, and several other elements. The results depend on the appropriate analysis, technique, and area. Numerous studies on MFIs have been carried out in Bangladesh, and the researchers who worked on these studies have discovered that these institutions have a beneficial impact on the ability of borrowers to generate income, fixed assets, networking capital, expenses on food and medical services, and expenditures on children's education [10].

These studies examine how the MFI system impacts the earnings and resources of individual households. Participants can afford health care and education costs for their children up to the research required for higher secondary education [36]. As a result, the program encourages physical and financial activity among its participants, which are necessary components of effective strategies for alleviating poverty. According to another research, microfinance institutions (MFIs) may also help individuals increase their sense of pride and self-confidence [7]. It has a positive impact, as well, on their ability to repay their loans and maintain sustainable wages. It might be difficult for microfinance institutions to acquire loans from non-governmental organisations (NGOs) because of their expansive reach and long-term viability. As a result, microfinance institutions (MFIs) are constructed to make it simple for borrowers to get loans at competitive interest rates. For instance, 5% of the MFB and the MCP participants can escape poverty each year thanks to the programs.

It has been established beyond reasonable doubt that 42 per cent of the total GB population possesses the means to rise above the poverty line [2]. Research conducted on Grameen Bank, BRAC, and RDS has proved the success of microfinance institutions (MFIs) in helping the underprivileged and improving their lives. In addition, the MFIs are expanding in an atmosphere favourable to providing loans to individuals capable of operating their businesses. On the other hand, it.

Because the group members and the people working in the field put moral and religious principles into practice, RDS is becoming more approachable and helpful [16]. Its network marketing helps customers create more revenue, save money, lower production costs, and cover their families' costs. Although in some instances, microfinance institutions (MFIs) charge a higher interest rate in comparison to conventional financial institutions (CFIs), where borrowers used to obtain loans and maintain good repayment performance, which led to the success of the borrowers in a variety of small businesses, MFIs are still becoming increasingly popular. MFIs fulfil a crucial role in improving rural communities' living conditions. He proposes that, with the help of MFIs, the agricultural sector, where most rural people get their work, may improve. MFIs have a crucial part to play in the process of bringing about change in the agricultural sector, which various causes may bring about, including advances in technology and infrastructure as well as fair market arrangements. The disadvantaged members of society are resourceful and creative; hence, they need accessible opportunities to use their knowledge and experience in the form of new ventures [19,20].

The vast majority of research has concentrated on documenting the influence that different governance systems have on public organizations, but they have neglected to look at the crucial microfinance institutions [37-46]. On this basis, it is critical to update the practical and quantitative impact of corporate governance factors on the performance of MFIs in Bangladesh, particularly in light of the recent capping of interest rates in the country. According to the research that is currently accessible, there are not enough empirical studies that are meant to provide an appropriate explanation of the effect that governance structure has on the outreach efforts of MFIs in Bangladesh. As a result, the purpose of this work is to address this knowledge gap.

2.7 Conceptual Framework and Study Variables Figure

The conceptual framework demonstrates that financial responsibility, financial sustainability, and financial transparency among MFIs affect the sector's overall outreach. The framework illustrates the particular characteristics that were used in the process of measuring the governance structure and the outreach of MFIs. The specific boxes for the variables discussed above show that financial accountability can be measured by factors such as board independence, budgets, and cash flow statements; financial sustainability can be measured by return on assets (ROA) and return on equity (ROE), and financial transparency can be measured by the levels of financial controls and reporting. The dependent variable can be judged by how liquid it is, how much its assets grow each year, how many customers accounts it has, how many active borrowers it has, how much the average loan is, and how many of those loans are in rural areas.

3. RESEARCH METHODOLOGY

In this research, both primary and secondary sources of data were used. Data processing, analysis, and display have used various methodologies and approaches. The questionnaire was sent to the top managers and

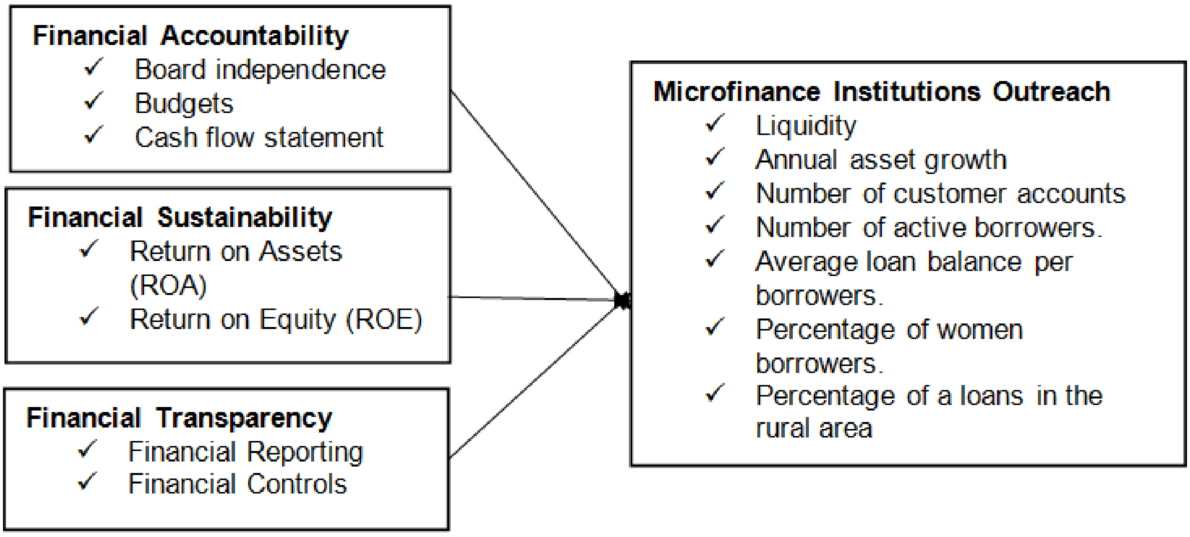

Fig. 1. Conceptual framework independent variable dependent variable
Source: Momanyi, Ragama, & Kibati [47] and developed by authors

directors of the MFIs. Those individuals filled out this questionnaire. A causal research design was used for the conduct of this investigation. The concept was implemented so that one problem generates another problem; for example, adopting good governance standards causes an expansion of the sector's scope. The MRA currently has a total of 655 members among its ranks. However, some institutions do not have any data accessible, but others, such as Grameen Bank, BRAC, and RDS, have appropriate data in their microfinance divisions. This questionnaire was issued to three of the most famous MFIs in the region: Grameen Bank, RDS, and BRAC. The complete number of questions on the survey questionnaire may be seen in Appendix 1, ranging from one to five on the Likert scale. The types of data that were gathered served as the basis for the methodologies and methods that were used.

The study's investigation focuses on the three different kinds of microfinance in Bangladesh. The secondary data that was collected from the annual reports in 2021 of the MFIs were analysed based on the principles of Porter's competitive strategy [48], which explains why it is incentive compatible for comparison to design a pay structure that is partially based on performance for both the model and the workers. In their 2018 article, Momanyi, Ragama, and Kibati detailed how research is conceptualised and how data would be acquired and analysed for a comparative study. This study has followed the analytical procedures used by those three authors. This research compares MFB, MCP, and RDS based on their membership requirements, group characteristics, group meetings, regulation of services, financing, saving mobilisation, credit delivery method, target group, kind of loan, and training. The regression analysis tool in SPSS 22 examined the data from a questionnaire survey. In this study, the different parts of government institutions that have to do with MFIs are broken down so that the connections between financial responsibility, financial sustainability, and financial transparency can be found.

4. RESULTS AND DISCUSSION

While specific competitive donor strategies demand governance systems that are clear and severe, others require just a minimal level of governance. The vast majority of microfinance institutions (MFIs) are organised as non-profit organisations and often respond to several different groups, some of which may not even match the conventional definition of a principle. However, most MFIs sit somewhere in the middle of this spectrum. On the other hand, many microfinance institutions (MFIs) might also have an internal interest in publicising an organisation with well-functioning governance to acquire further financing by proving their performance [16]. In Bangladesh, many microfinance institutions are registered as commercial banks, cooperatives, credit unions, nonbank financial institutions, and rural banks. The vast majority of MFIs, however, are established as non-governmental organisations (NGOs). Hasan et al. [4] explain that donors, in turn, are dependent on MFIs for their reputation and, to some degree, for the success of the MFI in achieving its social objectives [4]. In this research, microfinance institutions (MFIs) from Bangladesh are used to evaluate the probable influence of governance structure, which both impacts the attractiveness of a business organisation and affects its capacity to service its clients to generate income. Based on the findings, it can be concluded that MFB and MCP both have a detrimental effect on the financial performance of MFIs. On the other hand, RDS may have beneficial effects if they are supplemented by gender diversity in management.

4.1 Model Comparison: MFB, MCP AND RDS

Conventional microfinance institutions (MFIs) are distinguished by their application of interest, whereas inclusive microfinance institutions (IsMFIs) are distinguished by their adherence to the fundamental principle of sharing profits and losses with their clients. The principles of traditional MFIs and IsMFIs are pretty different in many respects, including techniques, performance, and factors. Fundamental distinctions between the three MFIs that were explored in this research are outlined in the table that can be seen below (Table 1).

Table 1. Descriptions of three microfinance initiatives

Features of the Program	MFB (Grameen Model)	MCP (BRAC)	In IBBL, RDS
The Criteria for Membership	At a minimum, a half-acre of land is required. A test of one's financial capability is used to determine membership.	Day labourers have to work for money and can only farm up to a half-acre of land.	They are required to have a minimum of one-half acre of land. A stringent examination of members' financial capability is used to choose new members.
Features of the Group	A centre comprises anything from five to eight groups, with anywhere from 25 to 40 individuals in each of those groups.	A village organisation (VO) comprises thirty to forty people, and each VO is subdivided into separate solidarity groups for men and women.	A group is considered a centre when it has a minimum of five members and a maximum of six members.
Meeting of the Group	The groups get together once a week to meet.	The gathering of solidarity groups once a week	The gathering of groups once every week
Service Regulation	Each member of the group is responsible for making payments.	The strategy of working in groups is voluntary.	The members of this group are spiritually inspired and ethically decent people.
Funding	Self-funding	NGOs and donors are the sources of funding.	IBBL, charity and the IBBL Foundation are acronyms.
Mobilisation of Savings	Every week, you are required to put some money down in savings.	Every week, you are required to set aside BDT 2.00 in savings.	It is required that you put away BDT 10 per week.
A Mechanism for Credit Delivery	Group responsibility is a kind of social collateral when the debt is spread out over fifty weeks.	Group responsibility is a kind of social collateral when the debt is spread out over fifty weeks.	In situations when the loan is to be repaid over a period of 44 weeks, group responsibility serves as a kind of social collateral.
The mechanism	Predominantly low-income women	Poor households	Women who are poor because of their families.

Features of the Program	MFB (Grameen Model)	MCP (BRAC)	In IBBL, RDS
The kind of loan	A loan for small and medium-sized businesses	Loans of a small amount for a limited time	A loan for small and medium-sized businesses
Training	The length of the training lasts anything from 15 to 30 days. Training in a variety of skills that were rented	The time spent in training might vary anywhere from three to six months. Training that focuses substantially on acquiring abilities	Low in provision

Source: Microcredit Regulatory Authority (MRA)[1] & RDS in IBBL[2]

The success and failure elements of the MFB Grameen Model, Microcredit BRAC, and RDS in IBBL are the primary foci of this research. According to the findings of their analysis, the corporate governance structure of RDS is superior to that of other companies in terms of development, repayment rate, charging expenses, operational performance, accountability, and transparency. For instance, the yearly development rate of RDS is 12.57 per cent, while the respective rates for MFB and MCP are about 7 per cent. Compared to the MFB and the MCP, the RDS is a relatively recent player in the MFIs industry in Bangladesh. However, the structure is gaining favour with borrowers with a corporate perspective on Islamic principles and beliefs, contributing to the structure's success. More specific information about IBBL's MFB (Grameen Model), MCP (BRAC), and RDS may be found in the following table, which is referred to as "Table 2."

Table 2. Microfinance institutions of RDS, GB, BRAC at glance

No	Structures within the area of outreach	RDS	MFB (GB)	MCP (BRAC)
	Date of first commercial operation			
1	District	1995	1983	1972
2	Villages	64	64	64
3	Branches	19,418	81,379	69,421
4	Conduct Total number of members (millions)	252	2568	2705
5	Profit/Interest Rate (Flat) Percentage	1.07	8.90	8.12
6	Performance Disbursement (Million)	10	22.5	16
7	Loan Amount (Millions) Outstanding	161891	1417716	524035
8	Overdue Loan (Millions)	24,477	118244	71707.2
9	percentage of the total due that is past due.	111.38	651	846.4
10	Profit/Interest Rate (Flat) Percentage	0.8	11.8	4.4
11	The percentage of the rate of recovery	10	22.5	16
12	Structures within the area of outreach	99.54	99.05	98

Source: MFB (Grameen Bank) [3], MCP (BRAC), RDS in IBBL (2021)

Available:www.mra.org.bd) [1]
Available:http://www.islamibankbd.com/rds/[2]
Available:http://www.grameen.com/annual-report-1983-2016/[3]

4.2 Empirical Research Concerning RDS, Grameen Bank and BRAC

This demonstrates that debtors' participation in outreach and governance often increases their income. Kassim and Rahman's [24] research, which focuses on the Grameen Bank, BRAC, and RDS, demonstrates that families who lack land access and have some formal education level are more likely to engage in the system. Specifically, these households are more likely to participate in RDS. They also show that microfinance institutions are much more helpful in the fight against severe poverty than in the fight against moderate poverty. Because of the positive spillover effects, participation in the program has a positive influence not only on the well-being of the families participating in the program but also on the well-being of households not participating. During their research on BRAC and Grameen Bank in Bangladesh, the researchers confirmed that the borrowers' income significantly correlates with several variables.

They evaluate two important aspects before offering loans to customers. These variables include the size of the borrowers' landholdings, their total annual employment, the number of loans they took out, the number of days they were sick, the number of times they took out loans, the amount of family labour, the length of their membership, and the length of their training. In addition, the research demonstrates a positive connection between these three characteristics and the income of the people the NGO helps. One of these variables is referred to as "family labour." They refer to the whole area of the possessions, which includes the house and the land. These loans are reimbursed daily, making it difficult for those who have received the loans to repay them when they are due. It has been noticed that the loans NGOs supply have a negligible effect on the revenue they get. These results raise the issue of whether or not microfinance institutions contribute to reducing poverty via economic growth. However, very few other types of organisations have the beneficial influence that MFIs have on the long-term reduction of poverty.

Several additional indicators suggest that MFB and BRAC are both making essential contributions to the reduction of poverty while using diverse methods. Grameen Bank (GB) extends a loan to the group members; this supply of money is then employed for agricultural and non-agricultural activities, both of which create more revenue and, as a result, contribute to an increase in consumption over the long term. Members of BRAC have more leeway in their payback schedules than GB due to the difference in the two organisations' respective systems. For this reason, there has been a rise in income and spending among those who have received loans. On the other hand, the tenure of the loan is stretched out over a more extended period in the case of GB compared to BRAC. The research findings indicate that BRAC utilises its resources more effectively than GB. Therefore, BRAC is farther ahead than GB in the race to alleviate poverty. Nevertheless, if the organisation does not discover a means to enhance its economic performance, its activities will not be sustainable in the long run.

Tadele et al. [15] researched how MFB and RDS vary in the plans and activities. With the assistance of secondary data, the research will concentrate on the institutional features of the functioning of microfinance. It calls attention to a few of GB's shortcomings, such as the fact that it does not grant loans to people who are landless or extremely poor and that it reaches an excessive profit margin of 54.95 per cent. This contrasts with the profit margins that other businesses, such as retailers, manufacturers, and commercial banks, range from 15 to 25 per cent, 10 to 15 per cent, and 14 to 16 per cent, respectively. RDS has a rate of return (the cost of lending to the borrowers) that is just 10% against its many different investment programs. In addition, it includes a 2.5 per cent rebate for timely loan repayment. In addition, RDS offers a special cash fund to borrowers experiencing financial hardship due to natural disasters. Due to the high-interest rate and the additional strain of the weekly payback scheme, it has been shown that twenty-five per cent of GB's borrowers is considering switching to the RDS program instead. Even though Porter's Competitive Strategy evaluates companies based on five different factors, the paradigm that underpins it is developed with three core ideas: company structure, business behaviour, and business performance [48]. As mentioned earlier, the components in table 2 are broken down and analysed according to these guiding principles. When compared to its competitors, such as Grameen Bank and BRAC, a comprehensive study reveals that RDS has the lowest lending or investment rate (i.e., 10 per cent), the highest growth rate (i.e., 12.57 per cent), the lowest dropout rate (i.e., 5 per cent), and the highest loan repayment rate (99 per cent).

Furthermore, RDS has the lowest dropout rate (5%), the highest growth rate (12.57%), and the highest loan repayment rate (99%). The research focuses mainly on the operational features (that is, business behaviour) of RDS. Specifically, it contends that field officers do not adhere to strict regulations in collecting overdue instalments. (Parvin et al., 2018). Borrowers affected by a natural disaster or uncertainty are eligible for a complete refund or a wave of part of their payments until their finances improve.

In their research, Akbar and Siti-Nabiha [14] pay particular attention to the effect microcredit has on the income of MFB and RDS households. It is clear from this that the borrowers of both MFIs benefited from the provision of microcredit, which increased their income level. The average monthly income of households in RDS, on the other hand, is much greater than that of homes in MFB. Furthermore, families from both schools have increased their income by more than fifty per cent. It is interesting to take note of the fact that the borrowers from RDS make much better use of the loan amount than other people do.

In addition, 42 per cent of respondents from GB and 31.8 per cent from RDS said they spent the money from their loans on personal expenditures. These results are incredibly astonishing because, on the one hand, borrowers' salaries are growing while, on the other hand, their loan amounts are being spent on consumption purposes or activities that are not productive. Despite this, the research indicates a sizeable and statistically significant positive connection between demographic and socio-economic characteristics and the total household income of both GB and RDS. It is recommended that both institutions emphasise activities that generate income, a supply of good loans, and an increase in the period over which payments are made in instalments. The provision of the necessary training and, most importantly, the utilisation of the Zakat (an annual tax on Muslims to aid poor people in the Muslim community) and Qardhasana (interest-free loan) institutions to strengthen efforts to alleviate poverty in Bangladesh.

In addition, to the success of the company's operations, item 8 of Table 2 reveals that RDS has 111.38 delinquent loans, whilst GB and BRAC each have 651.1 and 846.4, correspondingly. After looking at all three of these models side by side, we can see that RDS is in the best position. Because of the similarities between the two organisational structures, less analysis was done to compare them, as seen in Table 2. According to the findings of another research, some additional difficulties associated with RDS include sponsorships, investments, resources, and methods, a lack of knowledge in separating interests, and a predisposition toward larger profit-making, all of which may contribute to the scheme's failure. Furthermore, many borrowers become the most significant issue for MFIs. Furthermore, it is dangerous for customers who become imprisoned on multiple loans and fall into perpetual poverty. So, the problems with MFIs not having enough money must be fixed if they want better results.

5. REGRESSION ANALYSES

Table 3 contains each variable's means, standard deviations, and intercorrelations before reporting the regression analysis findings. According to the correlation table, the governance structure of MFIs dimensions is substantially connected with financial responsibility, financial sustainability, and financial transparency. The table also shows that the governance structure of MFIs' dimensions is inter correlated with one another.

In the ensuing study, dimensions were utilised as predictor variables since there were relatively strong correlations among the variables considered predictors. It's possible that the study would have been plagued with significant multicollinearity issues if simple sub-scale scores were used.

Table 4, which presents the findings of a regression study, demonstrates that the governance structure dimensions have substantial correlations with MFIs' outreach, as shown by the value R =.895 in the table. This model has an adjusted R2 value of 0.801, suggesting that the dimensions explain about 80 per cent of the variance in MFIs' outreach and Cronbach's Alpha. A value of 0.559 was used for this parameter. The fact that the overall F value was significant at 216.614 and the P-value was equal to 0.001 shows that the regression model results are doubtful to have happened by chance. As a result, the model's fit's merits are sufficient to warrant acceptance. To determine whether or not multicollinearity exists, the

Table 3. Mean, standard deviation, and intercorrelations of all measures

	Mean	**Std. Deviation**	**MFI_ Variable**	**FA_1**	**FA_2**	**FA_3**	**FS_1**	**FS_2**	**FT_1**	**FT_2**
MFI Variable	2.9293	.41071	1.000							
Board independence	3.5443	1.05371	.582	1.000						
Budgets	3.1068	.97839	.681	.491	1.000					
Cash flow statement	2.9323	1.27257	.022	-.132	-.130	1.000				
ROA	2.8229	1.01678	.536	.178	.381	-.102	1.000			
ROE	2.3828	.89198	.363	.186	.369	-.205	.475	1.000		
Financial Reporting	2.2891	.80292	.409	.252	.389	-.017	.306	.308	1.000	
Financial Controls	2.3281	1.08954	.059	-.261	-.283	.278	-.317	-.312	-.153	1.000
Eigenvalue			7.285	.304	.119	.095	.075	.061	.041	.019
N	384									

Table 4. Determinants of satisfaction

Model	B	Std. Error	Beta	t	Sin.	Tolerance	VIF
(Constant)	.804	.062		12.886	.000		
FA_1	.155	.010	.398	14.843	.000	.735	.361
FA_2	.171	.012	.407	13.824	.000	.610	1.640
FA_3	.022	.008	.068	2.792	.006	.898	1.113
FS_1	.158	.011	.392	14.177	.000	.693	1.444
FS_2	.034	.013	.074	2.679	.008	.689	1.452
FT_1	.037	.013	.073	2.833	.005	.795	1.258
FT_2	.157	.010	.418	16.118	.000	.787	1.270
Dependent Variable				Microfinance Institutions Outreach			
Independent Variable				Financial Accountability, Financial Sustainability, and Financial Transparency			
R				.895[a]			
R Square				.801			
Adjusted R Square				.798			
Std.error of the Estimate				.18477			
Overall F Value				216.614			
N				384			
MFB				Frequency 147 (38.3%)			
MCF				Frequency 139 (36.2%)			
RDS				Frequency 98 (25.5 %)			
Cronbach's Alpha				.559			

variance inflation factor (VIF) was calculated and shown in Table 4. There was no evidence of considerable collinearity found. All of the underlying aspects, such as the independence of the board of directors, budgets, cash flow statements, return on assets (ROA), return on equity (ROE), financial reporting, and financial controls were significant independent variables that inspired the governance structure of MFIs and contributed to their outreach and sustainability. Using the beta coefficient of each independent variable, it is possible to evaluate the influence each variable has on the variable being evaluated as the dependent variable. According to Table 4, overall satisfaction had the highest standardised B score (0.804), with a standard error of 0.62 and a t value of 12.886. The total number of respondents to the study is 384, and the frequency of MFB is 38.1 per cent, while the frequency of MCP is 36.2 per cent, and RDS is 25.5 per cent. The beta coefficient of each predictor variable is employed in the evaluation of the influence of each variable on the criterion variable, which in this case is the desire to revisit. According to Table 4, financial accountability, sustainability, and transparency were still the most critical determinants of MFIs' outreach revisit intention. This finding is consistent with the previous finding when governance structure was used as a variable, so it makes sense that it would continue to hold this position. Within this study's scope, quantitative research methods were used to provide evidence supporting the efficacy of microfinance operations. The findings suggest that microfinance institutions (MFIs) benefit borrowers (those who have participated in the program for a minimum of three years) in terms of their family earnings and expenditures. Borrowers have also crossed the line denoting severe poverty but have not yet achieved this feat for the line denoting moderate poverty. In addition, the MFI has established work possibilities to raise the borrowers' overall income levels. According to the investigation into the questions, the three models each have a method of operation comparable to one another, but they carry out some actions in distinct and particular ways adapted to their aims and values. For example, the RDS leans closer toward Islamic banking, whilst the GB and BRAC adhere more closely to traditional banking practices. There is also a link between how MFI outreach is run and how long it can stay in business.

6. CONCLUSION

According to the findings of this research, the pressure that most MFBs and MCPs have to make a large profit margin has hurt their efforts to alleviate poverty. In contrast, RDS seems to have a more substantial commitment to the social goals they serve. Due to fewer regulatory constraints, MFIs are operationally more flexible and can keep their operating expenses low. This enables them to increase outreach to more poor consumers. This is one of the reasons why MFIs have become more prevalent in recent years. At the same time, MFB and MCP are generally more costly when seen from the perspective of an institution. However, the data also implies that the two different kinds of institutions are highly different in terms of their duties and policies regarding loans.

MFIs have strengthened their dedication to the goal of attaining long-term financial stability. In today's world, it is common knowledge that most microcredit programs and microfinance banks (MCPs and MFBs) are directed at the less impoverished or even the non-poor; the majority of MFBs and certain MCPs do not lend money to people who are just beginning a business venture. It has been observed that at least one microfinance institution (MFI) asks its borrowers to pay a few days before the actual due date to make the MFI's repayment rates appear more favourable. Furthermore, most MFBs have increased their lending against gold, a significant departure from the non-collateralised microfinance model that was used initially. According to the report's findings, RDS, an MFI based on profit-loss sharing accounting, is the sector's most glaring anomaly. Its primary goals are improving social conditions and reducing poverty; it is not mainly concerned with achieving financial success. However, some organisations, like RDs, have prioritised the fight against poverty above their financial benefit and are making progress in this regard. This research did not consider the viewpoints of customers of MFIs, which might lead to a different situation than the one presented from the organisational point of view.

FURTHER RESEARCH AREAS

To evaluate whether the model is more effective, this research analysed MFI's model utilising both primary and secondary data (i.e., the annual report and survey questions). In subsequent research, a representative sample of the consumers of each model may be surveyed to determine which model is more popular, and data collection may include the use of a questionnaire directed toward MFI customers. According to the research findings, the link between corporate governance practices and outreach activities of microfinance institutions (MFIs) that do not accept deposits and MFIs that have not yet registered with the Microcredit Regulatory Authority should be further investigated (MRA). In addition, the nature of the connection that exists between measurements and outreach should be investigated in future research. These investigations should take place in the future.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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APPENDIX

Appendix 1. Research Questionnaire

The Governance Structure of Microfinance Institutions: A Comparison of Models of Sustainability and Their Implication on Outreach.

Questionnaires have been designed in the following sequence (Q):

Part 1: Demographic information

Please tick at the appropriate answer

1. Gender

	Male		Female		Other

2. Age

	18 – 30		31 – 40
	41 – 50		Above 60

3. Name of the Microfinance Institutions ---

4. Type of Microfinance institutions

	Micro Banking Institutions		Microcredit Institutions
	Islamic Microfinance Institutions		

5. Work experiences

	Less than a year		11 to 20 years
	1 to 5 years		More than 21 years
	6 to 10 years		

6. Official designation

	Entry-level manager		Board of Directors
	Mid-level manager		Shareholders
	Top-level manager		Others

Part 2: This questionnaire is designed to gather information on "Governance Structure of microfinance Institutions a Comparison of Models and its Implication on Outreach and Sustainability" with the following questions. Kindly tick ( ) in the box following the appropriate responses

	1 - Strongly Disagree	2 – Disagree	3 - Somewhat Agree
	4 – Agree	5 - Strongly Agree	

SL	Details	1	2	3	4	5
i	FA_1: Microfinance institutions have Board independence has a positive impact on financial accountability.					
ii	FA_2: Preparing monthly financial budget requires financial accountability.					
iii	FA_3: Microfinance institutions disclose Cash flow statement, which supports financial accountability.					
iv	FS_1: Microfinance Institute discloses Return on Assets (ROA) the financial sustainability is through annually.					

v	FS_2: Return on Equity (ROE) is the crucial performance that indicates financial sustainability perspective in MFIs.
vi	FT_1: Financial Reporting indicates the financial transparency of the MFIs in the long term, and MFIs are disclosure their financial report annually.
vii	FT_2: MFIs are focusing on Financial Controls on the key outreach areas
viii	MIO_1: MFIs overall focus on the Liquidity for past transactions to achieve outreach.
Ix	MIO_2: MFIs mainly focus on Annual asset growth to financial outreach.
x	MIO_3: The number of customer accounts is indicated key performance in MFIs.
xi	MIO_4: The number of active borrower's overall focus on the long-run impact on MFIs outreach.
xii	MIO_5: Average loan balance per borrowers mainly focuses on the financial outreach in MFIs.
xiii	MIO_6: Percentage of women borrowers improving reputation for the MFIs.
xiv	MIO_7: Percentage of a loan in rural area improving performance and outreach measurement in MFIs.

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