Mission Drift in Microfinance: Does Commercialization Lead to Weaker Social Performance?

by
MACDONALD Brian Alexander

DISSERTATION

Submitted in Partial Fulfillment of the Requirements
for the Degree of

Doctor of Philosophy
in International Development

GRADUATE SCHOOL OF INTERNATIONAL DEVELOPMENT
NAGOYA UNIVERSITY

Approved by the Dissertation Committee:

Sanae ITO (Chairperson) _____
Signature

Kimiaki TAKAHASHI _____
Signature

Naoko SHINKAI _____
Signature

Atsuko OHASHI _____
Signature

Approved by the GSID Committee: March 3, 2011

ACKNOWLEDEMENTS

Writing this dissertation has been a long, challenging, but ultimately rewarding process, one which would not have been possible without the support of many people along the way. I would like to extend my deep gratitude to the members of my dissertation committee for their insightful comments and advice, all of which greatly improved the quality of this research. Special thanks go to Dr. Sanae Ito (chairperson), for your tireless efforts in answering my continual stream of questions.

I am also very grateful to all ASA Bangladesh and ASA International India staff, particularly President Shafiqual Choudhury of ASA and Managing Director Kalyan Mitra of ASA International India, for granting me unrestricted access to your organizations and facilitating all of my requests so agreeably. Thanks also go to Stuart Rutherford, for opening doors that would probably have remained closed otherwise. In addition a personal thanks to Mr. S.K. Sinha of ASA Bangladesh, for all your help in coordinating and conducting my branch visits in Dhaka and West Bengal, as well as for welcoming me into your home.

I would also like to thank the Global Practicum Committee of the Graduate School of International Development, Nagoya University, for the financial aid I received which made parts of this study possible.

Lastly, I am deeply indebted to my family for their constant encouragement and support and to my best friend Yukiko Fujimoto, for always believing in me when it mattered the most. It is to you that I dedicate this dissertation.

DECLARATION OF ORIGINALITY

I, Brian MacDonald, declare that this dissertation submitted for the degree of Doctor of Philosophy, apart from the help recognized, is my own work and has not been submitted in any form for another degree or diploma at any university or other institute of tertiary education. Information derived from the published and unpublished work of others has been acknowledged and referenced appropriately.

TABLE OF CONTENTS

LIST OF ACRONYMS AND ABBREVIATIONS

AAMS	ASA Microfinance Management System
ADB	Asian Development Bank
ASA	Association of Social Activists
ASAI	ASA International
BBS	Bangladesh Bureau of Statistics
BCP	Banco de Credito de Peru
BDT	Bangladesh Taka
BM	Branch Manager
BOLD	Blue Orchard Loans for Development
BRI	Bank Rakyat Indonesia
CDO	Collateralized Debt Organization
CEO	Chief Executive Officer
CGAP	Consultative Group to Assist the Poor
CIA	Central Intelligence Agency
CMI	Catalyst Microfinance Investors
CSFI	Centre for Sustainable Financial Innovation
CSR	Corporate Social Responsibility
DFI	Development Finance Institution
ESIC	Employee State Insurance Corporation
FCB	Foreign Commercial Bank
FMO	Development Finance Company
GDP	Gross Domestic Product
GMIP	Global Microfinance Investment Program
GNP	Gross National Product
HDI	Human Development Index
HIES	Household Income and Expenditure Survey
HP	Hope for the Poorest
HR	Human Resources
IFC	International Finance Corporation
IMF	International Monetary Fund
IPO	Initial Public Offering
KMA	Kolkata Metropolitan Area
LA-CIF	Latin American Challenge Investment Fund
LO	Loan Officer
LSMS	Living Standards Measurement Survey
MCRA	Micro Credit Regulatory Authority
M-CRIL	Micro-Credit Ratings International Limited
MFC	Microfinance Center
MFI	Microfinance Institution
MIS	Management Information System
MIV	Microfinance Investment Vehicle
MRA	Microfinance Regulatory Authority
NABARD	National Bank for Agricultural and Rural Development

NBFC	Non-Bank Finance Company
NBFI	Non-Bank Financial Institution
NCB	Nationalized Commercial Bank
NGO	Non-Governmental Organization
NSSO	National Sample Survey Organization
OJT	On the Job Training
OSS	Operational Self-Sufficiency
P&L	Profit and Loss
PCB	Private Commercial Bank
PKSF	Palli-Karma-Sahayak Foundation
PPI	Progress out of Poverty Index
PPP	Purchasing Power Parity
RBI	Reserve Bank of India
RCT	Randomized Control Trial
RM	Regional Manager
ROA	Return on Assets
ROE	Return on Equity
ROSCA	Rotating Savings and Credit Association
SAT	Social Audit Tool
SDB	Specialized Development Bank
SEEP	Small Enterprise Education and Promotion
SES	Socio-Economic Survey
SHG	Self-Help Group
SIDBI	Small Industries Development Bank of India
SPA	Social Performance Assessment
SPM	Social Performance Management
SRI	Socially Responsible Investors
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WWB	Women’s World Banking

List of Tables and Figures

ABSTRACT

This dissertation examines mission drift in microfinance. Employing a modified social performance management (SPM) framework within a multiple-case study design, this research sought to determine whether ASA International (ASAI) India, a for-profit microfinance institution (MFI), had experienced mission drift in relation to its non-profit counterpart, ASA Bangladesh.

Using mainly qualitative but some quantitative methods, this study first established the level of social performance of ASA Bangladesh as a baseline, from which a comparative assessment of the social performance of ASAI India was conducted. The objectives of this comparison were i) to identify to what extent any performance deviation had occurred by ASAI India from the ASA Bangladesh baseline and ii) if any such deviation was found, was it attributable to ASAI India's for-profit legal structure.

The findings indicate that although ASAI India's senior management has a significantly weaker view of their organization's social mission than the senior management of ASA Bangladesh has of theirs, this has not had a significant impact on the internal processes and organizational activities of ASAI India. The two organizations largely are run the in the same manner; only in regard to Corporate Social Responsibility (CSR) was ASAI India found to be showing signs of mission drift. ASAI India's efforts in strategic planning for social performance were actually stronger than those of ASA Bangladesh, an outcome paradoxically attributable to the commercialized nature of the Indian market and the presence of social investors therein.

Notably, no drift for depth of outreach by ASAI India was found; this study also identified the importance of country context and relative poverty comparisons for any inter-country examination of depth. Drift with respect to scope of outreach by ASAI India was evident;

this was occurring due to the organization's preference for breadth and length of outreach, indicating that complex trade-offs can occur when an MFI is determining which aspects of outreach to focus on. However, direct inter-organization comparisons of breadth and length of outreach did not reveal any drift by ASAI India.

The inconclusive findings for worth of outreach at both organizations illustrate a crucial theme which emerged from this study, namely that an organization need not be for-profit to generate low levels of social performance or have a minimal focus on social performance management. It is apparent that both for and non-profit entities can deliver weak or minimal social performance and that overall, it is the policies and preferences of management which guide an MFI's social performance, *not* its legal structure of for or non-profit. This suggests that to the extent commercialization is viewed as detrimental for MFI social mission fulfillment, such concerns may be misplaced.

CHAPTER 1: INTRODUCTION

This dissertation examines mission drift in microfinance. Employing a modified social performance management (SPM) framework within a multiple-case study design, this research sought to determine whether ASA International (ASAI) India, a for-profit microfinance institution (MFI), had experienced mission drift in relation to its non-profit counterpart, ASA Bangladesh.

Using mainly qualitative but some quantitative methods, this study first established the level of social performance of ASA Bangladesh as a baseline, from which a comparative assessment of the social performance of ASAI India was conducted. The objectives of this comparison were i) to identify to what extent any performance deviation had occurred by ASAI India from the ASA Bangladesh baseline and ii) if any such deviation was found, was it attributable to ASAI India's for-profit legal structure.

The findings indicate that while ASAI India has shown drift in a few areas, on the whole the organization is not experiencing significant mission drift. Management preferences and priorities were found to be the main determinants of social mission fulfillment, *not* organizational legal structure of for or non-profit. This suggests that to the extent commercialization is viewed as detrimental for MFI social mission fulfillment, such concerns may be misplaced.

1.1 Background

Over the last thirty years microfinance has grown from its modest roots and is now an important component of international development activities (Littlefield, Hashemi, & Morduch, 2003, p. 1; United Nations Capital Development Fund [UNCDF], 2006; Asian Development Bank [ADB], 2000, p. 1). Until recently, the notion that the provision of financial services to the poor can result in poverty reduction has been generally supported in comprehensive reviews of

microfinance impact assessments (Morduch & Haley, 2002, p. 5; Goldberg, 2005, p. 46). Although recent studies have challenged to some degree the assumption that microfinance lifts borrowers out of poverty (see Karlan & Zinman, 2009, p. 4; Banerjee, Duflo, Glennerster, & Kinnan, 2009, p. 1), extending financial products to the unbanked can still yield significant benefits, in the form of income smoothing and improved crisis management abilities for clients (Rosenberg, 2010, p. 5).

However despite the global prominence that microfinance has obtained, the worldwide supply of funds for the industry remains inadequate for the demand. The majority of the world's population, many of whom live on less than $1/day, do not have access to formal financial services (Van Bastelaer & Zeller, 2006, p. 1; UNCDF, 2006, p. 1). Overall, the unmet resource need for the microfinance sector has been pegged as high as US $250 billion (Dieckmann, 2007, p. 1). As donor resources are viewed as inadequate for meeting this funding gap (De Schrevel, 2005, p. 8), a commercially-oriented approach to microfinance is felt by some to be the only viable route to providing financial services to the poor on the scale required (Christen & Drake, 2002, p. 18; De Schrevel, 2005, p. 8; Bystrom, 2007, p. 26).

This shift towards commercialization in microfinance has also given rise to a number of concerns. Discussion and references to 'mission drift' abound in the literature (Christen, 2001, p. 13; Christen & Drake, 2002, p. 3; Hishigsuren, 2004, p. 30; Copestake, 2007a, p. 21; Opportunity International, 2007, p. 1; Frank, 2008, p. 1), much of it situated in the context of commercialization. Writing for the Asian Development Bank (ADB), Charitonenko (2003) states, "some stakeholders are concerned that further commercialization could have negative social impact or result in mission drift, such as shifting the target market from microentrepreneurs and poor households to small enterprises and households at or above the poverty line" (p. 48). The

Centre for Sustainable Financial Innovation [CSFI] (2008) echoes this sentiment, claiming "mounting commercial pressures are pushing MFIs [microfinance institutions] away from their original missions of poverty alleviation and financial inclusion" (p. 24). As organizations such as Banco Compartamos in Mexico and SKS in India demonstrate that huge profits can be made in microfinance (Rosenberg, 2007, p. 3; Chen, Rasmussen, Reille, & Rosas, 2010, p. 9), it is likely that concerns over mission drift will continue to grow.

But are in fact such fears well-founded? Despite the rhetoric, empirical research examining the phenomenon of mission drift remains relatively thin. While it is acknowledged that this issue has been investigated in the past to some extent (see for example, Christen, 2001; Hishigsuren, 2004; Frank, 2008), the limited overall body of research on the topic is insufficient to draw the sorts of conclusions and condemnations frequently found in the existing literature. Greater knowledge and varied research perspectives on how different types of commercialized approaches affect both an MFI and its clients are needed, to achieve a deeper understanding of how mission drift can actually occur.

1.2 Purpose and Goals of this Study

It is in this context that the current study is situated. The purpose of this research was to examine whether a for-profit, private equity-financed MFI, named ASA International (ASAI) India, has been experiencing mission drift. A comparative case study format was used for the research design, through which the social performance of ASAI India was contrasted with that of its non-profit counterpart, ASA Bangladesh. In this sense, ASA Bangladesh served as a baseline for comparison. Performance deviation by ASAI India vis-à-vis ASA Bangladesh due to the former's for-profit nature would be indicative of mission drift.

Accordingly, several goals were articulated. Using a modified social performance management (SPM) approach for the study's conceptual framework, a detailed comparative examination of both ASA Bangladesh and ASAI India's aims and intents with regard to social mission was conducted. This was done to determine how each organization perceives its social mission and the importance attached therein. The internal processes and activities of each MFI were then investigated, to ascertain whether ASAI India's processes differed from ASA Bangladesh's and if so, was it due to ASAI India's for-profit nature. Lastly the outputs of ASAI India were compared with those of ASA Bangladesh, to identify if there was a difference in social benefits generated by ASAI India which could be attributed to its for-profit status. (For more details on the methodology and conceptual framework used, please see section 4.3 in Chapter 4). When viewed in aggregate, all these areas examined present a comprehensive picture of whether for-profit ASAI India is drifting in its social mission fulfillment compared to non-profit ASA Bangladesh.

1.3 Key Terms, Abbreviations and Definitions

As an aid to the reader, the key terms and issues of this study will now be explained. This is done to provide a greater understanding of how the main concepts of this research were defined and operationalized.

MFI: Microfinance Institution.

Commercialization: "the expansion of profit-driven microfinance operations" (Charitonenko & Rahman, 2002, p. 17).

Mission Drift: "the de-emphasis of social mission in pursuit of higher financial return" (Woller, 2002, p. 15). Mission drift is often referred to in the context of scaling up operations and

pressures from profit-driven investors to maximize returns (Christen, 2001, p. 14; Opportunity International, 2007, p. 1; Frank, 2008, p. 5).

Social Performance: "the effective translation of a microfinance institution's (MFI's) mission into practice in line with commonly accepted social values" (Imp-Act Consortium Website, n.d.)

Social Performance Management (SPM): "an institutionalised process which involves setting clear social objectives, monitoring and assessing progress towards achieving these, and using this information to improve overall organisational performance" (Imp-Act Consortium Website, n.d.).

ASA Bangladesh's Mission: "The institutional mission of ASA is to support and strengthen the economy at the bottom of the socio-economic pyramid by facilitating access to financial services for the poor, marginalized and disadvantaged" (ASA Website – Vision, Mission, Objective, n.d.).

ASAI India's Mission: "To reduce poverty and improve the quality of life of the poor through the provision of qualitative and responsive micro finance services in an innovative and sustainable way" (M-CRIL, [Microcredit Rating International Limited], 2010, n.p.).

1.4 Research Questions

Main Research Questions

1) How does ASAI India's social performance compare with that of ASA Bangladesh? Is ASAI India experiencing mission drift?

Subsidiary Research Questions

1) How does ASAI India's conceptualization of the organization's social mission compare with ASA Bangladesh's conceptualization of its mission?
2) How do the internal processes and activities of ASAI India compare to ASA Bangladesh's with regard to social performance?

3) How do the outputs created by ASAI India compare with those created by ASA Bangladesh with regard to social performance?

1.5 Significance of this Study

This research is significant for the field of microfinance as no study identified has examined how private equity funded operations affect organizational social mission fulfillment. While other investigations have examined institutional expansion (Hishigsuren, 2004) and microfinance non-governmental organization (NGO) transformation (White & Campion, 2002; Campion, Dunn, & Arbuckle Jr., 2002), such research has not been done in the explicit context of private financial backing. Little is known about how this ownership structure impacts daily microfinance institution operations and what its implications are for clients. ASAI India is funded by Catalyst Microfinance Investors (CMI), whose $125 million investment fund represents the largest private equity contribution in microfinance to date (MicroCapital Website, 2008, n.p.). In line with current and future investment trends (Reille & Forster, 2008, p. 1), additional contributions of this sort may be expected in the future. Consequently, understanding the dynamics involved in such operations may provide insight into the implications this modality has for the social mission of microfinance as a whole.

It should be noted that Cull, Demirgüç-Kunt & Morduch (2006) and Mersland & Strøm (2010) may have included private equity funded operations in their macro level regression analyses of commercialized MFIs for mission drift. However given the broad, decontextualized nature of these studies, no specific details are available with respect to a particular organization or type of operation. This current study therefore aims to further fill this gap in the existing literature.

In fact, no other study identified has used a comparative-case, modified SPM framework approach for examining mission drift. It was felt that this choice of conceptual framework and research design would yield greater depth and richness of findings, as the views of management, current clients and ex-clients play a key role in articulating ASAI India's degree of mission fulfillment. The comparative nature of the case study format used further provides an appropriate baseline for comparison (non-profit ASA Bangladesh). This avoids the difficulties of finding a suitable comparison group, a problem which has been noted or present in some of previous the macro level studies on mission drift (see Christen, 2001, p. 14; Frank, 2008). Overall, the sort of micro-focus in research design choice used in the current study has not been prominent in other studies which have examined mission drift and accordingly offers a new methodological perspective on this research topic.

1.6 Outline of the Dissertation

Having outlined this background, the structure of the remainder of the dissertation is as follows: Chapter 2 introduces the basic aspects of microfinance and traces the rise of commercialization in the sector over the last two decades. This is followed by an in-depth look at the main arguments, theoretical literature, and empirical findings on the phenomenon of mission drift. Chapter 3 examines the country settings and microfinance sectors for Bangladesh and India, to appropriately contextualize this study. Chapter 4 details the methodology and conceptual framework used for this research.

Chapter 5 starts the presentation of the study's findings and conclusions, beginning with the intents, aims, and conceptualization of social mission at both ASA Bangladesh and ASAI India. Chapter 6 explores how the manner in which social mission is viewed at each MFI affects the organizations' internal processes and activities. Chapter 7 examines the outputs of each

organization in regard to depth, breadth, and length of outreach. Collectively these outputs are known as social well-being, as their benefits accrue more broadly to society as opposed to individuals. Chapter 8 compares the individual benefits of outreach at each MFI; these benefits are known as scope, worth, and cost. Collectively these outputs are viewed as customer value. Chapter 9 provides a concluding summary of all findings and offers recommendations for future research, policymakers, and practitioners.

CHAPTER 2: COMMERCIALIZATION AND MISSION DRIFT IN MICROFINANCE

This chapter examines the concepts of commercialization and mission drift in microfinance as found in the literature to date. It begins with a basic depiction of how modern microfinance emerged, including an overview of the new paradigm of sustainable financial services. The chapter then goes on to analyze in detail how the commercialization of microfinance truly began to develop and the reasons behind this phenomenon are explored. The focus then shifts to a review of the major commercialization strategies in the sector today, including transformation, downscaling, and the role and forms of foreign capital investment in microfinance. Following this the related issue of mission drift is taken up, commencing with a review of major industry concerns and arguments in this area. The chapter then concludes with an analysis of the identified theoretical literature and empirical evidence on mission drift in microfinance.

2.1 Background of Microfinance

Although aspects of microfinance have existed for hundreds of years (Seibel, 2003, p. 10), the modern microfinance era first began to take root in the mid 1970's (Reed, 2006, p. 98), with Dr. Mohammed Yunus and his pioneering work with the Grameen Bank among the best known accomplishments in the field from that era (Robinson, 2001, p. xxxi). In most cases these early efforts involved providing capital to small entrepreneurs who were engaged in informal business activities (Acción International Website Acción's history: Microlending begins, n.d; Grameen America, n.d). Throughout the 1980's the microfinance movement continued to grow (Microfinance Gateway Website, n.d.) and today is institutionalized as a poverty alleviation strategy in major international development agencies such as the World Bank, the United Nations Development Programme, and the Asian Development Bank (World Bank Website, n.d; UNCDF

Website, n.d; Asian Development Bank, 2000, p. 2.) As of 2007, Daley-Harris (2009, p. 1) reports that over 100 million individuals worldwide are now clients of microfinance institutions (MFIs). During the last 30 years microfinance has also evolved from a strict focus on providing credit and now encompasses a wide range of financial services, including savings, insurance, payments, and money transfers (Charitonenko & Rahman, 2002, p. viiii; Microfinance Gateway Website, n.d, n.p.).

2.2 A New Paradigm Emerges

The age of modern microfinance also brought with it a different paradigm – one that emphasized the promotion of sustainable financial institutions, built on the principles of lending at rates which allowed for full cost recovery, mobilization of savings, institutional self-sufficiency, and access to commercial funds. This is referred to as "commercial microfinance" (Robinson, 2001, p. xxxii) and contrasts sharply with previous lending efforts which involved subsidized credit and heavy state involvement. Indeed, it is now recognized that governments and donors are ill-suited for the delivery of financial services (Microfinance Gateway Website, n.d.) and that any subsidies provided to an institution should not result in cheap credit for the clients, nor should they weaken the scale or efficiency of operations (Murdoch, 2006, p. 12).

2.3 The Rise of Commercialization

Although the seeds of commercial microfinance were planted throughout the 1970s and 80s, it was not until the 1990s that this paradigm truly began to take off (Robinson, 2001, p. 53), perhaps best typified by the creation of Bolivia's BancoSol, the first case of a microfinance non-governmental organization (NGO) transforming into a fully regulated financial institution (White & Campion, 2002, p. 22). This demonstrated it was possible for a microfinance institution to fully integrate into the mainstream financial market and opened the door for further development

and expansion of the microfinance-mainstream finance relationship. The notion that competing commercial institutions would be meeting the large-scale credit and savings needs of poor clients (also known as the microfinance revolution, see Robinson, 2001) was increasingly becoming accepted; today this commercialized approach to microfinance exists in many countries, albeit in varying stages of advancement (Robinson, 2001, p. 53).

A number of factors have been behind this commercial 'revolution'. Two key points cited by Christen & Drake (2002, p. 18) are reducing donor dependency while rapidly expanding the number of clients served. These are also known as achieving financial self-sufficiency while increasing the breadth of outreach.

2.4 The Need for Financial Self-Sufficiency

As argued by those who favor this approach, the rationale for reducing donor dependency is that to the extent donors play a key role in funding microfinance, recipient organizations will always be dependent on the size of the donor's budget for their activities (Morduch, 2000, p. 617[1]) and that donor's interests are whimsical, changing, and faddish (Woller, Dunford, & Woodworth, 1998, p. 6[2]). It is only through institutions becoming financially self-sufficient will they be stable enough to chart their own path for providing financial services to the poor and achieve their desired outcomes. As Otero (2006) succinctly states, "if microfinance institutions want to make a real impact, they have to be permanent; and in order to be permanent, they must be economically viable" (p. 6).

[1] Note that Morduch (2000) and Woller, Dunford, & Woodworth (1998) do not necessarily have this view of donor support, but rather this is their characterization of those who *do* feel donor funding is of this nature.
[2] See above.

2.5 The Need for Scale

The goal of self-sufficiency is also viewed to be closely related to the recognition of the need for scale. Indeed, the vast majority of the world's poor population continues to have no access to financial services (van Bastelaer & Zeller, 2006, p. 1), despite the progress of the last 30 years. Donor resources are simply not sufficient to meet this huge demand (Reed, 2006, p. 126; Bystrom, 2007, p. 26) and it has become largely recognized that the most effective means of reaching the scale needed is through a commercialized microfinance approach, by accessing the private capital of the world's financial markets (Christen, Rhyne, Vogel, & McKean, 1995, p. 16; Robinson, 2001, p. 58; Barr, 2005, p. 282; Bystrom, 2007, p. 26; Smith, Broderick, & Winsor, 2007, p. 27). However in order for this private capital to enter the sector, microfinance institutions must represent a reasonable risk and return for investors and lenders. These two attributes in turn are closely linked with organizational permanence, professional competency, financial self-sufficiency, and profitability (Woller, Dunford, & Woodworth, 1998, p. 6; Drake & Christen, 2002, p. 3; Otero, 2006, p. 7).

Until recently, much expansion into the realm of commercialization can be characterized by two main approaches: the transformation of microfinance NGOs into regulated financial institutions and the involvement of large retail commercial banks in microfinance operations, including state owned operations (Drake & Christen, 2002, p. 6, p. 7). These processes are often referred to respectively as 'upscaling' and 'downscaling' (Otereo, 2005, p. 25) and will now be further examined.

2.6 NGO Transformation

As noted earlier, the successful conversion of Bolivia's PRODEM (a microfinance NGO) into BancoSol first demonstrated the viability of microfinance successfully operating in the

regulated financial world (Christen & Drake, 2002, p. 6). Since then, dozens of other NGOs have made the leap to become full-fledged financial entities, such as CARD Bank in the Philippines and K-REP of Kenya (Planet Finance, 2006, p. 10). Advantages to transformation include better access to commercial capital, the ability to mobilize savings, improved customer service and expanded outreach (White & Campion, 2002), along with improved organizational governance and oversight, stronger internal controls, and enhanced transparency and accountability (Japonica InterSect, 2005, p. 2). Commercialization is also believed to promote greater competition, bringing with it lower interest rates, innovation, and improved customer choice.

2.6.1 Outcomes of Transformation

Analyses of several transformed institutions have indicated a remarkable change in the organizations' operations and profiles. Arichi (2007, p. 5) reports how ACLEDA of Cambodia expanded from being merely a small NGO to the second largest bank in the country, offering savings and remittances in addition to credit. The institution's total portfolio increased more than ten-fold, from US $15.4 million at the time of transformation to US $160 million at the time his article was written (Arichi, 2007, p. 5). Similarly, the number of borrowers almost tripled to 160,000, while portfolio at risk dropped from 6.59% at the time of transformation to 0.25% in recent times (Arichi, 2007, p. 5). The experience of ACLEDA is cited as a particularly effective example of transformation, albeit an instance accompanied by international donor support.

Similar outcomes can also be seen in the experiences of K-Rep of Kenya and Mibanco of Peru. In the case of K-Rep, growth was significant following its transformation to a commercial bank in 1999, with the number of borrowers increasing from 13,600 prior to transformation to 51,600 as of 2004 (Japonica InterSect, 2005, p. 3). K-Rep's loan portfolio also grew exponentially, from US $3.2 million in 1999 to US $22 million as of 2004, a seven-fold increase

(Japonica InterSect, 2005, p. 4). Mibanco experienced equally rapid expansion after its transformation in 1998, with client numbers increasing from 30,000 to 120,000 along with a nearly twelve-fold increase in its loan portfolio, which reached US $117 million as of 2003 (Japonica InterSect, 2005, p. 6). Overall the transformation of most organizations has been generally regarded as a success, as "many of these institutions have established themselves as robust, permanent financial institutions with a social mission to serve the poor" (Fernando, 2004, p. 5).

2.7 Downscaling

Although relative newcomers to the industry, the last decade in microfinance has also seen increased involvement by commercial banks, driven by a myriad of factors such as the profitability of the sector, risk diversification, social responsibility, desertion of traditional clients, and shrinking existing markets (Valenzuela, 2002, p. 53; Young & Drake, 2005, p. 7). Depending on the country these banks span a broad spectrum, consisting of domestic retail banks both small and large, state banks, global commercial banks, consumer finance companies, and specialized financial institutions (Valenzuela, 2002, p. 50-51; Chowdri, 2004, p. 7-8). A variety of business models have been employed by these firms in their downscaling efforts, including using an internal unit within the bank which specializes in microfinance or establishing a financial subsidiary, a service company, or strategic alliance. Alliances often involve a bank providing portfolio financing for another organization (such as an MFI), with either the bank or the recipient microfinance institution handling repayments and savings (Young & Drake, 2005, p. 11).

However while the worthiness of NGO transformation appears relatively clear-cut, the merits of involvement by commercial banks in microfinance is less so. Baydas, Graham, &

Valenzuela (1997) summarize the main advantages and obstacles to commercial bank involvement in microfinance:

Table 1: Advantages and Obstacles to Commercial Bank Involvement in Microfinance

Advantages	Obstacles
Conditions of ownership, operations and capital adequacy help to ensure prudent management	Commitment to microfinance may be weak and not well institutionalized
Strong networks and physical infrastructure enable significant breadth of scale	Difficult to structurally organize microfinance operations within the bank itself
Strong internal controls and accounting procedures for handling large volumes of transactions	Knowledge of appropriate financial methodology for the microfinance sector is needed
Ownership structure encourages strong governance, cost-effectiveness, and profitability, all of which promote institutional sustainability	Specialized staff with particular knowledge and training are needed to manage microfinance activities
Not dependent on donors for financial resources due to own sources of funds	Implementing a cost-effective microfinance program for a bank can be challenging
Products are in principle attractive to microfinance clients	Banking authority regulatory and reporting requirements need to reflect the different nature of microfinance industry

(Source: Based on Baydas, Graham, & Valenzuela, 1997, p. 2-4)

Additional drawbacks to downscaling were also reported by (Chowdri, 2004, p. 17), who notes that a significant concern over commercial bank involvement in microfinance is the potential for client over-indebtedness. As competition increases in the sector, organizations may begin lending to borrowers who already have multiple loans with other institutions, resulting in unmanageable debt levels for clients. This in turn would lead to decreased repayment rates for all transactions that the client has engaged in and damage both his or her well-being, as well as harming the overall microfinance sector (Chowdri, 2004, p. 18).

Downscaling efforts may also ‘skim’ the most profitable clients in the sector, leaving some institutions with only smaller, more marginal and higher-risk clients to serve but no means

of cross-subsidizing them via revenue streams from profitable ones (Chowdri, 2004, p. 17). This may further reduce the ability of such vulnerable borrowers to access needed credit (Chowdri, 2004, p. 17); however this author does note that these problems beg the question of whether or not such clients are suitable for microfinance in the first place.

2.7.1 Outcomes of Downscaling

Overall, experiences with downscaling do not appear to have been as successful as transformed NGOs. Valenzuela (2002) notes that the experiences of commercial downscalers have shown mixed results, with some organizations succeeding, others struggling, and some exiting the sector altogether. External factors such as economic shocks or recessions can trigger commercial banks to cease microfinance operations, while internal factors such as failure to understand the sector and inadequate lending methodologies can also contribute to program closures (Valenzuela, 2002, p. 60). While Valenzuela remains optimistic about the eventual success of downscaling efforts, "downscaling as an approach is far from showing signs of vigorous growth and long-term stability" (Valenzuela, 2002, p. 59).

2.7.2 A Few Successes

However despite these difficulties, downscaling has yielded some successes. Chowdri (2004, p. 27) reports how in 1995 Banco de Credito de Peru (BCP) initially established a subsidiary organization named Solucion Financiera y de Credito de Peru (Solucion), in conjunction with Banco de Credito y Inversiones of Chile. This subsidiary was created to serve unmet consumer credit markets in Chili and Peru and soon grew to lending working capital to small entrepreneurs, an initiative which rapidly became a large part of its operations. Following this initial success, BCP bought out the partnership with Banco de Credito y Inversiones in 2003 and merged Solucion with its mainstream banking operations. Today BCP is the leader in Peru's

formalized microfinance market, holding over 20% of the country's loans to microentrepreneurs (Chowdri, 2004, p. 29).

The case of Bank Rakyat Indonesia's (BRI)'s Micro Business Division, (also known as BRI Units) in Indonesia is even more noteworthy (Afwan & Charitonenko, 2003, p. 9). Although not part of the recent wave of downscale commercial entrants to the sector, BRI Units is significant in that it demonstrates both the scale and viability commercial microfinance can potentially have. Initially established in the 1970's as part of a state-run institution, BRI Units underwent a radical commercial reorientation in 1983 and became profitable by 1985 (Afwan & Charitonenko, 2003, p. 9). Today it is known as one of the largest MFIs in the world, with over 4.4 million borrowers and 21 million depositors (MIX Market BRI, n.d.) in a financially self-sufficient network of thousands of branches (Afwan & Charitonenko, 2003, p. 9). BRI is also quite profitable, with a return on assets (ROA) of 6.75%, return on equity (ROE) of 127.39%, and a profit margin of 31.17% as of 2006, the most recent year for which such data is available (MIX Market BRI, n.d.). Both the case of BCP and BRI Units serve to illustrate that commercial downscaling can be done effectively in some situations.

2.8 Foreign Capital Investment in Microfinance

As the microfinance sector has continued to grow, so has the depth and scope of financial actors operating within. In conjunction with upscaling and downscaling practices, the industry has also witnessed the increasing involvement of many sophisticated players and instruments, several of which were until recently largely restricted to the mainstream financial sector. Their involvement has been manifested most prominently in the dramatic rise in foreign investment.

With the intention of demonstrating the profitability of the microfinance sector to private investors, several investment funds for microfinance were founded in the late 1990s (DAI

Washington, 2007, p. 1). Some early entrants in this area include SICAV Dexia Micro-Credit Fund, established in 1998 and the Latin American Challenge Investment Fund, S.A. (LA-CIF), which commenced operations in 1999 (DAI Washington, 2007. p. 1). Although many of these early funds were supported by donors, as they proliferated they gradually evolved to include many socially responsible investors (SRIs) as well, who are investors which "seek to have a positive social impact alongside financial returns" (Reille & Forster, 2008, p. 1).

In recent years this investment boom has been nothing short of remarkable, with foreign investment more than tripling between 2004 and 2006 to a total of US $4 billion (Reille & Forster, 2008, p. 1). These authors go on to categorize foreign investors into a number of categories and sub-categories, as seen in the table below:

Table 2: Foreign Investor Involvement in Microfinance

Type of Investor	Description	Examples
Development Finance Institutions (DFIs)	Private sector investment agencies of bilateral and multilateral development organizations.	IFC, ERBD, IADB, KfW
Individual investors	Individual retail investors and high net worth individuals who are socially motivated	Oikocredit, Calvert Foundation, Pierre Omidyar, Bob Patillo
Institutional investors	International banks, insurance companies, pension funds	Deutsche Bank, Citigroup, TIAA-CREF, Sequoia, Morgan Stanley
Microfinance Investment Vehicles (MIVs) **Subcategories:** 1) Registered mutual funds 2) Commercial fixed-income investment funds 3) Structured financial vehicles 4) Blended-value funds 5) Holding companies of	Specialized financial intermediaries which often channel investments from DFIs, individual, and institutional investors	ProFund, ProCredit, Dexia Microcredit Fund, Blue Orchard Loans & Securities, Gray Ghost Microfinance Fund LLC.

microfinance banks 6) Private equity funds		

(Source: Author's work, based on Reille & Forster, 2008)

Reille & Forster (2008) note that while the large majority of investors in microfinance hold certain social motivations in addition to their desire for financial returns, investment interest among mainstream commercial investors is expected to rise. Increased interest by such actors may be partly attributable to the establishment of Collateralized Debt Organizations (CDOs) such as Deutsche Bank's Global Microfinance Consortium, which began operations in 2005 (DAI Washington, 2007, p. 2).

2.8.1 Collateralized Debt Organizations

The Deutsche Bank Consortium was structured as a CDO in order to attract as many investors as possible, including commercial contributors. SRIs and donors would take a first or second round loss position, thus reducing the level of risk for commercial investors who may otherwise be hesitant to invest (DAI Washington, 2007, p. ix). In addition, the backing of a USAID DCA guarantee is also viewed to have reduced risk and brought credibility for first time microfinance investors (DAI Washington, 2007, p. 8). Since it was established, the Consortium has raised over US $80 million to be lent to MFIs at commercial rates, much of which is disbursed in local currencies (DAI Washington, 2007, p. 9, p. 11). Blue Orchard Loans for Development (BOLD) has been similarly active; in 2006 the organization completed a CDO-based investment deal for US $99.1 million, which at that time was the largest commercial investment in microfinance history (Reddy, 2007, p. 4).

2.8.2 Securitization

BRAC's 2006 ground-breaking securitization deal also was significant for the microfinance sector as it represented the first time that such an investment has been undertaken by an MFI (Reddy, 2007, p. 5; Rahman & Mohammed, 2007, p. 2). In this transaction, US $180 million worth of microfinance receivables were securitized (Rahman & Mohammed, 2007, p. 11), with foreign investors such as Citibank and the Netherlands Development Finance Company (FMO) purchasing a substantial share of certificates. Citibank Bangladesh and two other local Bangladesh banks acquiring the remaining amount (Reddy, 2007, p. 5). This transaction, which received the first AAA rating in Bangladesh (Rahman & Mohammed, 2007, p. 2), has received positive reviews; Reddy (2007) reported that "[this] securitization enabled BRAC to diversify its funding sources, reduce the assets it held on its balance sheet, and increase the funds lent to microentrepreneurs" (p. 5). No negative outcomes of the BRAC securitization have been identified in the existing literature.

2.8.3 ASA/CMI Equity Deal

Of particular reference for this current study is Catalyst Microfinance Investors (CMI)'s $US 125 million equity fund, although this deal is also notable for being the largest private equity transaction in microfinance to date (Microcapital Website, 2008, n.p.). CMI is a private equity fund managed by ASA Bangladesh and private equity firm Sequoia Capital, established for investing in high-potential microfinance institutions (CMI Website, n.d.). This equity commitment is being used to establish and expand ASA International's operations in Asia and Africa (Microcapital Website, 2008), ostensibly as part of a strategy to "create and enable the next generation of market-leading, high-performing, scalable microfinance institutions around the world, and to deliver an attractive proposition to investors looking for a combination of financial

and social returns" (CMI Website, n.d.). Notable contributors to this equity fund include ABP (Microcapital Website, 2008), a Dutch firm which "views it as its obligation to achieve the highest possible return for clients" (ABP Website, n.d.) and Global Microfinance Investment Program (GMIP) of TIAA-CREF, a major US-based asset management firm. Although the GMIP is part of TIAA-CREF's Social and Community Investing Department, the organization on the whole aims to provide financial products which are "on terms as advantageous to the holders and beneficiaries of such contracts and policies as shall be practicable" (TIAA-CREF Website, n.d.).

2.9 Initial Listing/Public Offerings

The last five years have also seen the emergence of microfinance initial public offerings (IPOs), a process by which a firm offers shares to the public for the first time. Although to date only a few institutions have been able to sufficiently undertake such a complex and costly process, BRI of Indonesia, BRAC Bank of Bangladesh, Compartamos of Mexico, Equity Bank of Kenya have stood out for their notable accomplishments in launching IPOs or stock listings on their respective national stock markets, and even in some cases, internationally (Lieberman, Anderson, Grafe, Campbell, & Kopf, 2007, p. 4). These authors go on to conclude that the listing for each MFI has been an unqualified success and that "all four companies stocks have shown excellent to remarkable growth since going public" (Lieberman, Anderson, Grafe, Campbell, & Kopf, 2007, p. 28). More recently, SKS of India also held an IPO, a first for the Indian market. While all of the aforementioned cases are indeed significant, the experiences of Compartamos and SKS deserve special examination, given the controversy their IPOs have triggered within the microfinance industry.

2.9.1 Compartamos

Originally founded as an NGO in 1990, Compartamos has evolved since this time to become a fully commercial financial entity (CompartamosBanco Website, n.d.). Driven by a managerial decision that accessing commercial funds was the most effective way of achieving significant scale, Compartamos organized a for-profit company in 2000 which received a variety of grants, near grants, and loans around market interest rates, at a combined total of over US $45 million (Rosenberg, 2007, p. 14). The organization went on to issue bonds on the Mexican securities exchange and received a formal banking license in 2006 (Rosenberg 2007, p. 2). Throughout this time Compartamos underwent rapid expansion while remaining highly sustainable, growing from 64,000 borrowers in 2000 to 838,754 in 2007 (MIX Market Compartamos, n.d.), with PAR >30 days at 2.69% (MIX Market Compartamos, n.d.). With this backdrop in place, Compartamos was now set for its IPO of April 2007, which was the first such offering by a microfinance organization in Latin America (Rhyne & Guimon, 2007, p. 1).

The IPO was a resounding success: thirteen times oversubscribed, (Rosenberg, 2007, p. 1), with 29.9% of Compartamos stock sold in a secondary offering, the IPO resulted in a total profit of US $468 million for the initial shareholders, which included Acción International and the International Finance Corporation (IFC) (Rhyne & Guimon, 2007, p. 1). Indeed, Acción was the big winner, with a profit of US $143 million on a US $1 million investment (Lieberman, Anderson, Grafe, Campbell, & Kopf, 2007, p. 32), although private investors did also receive a substantial windfall, pocketing about one third of the IPO's profits (Rosenberg, 2007, p. 3).

On one side, Compartamos has been hailed by many as the future of a new, fully commercialized microfinance industry, one which is able to attract pure commercial investors while achieving spectacular growth and outreach. Perhaps understandable given their initial

backing of Compartamos, Acción International has lauded Compartamo's IPO as "a powerful vindication of the commercial model of microfinance" (Rhyne & Guimon, 2007, p. 18). Others in the industry have also praised the deal, stating that it will lead to increased transparency within the microfinance industry and strengthens the sector's appeal for private capital contributors (Microcredit Summit E-News, 2007).

But these views may be in the minority. Compartamos has also come under considerable criticism for a host of reasons, ranging from concerns about whether excessive interest rates have lead to huge profits off the backs of the poor for private investors, whether expansion via retained earnings (as opposed to debt or equity) was the most appropriate strategy given the poverty level of the clients, and whether public donor grants ended up in the pockets of private investors (Rosenberg, 2007). Among the most prominent of criticisms has come from 2006 Nobel Laureate Mohammed Yunus, who stated "Compartamos' business model…is not consistent with microcredit. Microcredit should be about helping the poor to get out of poverty by protecting them from the moneylenders, not creating new ones" (Microcredit Summit E-News, 2007, n.p.).

2.9.2. SKS

In an even more recent offering, the July 28th, 2010 IPO of SKS has also been viewed as a commercialized microfinance milestone, as the organization is the first Indian MFI to publicly list its shares and one of only a handful of institutions worldwide to have done so (Chen, Rasmussen, Reille, & Rosas, 2010, p. 1). Much as in the case of Compartamos, the IPO was heavily over subscribed (13 times) and SKS's "company valuation reached the top of the offer band price at US $1.5 billion" (Chen et al., 2010, p. 1). These authors go on to note that after five weeks of trading, SKS's share price had risen 42 percent (p. 1). For an organization which started in 1997 as an NGO (all microfinance operations were transferred to a Non-Bank Finance

Company named SKS Microfinance in 2005; see Chen et al., 2010, p. 2), this rapid organizational development must be considered an impressive accomplishment.

However the SKS IPO has also drawn its share of criticism and debate, set within the context of the larger trend of the commercialization of microfinance (Chen, Rasmussen, Reille, & Rosas, 2010, p. 12). Fears that gains from IPOs will favor investors at the expense of the poor, concerns that the success of the SKS IPO will trigger others to enter the market who seek quick profits rather than delivering long-term value for clients, and the possibility that a small group of large commercialized MFIs may dominate the market and keep interest rates higher than necessary are among the criticisms of the SKS IPO and its ensuing implications (Chen et al., 2010). Furthermore, ethical questions about extraordinarily high executive compensation (the senior management of SKS personally earned millions of dollars from the IPO, see Chen et al., 2010, p. 13) may strengthen critics' claims about just who actually stands to gain from the commercialization process underway in the global microfinance field.

It is at this juncture that the microfinance industry now sits. From initial NGO transformations to private equity contributions and multimillion dollar IPOs, it is clear that the microfinance sector is in the stages of a transition to a highly commercialized approach. But what is the impact of this strategy on clients and on microfinance's original aims of reducing poverty? A key concern in the industry today is that this commercially-driven approach may result in mission drift (Centre for Sustainable Financial Innovation [CSFI], 2008, p. 24). This issue will now be further explored in this chapter's subsequent sections.

2.10 Mission Drift

To examine why concerns over mission drift are so significant in microfinance today, it is first important to clarify what exactly it means. One particular point which has emerged from the

literature is that although many authors employ the term ‘mission drift’ quite liberally, very few have stopped to define what they are actually referring to. For the purposes of this study, mission drift is defined as “the de-emphasis of social mission in pursuit of higher financial return” (Woller, 2002, p. 15). Broadly speaking, mission drift means that the trend towards commercialization has caused microfinance institutions to drift from their original social aims of helping the poor and instead become focused mainly on profitability (Christen, 2001; Christen & Drake, 2002; Hishigsuren, 2004; Copestake, 2007a; Opportunity International, 2007; Frank, 2008).

Mission drift in the context of commercialization has been a frequent issue of concern in the microfinance industry as of recent. Woller (2007) encapsulates well the concerns many in the field have surrounding the issue of commercialization: that pressures for MFIs to reach scale and sustainability will cause organizations to switch from targeting their traditional, more risky and less profitable clients to focusing on easier to reach and better-off clientele, those who are likely to generate greater profits (Woller, 2007, p. 14). This author goes on to write that some in the sector feel that as donors are increasingly replaced by private investors seeking financial returns, these developments “will only increase the trend toward mission drift” (Woller, 2007, p. 16).

Similarly, Copestake (2007a) states that while the involvement of commercial capital in microfinance can help meet the demand of the unbanked poor and promote innovation, commercialization also entails risk for the microfinance industry. Says Copestake, “the danger that commercialization of microfinance will lead to an over-preoccupation with profitability at the expense of poverty reduction and other development goals is great – mission drift is an ever present possibility for MFIs” (p. 21).

More broadly, in a 2008 survey encompassing 74 countries and 305 respondents, the Centre for the Study of Financial Innovation (CSFI) listed the major risks facing the microfinance sector, as seen by industry observers, analysts, investors, practitioners, and regulators. This paper reported that mission drift ranked number 14 out of 28 key risks for microfinance and that it was also the seventh fastest rising risk the industry faces (CSFI, 2008, p. 6). Commercialization was seen as overwhelmingly negative by the respondents surveyed by CSFI (2008), with comments ranging from "due to pressure to be sustainable, MFIs will change their focus from poverty reduction to profit-making" (p. 24) to fears that that microfinance could become "just another exploitative business" (p. 24). Most respondents cited in this publication blame return-seeking investors for the perceived shift away from MFIs serving underprivileged members of society (CSFI, 2008, p. 24).

Although ranked slightly lower in the 2009 CSFI survey, mission drift remained an important issue within the microfinance field, with most survey participants viewing it as a rising risk (CSFI, 2009, p. 33). Indeed, respondents quoted by CSFI in 2009 echoed the negative views of those cited in 2008, with comments in 2009 ranging from "the lure of quickly generated, very large profits is drawing some MFIs to focus on profits at the expense of fair treatment of their clients" (CSFI, 2009, p. 33), "MFIs were losing sight of their social goals and transforming themselves into non social "for-profit" institutions" (CSFI, 2009, p. 33), and the opinion that there is "a trend in many commercial MFIs to increase profits and therefore ignore poor and very poor customers" (CSFI, 2009, p. 33). Given the global economic downturn in recent years, other respondents cited in this survey worried that the trend towards commercialization and profitability may grow even further, given that the financial viability of some MFIs may now be

at risk (CSFI, 2009, p. 34). This would accordingly increase fears over the potential for mission drift.

Yet despite these calls of alarm being raised across the industry, it is unclear what proof exists to support these claims of mission drift. None of the above mentioned authors or respondents gives any evidence to back up their assertions, or even develop any theoretical analysis to explore this concept. Thus while concern over mission drift is evidently ample, is it justified? A review of the theoretical and empirical literature to date reveals that few papers or studies have actually examined mission drift in any rigorous way; the evidence that does exist is insufficient to buttress fears that commercialization tendencies will lessen microfinance's focus on the poor and poverty reduction. The body of work identified which has investigated the issue of mission drift will now be reviewed, to illustrate what is actually known about this phenomenon. This review will commence with an examination of the theoretical literature on this topic, followed by studies which present empirical findings related to this issue.

2.11 Theoretical Literature on Mission Drift

In a paper employing a theoretical model and one period game approach, Ghosh & Van Tassel (2008) outline the reasons why an MFI may shift away from making small loans to the very poor toward giving larger loans to the less poor, which is one aspect of what mission drift entails. These authors argue that changes in client targeting are dependent on the amount of funds available from donors, the preferences of those donors, and the presence of heterogeneous MFIs which also compete for these funds (p. 1). However a simple increase of loan sizes is not necessarily inconsistent with poverty reduction aims, since larger loan sizes are also indicative of a larger portfolio, meaning more clients are actually benefiting from financial services than would be if loan sizes were smaller, under this theoretical model (Ghosh & Van Tassel, 2008, p.

4). Ghosh & Tassel conclude that tradeoffs exist between operational strategies and related choice of clients and that "the phenomenon of mission drift has a number of different interpretations" (p. 21). As such, different views on what constitutes the "best" way for microfinance to aid the poor may exist simultaneously, each with its own set of merits and drawbacks.

Although based only on a theoretical model (and thus devoid of actual MFI-specific evidence), this paper is informative in that it recognizes the complexity of MFI organizational operations with regard to mission and illustrates that loan sizes, in and of themselves, are not necessarily that useful for determining whether an organization is acting contrary to its (assumed) poverty reduction aims. Armendáriz & Szafarz (2009) similarly highlight the complexity of MFI organizational workings in their theoretical one period framework paper. These authors note the challenges in determining whether an organization is employing cross-subsidization (making some larger loans to wealthier clients to finance smaller loans to poorer borrowers), undertaking progressive lending (making larger loans to repeat borrowers as their income and capital needs increase), or is genuinely experiencing mission drift, which is a shift away from the organization's poverty reducing aims (p. 1-4). Armendáriz & Szafarz argue that empirically, it is difficult to disentangle these concepts and that "mission drift can only appear when the announced mission is not aligned with the MFI actual maximization objective" (p. 2).

Given the conclusions of Armendáriz & Szafarz (2009) and those of Ghosh & Van Tassel (2008), one might expect that empirical evidence on mission drift would be relatively micro level in focus, to try and mitigate some of the organization-related complexities and obstacles identified in these papers. To determine to what extent this is true, the body of empirical research conducted on mission drift will now be examined.

2.12 Empirical Research on Mission Drift

The earliest study identified which addresses the issue of mission drift is by Christen (2001), in which he examines how commercialization has impacted on the operations of several Latin American MFIs. A major aspect of the paper was to evaluate not only how microfinance institutions promote employment and entrepreneurship, but also how they perform in providing financial services to the poorest of the working poor (Christen, 2001, p. 1). In a comparison of 78 regulated microfinance institutions and 128 unregulated financial NGOs, Christen finds that regulated institutions had an average loan size of $US 817, compared to only $US 322 for the unregulated NGOs[3] (p. 14). When comparing average loan balance as a percentage of per-capita GNP (which is felt to be an even more appropriate measure of comparison than average loan size on its own), Christen also concludes that regulated institutions balances are still double those of the NGOs (p. 14).

However, Christen (2001) does not necessarily claim that larger loan sizes are indicative of mission drift. Institutional choice and strategy to offer larger loan sizes are relevant; many newer entrants to microfinance tend to focus more on the poor than older, more established MFIs (including those which have transformed). As such, these different types of institutions are serving two different markets and the portfolio and loan group of older transformed NGOs may be naturally maturing over time, thereby necessitating larger loans (Christen, 2001, p. 14). The author concludes that while it may initially appear commercially-oriented MFIs have moved away from serving poorer clients based on larger loan sizes, the range of plausible explanations

[3] Loan size has often been used as a measure of depth of outreach as it is assumed poorer clients will generally take smaller loans than better-off borrowers. See Dunford, 2002 for additional details.

for what the data shows suggests “there seems to be no compelling argument that this represents mission drift” (p. 17).

This paper is commendable for being one of the first studies to tackle the issue of mission drift and commercialization. Yet due to the methodology employed, the depth of knowledge from this work is somewhat limited. As noted by several authors, (Rhyne, 1997, Campion & White, 1999, as cited in Hishigsuren, 2004, p. 37; Schreiner, n.d., as cited in Dunford, 2002, p. 2), average loan size is a questionable indicator of depth of outreach, for many of the same possible explanations Christen himself gave regarding what his data indicates. While this is evidently acknowledged by Christen’s (2001) additional use of average loan balance as a percentage of per-capita GNP, he still does not incorporate median loan size, which is felt by some to be the appropriate proxy for depth of outreach measurements if loan size is to be used as the indicator of choice (Schreiner, 2002, in Dunford, 2002, p. 3).

Comparing regulated, transformed institutions with unregulated NGOs can also be problematic, (again for reasons noted by Christen himself,) largely due to the difference between the target groups of earlier microfinance institutions and later entrants to the field. Based on these methodological issues, overall Christen’s paper does not necessarily demonstrate that mission drift has not taken place, only that the methods employed in this study may be insufficient to determine if mission drift has occurred. Additionally as this is a macro level study, no detailed information was collected from individual MFIs in regard to their experiences and no explanations were solicited on how these organizations perceive the reasons for their outcomes. Thus although unquestionably an informative piece of research, we lack richness and deeper understanding of the factors behind the numbers reported in this paper.

2.13 Scaling Up and Mission Drift

In a more in-depth study than Christen's (2001) work, Hishigsuren's (2004) doctoral dissertation explored whether the Association of Social Activists (ASA) in India (not to be confused with ASA Bangladesh or ASAI India) experienced mission drift as a result of scaling up activities by the organization. Hishigsuren defines scaling up across four dimensions: coverage or structure, activities, strategy, and organizational capacity (p. 7). An examination of how the effects of these dimensions impact on depth of outreach, quality of outreach (client satisfaction), and scope of outreach (the range of products and services offered by the MFI) was then undertaken (p. 7). Specifically, a pre-post expansion quantitative examination of this ASA was conducted to see to what extent mission drift took place since scaling up was initiated. Qualitative exploration of the challenges faced during scaling up was also performed, with additional purposive sampling to greater understand identified themes in depth. While minimal mission drift or shift in strategic focus was identified in some areas, overall Hishigsuren concludes that "the MFI studied has not significantly drifted away from its poverty alleviation mission. The MFI has been able to adhere to its mission despite the many challenges they faced during the scaling up" (p. xiv).

Hishigsuren's (2004) study is significant for a number of reasons. Of primary value is the pre-post scaling up comparative research design, which enables a more meaningful comparison than examining different institutions, some of which have scaled up and some which haven't, as seen in other mission drift studies (see Christen, 2001; Frank, 2008). Qualitative investigation and purposive examination of key issues which emerged from the data is also highly beneficial, in that it enables deeper exploration of the reasons and perceptions of the stakeholders involved;

this seems to address the organizational complexity issues highlighted by Ghosh & Van Tassel (2008) and Armendáriz & Szafarz (2009).

However, Hishigsuren's (2004) study is not explicitly set in the context of commercialization. Hishigsuren simply notes that ASA underwent scaling up activities but does not provide a background as to who supplied the funding. Indeed, Hishigsuren herself states that scaling up need not involve transformation or commercialization. It is possible that the capital in this case was supplied by a donor as a grant, which in turn would have significant implications on the MFI's poverty alleviation focus. If there is no pressure to become profitable quickly, than this ASA may have had less incentive to focus on more profitable clients, products, or areas. This would mean the entire nature of this scaling up was less susceptible to mission drift, so it may be unsurprising that mission drift generally did not occur. Given that much concern over mission drift is rooted in the fear that the commercialization of microfinance "is leading to an over-preoccupation with profitability at the expense of poverty reduction and other development goals" (Copestake, 2007b, p. 1722), Hishigsuren's study, while informative about organizational expansion, does not shed much light on the more pressing question in the industry today of how commercialization is impacting on microfinance's poverty reduction aims.

2.14 Evidence from the Asia-Pacific Region

As part of a series of publications for the Asian Development Bank, Afwan & Charitonenko (2004) examine the performance of commercial MFIs in Indonesia in regard to mission drift. In analyzing average outstanding loan amounts, interest rates, and the percentage of women targeted by MFIs, these authors conclude that very few institutions have experienced negative changes in these areas over the last 15 or 20 years, despite the prevalence of commercial MFIs in Indonesian microfinance. Write Afwan & Charitonenko, "contrary to the common

assumption that private ownership (by profit maximizing investors) will shift an MFI's target market from the poor to the less poor and nonpoor (mission drift), this has not occurred to any extent in Indonesia" (p. 33).

Similarly, an examination of CARD Bank in the Philippines, which has had the longest experience in NGO transformation in that country, concluded that the institution has maintained its focus on the landless poor since transformation (Charitonenko, Campion, and Fernando, 2004). These authors state that in fact, "the experiences of several MFIs have shown that the commercialization level and depth of outreach have increased in tandem" (p. 37). Again while quite informative in helping understand broad trends in the microfinance industry with respect to commercialization, these two studies do not address the organizational complexity issues highlighted by Ghosh & Van Tassel (2008) and Armendáriz & Szafarz (2009), as discussed previously.

2.15 Mibanco of Peru

While the abovementioned ADB-sponsored studies have concluded that some organizations' client focus has remained stable despite the fact that the institution itself has a commercial orientation (limitations aside), Campion, Dunn, & Arbuckle Jr. (2002) provide interesting micro level evidence which reveals a surprising shift: after transforming into a commercial bank, Mibanco of Peru actually shifted down-market and began serving poorer clients than it did prior to transformation.

As part of an impact study for the United States Agency for International Development (USAID), data collected on new clients prior to Mibanco's transformation and new clients afterwards enabled comparison of client profiles by a number of household-level and enterprise-level variables, including income, poverty level, type of business, and revenue. The findings

indicated that new client entrants to Mibanco had a significantly higher rate of poverty than new entrants to the institution prior to transformation (Campion, Dunn, & Arbuckle Jr., 2002, p. 189).

Campion, Dunn, & Arbuckle Jr. (2002, p. 194) state that this shift to poorer clients may have been as a result of wealthier borrowers having already been "skimmed" off the market. Due to the entry of banks into the microcredit market at this time, the offering of large loans by these institutions may have captured the more up-market segment of the market, leaving those who were less well-off as the main market available for Mibanco. These authors state that increased transaction costs (see below) may have also deterred wealthier borrowers from taking loans, whereas the opportunity cost (and possibly opportunities to borrow in general) are perhaps lower for poorer clients. Lastly, the longer loan terms offered through Mibanco may have been more appealing to poor prospective clients than wealthy ones, thus serving as an indirect targeting mechanism for the poor (Campion, Dunn, & Arbuckle Jr., 2002, p. 194-195).

However, downsides to Mibanco's transformation were also noted, namely in the form of increased transaction costs for clients and strained client relationships. Campion, Dunn, & Arbuckle Jr. (2002, p. 191-192) write that clients reported increased requirements for proof of collateral and repayment capacity in order to receive loans (despite being long-term customers of the institution and this not being a requirement previously), along with disrespectful and inconsiderate treatment of established customers who encountered minor repayment difficulties.

Overall the authors, while acknowledging their positive findings, caution against reading too heavily into them. The main area of potential concern for this study is the sampling size and method used for arriving at the conclusion that Mibanco has shifted down market. As the data reported in this paper was originally for a different impact assessment, the results may not be representative of all new Mibanco clients. Note Campion, Dunn, & Arbuckle Jr. (2002, p. 194),

new entrants to the bank that were studied were selected from areas where Mibanco had already been operating for a long time and already served a large number of clients. As such, many of the wealthier clients could have already in fact been members of the MFI, leaving only the poorer borrowers for the newly transformed institution. The sample number (23) for new clients is also quite small, further reducing the likelihood that it is suitably representative of Mibanco's entire client base (Campion, Dunn, & Arbuckle Jr., 2002, p. 197). Thus although avoiding the organizational complexity issues which have been i) highlighted by Ghosh & Van Tassel (2008) and Armendáriz & Szafarz (2009) and ii) potentially present in Christen's (2001) and ADB's sponsored (2004) studies, this Mibanco study nonetheless comes with limitations which may reduce its validity for understanding the mission drift phenomenon.

2.16 Recent Comparative Research and Macro Level Analyses

In 2008, Frank released a working paper for Women's World Banking (WWB) provocatively titled "Stemming the Tide of Mission Drift: Microfinance Transformations and the Double Bottom Line". This study broadly analyzed the performance of 27 transformed MFIs in comparison with an equivalent group of NGO MFIs and concluded that transformed MFIs serve a lower percentage of women than non-transformed ones, with average loan sizes also being higher for regulated the MFIs than NGO MFIs (Frank, 2008, p. 11-12). Although the author does not expressly say so, the claim that these MFIs experienced mission drift is obviously implicit, based on the title of the paper.

However, it somewhat unclear just how appropriate is the comparison between the groups examined in this paper. Details on how the control group was selected are not described, other than to say it was "characteristically similar, i.e. propensity score matched" (Frank, 2008, p. 6). This methodological description could lead to challenges of the validity of the comparison, for

regardless of overall similar characteristics, there could be significant philosophical differences in the organizations which have affected the types of clients they focus on.[4] Average loan size may be a somewhat questionable indicator of depth of outreach, as noted earlier as well. There is also limited exploration of the reasons behind the changes which were reported. Although MFI representatives are interviewed as part of this study, their responses do not fully address the major findings of the research in depth. Thus while an insightful paper, more digging behind the numbers presented is needed, to convey a true picture of the MFI's experiences.

Contrary to Frank (2008)'s findings, a more recent paper by Schmidt & Ramana (2010) discusses the performance of 1,084 MFIs worldwide and analyzes institutional performance based on organizational size. Taking the position that larger MFIs are more commercialized due to their strong business models and leadership acumen, ability to take advantage of economies of scale and overall better access to commercial capital, these authors find that larger organizations offer more products to clients, charge lower interest rates, serve more women clients and offer MFI staff better career prospects (Schmidt & Ramana, 2010, p. 60) than smaller, non-commercialized MFIs. It is concluded by Schmidt & Ramana that with respect to the indicators selected for their paper, "there is no evidence of mission drift" (p. 60). Although subject to similar methodological constraints as Frank's (2008) paper with regard to choice of client targeting by different institutions, Schmidt & Ramana (2010) analysis provides an interesting counterpoint to Frank's findings. It is further apparent from both these studies that there is no overarching conceptual framework for identifying if mission drift is actually occurring, and that the choice of research designs employed may have implications for the conclusions arrived at by

[4] See for example Christen, 2001 in section 2.12, who reports different target markets may exist for regulated and non-regulated institutions.

various authors. These issues are further illustrated in Cull, Demirgüç-Kunt & Morduch's (2006) paper and Mersland & Strøm's (2010) study on mission drift.

In a comprehensive macro level study of 124 MFIs, Cull, Demirgüç-Kunt & Morduch (2006) examine whether microbanks have moved away from serving poorer clients in pursuit of financial sustainability, which they deem to be a measure of mission drift. Disaggregating the data by group, individual, and village bank lending models, these authors find that individual lending operations are the most profitable of the three types of lending operation examined, but they also serve the lowest number of women and poor borrowers (Cull et al., 2006, p. 27). From this it is concluded that larger, individually-oriented MFIs face the greatest risk of experiencing mission drift. Overall, the type of lending model employed (group, individual or village bank) is deemed the biggest determinant of an organization's depth of outreach (p. 23-27).

Although interesting, this study's findings with respect to mission drift rely mainly on average loan size as a proxy for depth, yet as has been previously mentioned in this paper, this is a somewhat questionable means for determining client poverty levels. Furthermore, Cull, Demirgüç-Kunt & Morduch (2006, p. 4) admit that their study can only indicate patterns and trends in data and is not reliably indicative of any causality. Thus while clearly informative, due to this study's design and choice of indicators, it may be of somewhat limited worth for significantly advancing our deep understanding of mission drift in microfinance.

Mersland & Strøm (2010) employ a similar macro level research design, analyzing the performance of 379 MFI's for signs of mission drift. Average loan size, organizational lending methodology, geographic focus of operations, and preference for female clients are selected as the indicators of drift for this inquiry (p. 28). The authors find "no evidence of mission drift in the industry as a whole" (p. 29), although they state it is important to promote cost-efficiency

among MFIs, as their data did indicate drift could occur as costs rise (p. 28). Interestingly, the findings here differ from Cull et al.'s (2006) conclusions, which indicated that lending methodology is the greatest determinant of whether organizations experience drift or not.

Mersland & Strøm's (2010) study, although significant as the other macro level analyses previously discussed, similarly has their limitations. For instance Mersland & Strøm (2010) use loan size as proxy for depth, which as noted, is potentially problematic as means of determining client poverty levels. Overall, much of the recent analysis on mission drift has been based on macro level studies. Given that the data obtained here has frequently yielded conflicting findings, it is felt that a different approach to research design may provide new insights into the mission drift debate not captured in large scale, quantitative analysis. Indeed, issues of organizational complexity (as highlighted by Ghosh & Van Tassel, 2008 and Armendáriz & Szafarz, 2009) are frequently overlooked in such econometric approaches. Moreover, as this macro level focus is overrepresented in the literature's empirical data, more individual case studies would add greater richness and diversity to our understanding of the phenomenon of mission drift.

It is also somewhat unclear what rationale is used for the analytical frameworks chosen by Cull, Demirgüç-Kunt, & Morduch (2006), Frank (2008), Schmidt & Ramana (2010), and Mersland & Strøm (2010). These frameworks are generally not indicative of or related to a unified conceptual framework, but rather are ones that were developed and pieced together as per the authors' preferences. Accordingly it is felt that the issue of mission drift could benefit from a deeper analysis situated within a more firmly established theoretical framework, one with clear, strong casual connections. This provides the point of departure for this dissertation, which is an in-depth comparative case study rooted in the microfinance field's well-established social

performance management (SPM) framework. Such a framework is used as this dissertation's conceptual foundation for analysis and is described in detail in section 4.2 in Chapter 4.

2.17 Conclusion

This chapter has examined the rise of commercialization in microfinance and the various forms the strategy has taken. The main arguments concerning mission drift have been articulated and the theoretical literature and the empirical evidence examining the phenomenon have been reviewed. This analysis serves to situate the present study among the existing literature to date and serves as a rationale and point of departure for this dissertation's aims. The next chapter will briefly outline the country contexts where this study took place, to provide suitable background for understanding the methodology employed and the subsequent findings of this research.

CHAPTER 3: CONTEXTUAL BACKGROUND

As an aid to the reader, this chapter outlines the country contexts for Bangladesh and India. It begins with a brief overview of the Bangladesh general country context and then describes the nature of the Bangladesh financial sector, with specific reference to the field of microfinance. This is followed by a short depiction of the India country context, after which its financial sector and microfinance industry are reviewed.

3.1 Bangladesh General Country Context

Located in South Asia with a population of 156 million as of July, 2010 (CIA, The World Factbook, Bangladesh, n.d., n.p.), Bangladesh is one of the poorest countries in the region and ranks 146th out of 182 states worldwide on the United Nations Human Development Index (HDI) (United Nations Development Programme [UNDP], 2009, p. 12). Although economic growth has averaged between 5%-6% since 1993 (CIA, The World Factbook, Bangladesh, n.d ., n.p.), Bangladesh remains plagued with corruption, deficient infrastructure and political instability. The service and agriculture sectors generate much of the country's Gross Domestic Product (GDP), with garment exports and remittances also playing a large role, combining for a total of around 25% of GDP (CIA, The World Factbook, Bangladesh, n.d., n.p.). Annual per capita GDP (by purchasing power parity) as of 2009 is estimated to be US $1,500 (CIA, The World Factbook, Bangladesh, n.d., n.p).

Figure 1: Map of Bangladesh

(Source: CIA – The World Factbook, Bangladesh, n.d, n.p.)

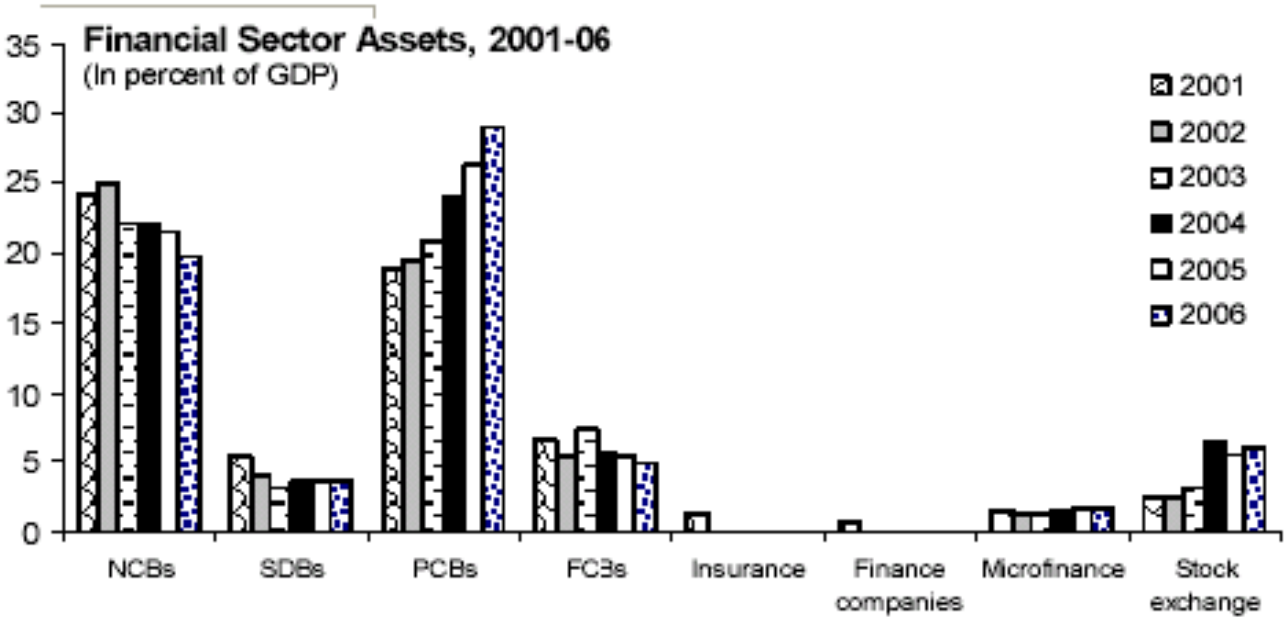
3.2 Bangladesh Financial Sector Overview

The formal Bangladesh financial sector is overseen by the Bangladesh Bank, the country's central bank and main regulatory body (Banking With The Poor Network [BWTP], 2009, p. 9; International Finance Corporation [IFC], 2009a, p. viii). The sector consists of four state-owned commercial banks (also known as nationalized commercial banks, or NCBs), five government-run specialized development banks (SDBs), 30 domestic private commercial banks (PCBs), nine foreign-run commercial banks (FCBs), and 29 Non-Bank Financial Institutions (NBFIs) (IFC, 2009a, p. viii). Additionally a large number of microfinance institutions (MFIs) are active in the country, though only 298 are licensed by the government's Microcredit Regulatory Authority (MRA) (IFC, 2009a, p. viii). Rounding out the formal actors in the Bangladesh financial sector are insurance companies, cooperative banks, credit rating agencies

and the Dhaka and Chittagong Stock Exchange. (IFC, 2009a, p. 48; BWTP, 2009, p. 9). It should be noted that a range of informal financial service providers such as money lenders and Rotating Savings and Credit Associations (ROSCAs) are also active in Bangladesh; however data on their scale and scope is not available due to their informal nature.

Although totaling 69% of GDP, the distribution of financial sector assets by sub-sector is highly unequal, with the banking sub-sector accounting for the vast majority of this worth at 58% (IFC, 2009a, p. 31). The following figure depicts the sector breakdown in more specific terms:

Figure 2: Bangladesh Financial Sector Assets by Sub-Sector



(Source: International Monetary Fund [IMF], 2007, "Bangladesh: Selected Issues., as printed in IFC, 2009a, p. 31)

3.3 Bangladesh Microfinance Sector

Despite its relatively small role in the overall Bangladesh financial sector (as evident in Figure 2 above), microfinance in Bangladesh nonetheless serves a large number of clients, estimated to be 60% of all Bangladeshi households as of 2009 (IFC, 2009a, p. 33). Due to the

occurrence of clients taking loans from multiple MFIs it is difficult to calculate with certainty the absolute number of unique borrowers; however it is thought to total around 18 million individual clients (IFC, 2009a, p. 33). While a range of actors (government programs, national and commercial private banks) offer microfinance services (IFC, 2009a, p. 33), 86% of microfinance clients are served either by ASA, BRAC or Proshika, the three largest non-governmental organization MFIs (NGO MFIs), or by the Grameen Bank (Benson, 2008, n.p.). The following table further illustrates this breakdown, using the most recently available data:

Table 3: Bangladesh Microfinance Actors by Borrowers and Outstanding Loan Volume

Organization	***Number of Borrowers***	***Outstanding Loans (Bangladesh Taka Millions)***
NGO MFIs	18,415,878	78,930.6
Grameen Bank (June 2006)	6,908,704	33,325.5
Government Program (December 2005)	1,997,240	7,710.1
Subtotal	**27,621,573**	**120,493.5**
Nationalized Commercial Banks (NCBs) (December 2005)	2,311,150	32,783.5
Private Commercial Banks (PCBs) (December 2005)	164,113	1,106.5
Subtotal	**2,475,263**	**33,889.9**
Total	**30,096,836**	**154,383.43**

(Source: MRA; Grameen Bank; Bangladesh Bank, n.d., "Table 1. Coverage of Microcredit Program," Web site of Bangladesh Bank, Dhaka, Bangladesh, website: http://www.bangladesh-bank.org/, choose "Financial System," then "Micro Finance Institutions (MFIs)" (accessed August 2009), as printed in IFC, 2009a, p. 33)

Bangladesh is often perceived as the birthplace of microcredit (Chen, 2010, n.p.), a view attributed to the role the Grameen Bank has played in globally promoting and developing the concept of microcredit/microfinance. Established in 1976 by Dr. Mohammad Yunus as an action research program for poverty alleviation (Grameen Bank Website, n.d.), the work of the Grameen Bank and its replicators "revolutionized how credit is delivered to the poor" (Dowla & Barua,

2006, p. xiii). Grameen further demonstrated that poor women are capable of repaying collateral-free loans (Dowla & Barua, 2006), at interest rates which enable the lending institution to become financially sustainable. Today Grameen Bank is the only MFI in the country which can take deposits from the general public, due to a special license the organization was issued by the Bangladesh Bank (IFC, 2009a, p. 26).

3.4 Government Support and Oversight of the Bangladesh Microfinance Sector

During the sector's early experimental days in the 1970s and its growth and maturation in the 1980s (BWTP, 2009, p. 11), the Bangladesh government was to a large extent uninvolved in shaping the country's microfinance industry. However this changed in the 1990s, when the government established the Palli-Karma-Sahayak Foundation (PKSF) as a vehicle for promoting the development of the microfinance sector. Functioning as an apex organization for wholesaling government and World Bank funds to MFIs, along with offering technical assistance for institutional development, the PKSF has played an important role since its inception in the continued expansion of the country's microfinance field (IFC, 2009a, p. 38). The following table indicates the increasing presence of the PKSF clearly; also note that the rise of the PKSF has occurred in tandem with a reduction in the supply of donor funding:

Table 4: Source of Funds for Bangladesh Microcredit Lending in %, 1996-2002

	1996	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
Member Savings	26.5	17.1	22.6	27.4	27.6	26.2	29.6
PKSF	11.8	17.1	23.2	26.0	24.0	24.6	24.2
Donors	58.8	34.2	28.0	20.6	20.4	18.9	16.6
Interest Income	0.0	15.4	13.4	13.5	17.2	17.7	18.9
Commercial Banks	2.9	16.2	12.8	12.6	10.8	12.6	10.7

(Source: CDF, 2002, "CDF Microfinance Statistics," CDF, Dhaka, Bangladesh, as cited in Hassan Zaman, 2004, "The Scaling Up of Microfinance in Bangladesh: Determinants, Impacts, and Lessons," World Bank Policy Research Paper, no. 3998, World Bank, Washington, DC, as printed in IFC, 2009a, p. 38)

Given that the Bangladesh microfinance industry went unregulated for decades, in 2006 the national government passed the Micro Credit Regulatory Authority (MCRA) Act and established the Microfinance Regulatory Authority (MRA) (BWTP, 2009, p. 15), both created to further professionalize the sector. Seen as an important step, the MCRA Act stipulates that all MFIs must register and be licensed by the MRA; eligibility requirements are than an organization has at least 1000 borrowers or 400 million Bangladesh Taka (BDT) (also known as 40 lacs taka in Bangla) in outstanding loans (IFC, 2009a, p. 55).

The MCRA Act limits MFI activities to the provision of loans and insurance, acceptance of deposits from members, and offering other social development assistance efforts (IFC, 2009a, p. 55). Minimal capital requirements that MFIs must meet are also spelled out and fines can be levied against organizations which do not comply with these directives. Notably, the Act restricts MFIs from mobilizing savings from the general public and prohibits equity investments; together these regulations are thought to significantly limit the range of funding sources available to MFIs within Bangladesh (IFC, 2009a, p. 56). The transformation of NGO MFIs into banks is also prohibited, although organizations can establish separate sister organizations as banks (as BRAC did in the case of founding BRAC Bank, see IFC, 2009a, p. 56). It also appears that foreign MFIs run by international NGOs are excluded from the Act (BWTP, 2009, p. 16), leading to concerns among domestic MFIs that their international counterparts may obtain unfair advantages in accessing financial resources from external sources (BWTP, 2009, p. 16). However, overall the

creation of regulatory oversight for the microfinance industry is largely viewed as a favorable development (IFC, 2009a, p. 39), the aforementioned concerns notwithstanding.

3.5 India General Country Context

Having reviewed the Bangladesh country, financial sector, and microfinance contexts, similar background for India will now be provided. Also located in South Asia, India is one of the most populous nations in the world, with over 1.1 billion inhabitants as of July, 2010 (CIA, The World Factbook, India, n.d., n.p.). Economic growth has averaged around 7% per year since 1997 (CIA, The World Factbook, India, n.d., n.p.), reflecting policy changes the country has made since the early 1990's as it has moved from autarky towards a more liberalized, open-market economy (CIA, The World Factbook, India, n.d., n.p.). However despite this progress India remains a poor country, ranking 134th out of 182 states in the most recent HDI listing (UNDP, 2009, p. 12). Lack of suitable infrastructure, limited employment opportunities and constrained access to education are among the difficulties the country continues to face; such problems are expected to worsen due to population and demographic changes in the future (CIA, The World Factbook, India, n.d., n.p.).

Figure 3: Map of India

(Source: CIA – The World Factbook, India, n.d.)

3.6 India Financial Sector Overview

The Indian financial sector is mainly regulated and overseen by the Reserve Bank of India (RBI), the country's Central Bank. Although the sector is generally a competitive, market-oriented system, regulatory obstacles and operational challenges have meant that lower income sections of the country's population are largely unserved by financial service providers, particularly in regard to the banking sub-sector (IFC, 2009b, p. x). Outreach to rural clients and the availability of deposit services are low, despite the proliferation of financial institutions in the country. Indeed, the following table illustrates the overall extent of activity within this sector:

Table 5: Financial Institutions in India, 2007

Type of Institution	Number
State-owned Commercial Banks	28
Regional Rural Banks	96
State-level Cooperative Banks	31
(Single Town) Urban Cooperative Banks	1,815
Development Finance Institutions	7
Private Commercial Banks	25
Foreign Banks	29
Non-Bank Finance Companies (NBFCs)	13,020
NBFCs Licensed to Accept Deposits	*403*
Village-level Cooperative Societies	100,000
Post Office Branches	155,000

(Source: RBI, "Statistical Tables Relating to Banks in India, 2006–2007," RBI, Mumbai, India, as printed in IFC, 2009b, p. 11)

3.7 India Microfinance Sector

Microfinance in India first developed in the 1980's through the establishment of informal Self-Help Groups (SHGs), designed to provide credit and savings services to the unbanked poor (Sriram & Upadhyayula, 2004, p. 89). The SHG model has been promoted and developed by the National Bank for Agricultural and Rural Development (NABARD) and today is one of the main lending approaches for microfinance in the country (IFC, 2009b, p. 13). Group lending, modeled on or derived from the Grameen Bank style of microfinance operations, is also widespread in India. Combined, group lending and the SHG approach are the two main methodologies employed for microfinance in India (IFC, 2009b, p. 15).

Currently the Indian microfinance sector is described as "highly fragmented and nontransparent" (IFC, 2009b, p. xi), with around 800 MFIs currently active in the country. Of this number the industry is dominated by 7 large organizations, which collectively hold 81% of the total microfinance loan portfolio (IFC, 2009b, p. 16). For-profit Non-Bank Finance Companies (NBFCs) are the legal structure of choice for the dominant players, although the Self-Help Group

(SHG) linkage model is also popular (IFC, 2009b, p. 15), as noted previously. It is estimated that the total client base of the Indian microfinance sector is around 70 million borrowers (Srinivasan, 2009, p. 2).

3.8 Government Support and Oversight of the India Microfinance Sector

Indian government support to the microfinance sector has been strong yet uneven, owing in large part to the differing nature of political regimes which have governed the country since microfinance first emerged there. NABARD's support of the SHG model is one of the more visible ways in which the government has been involved in the sector; NABARD also functions as an apex institution and provides equity to MFIs, grants to NGOs, and capacity development services for a range of stakeholders involved in the rural financial sector, among other activities (IFC, 2009b, p. 13). The Small Industries Development Bank of India (SIDBI) has also been an important apex organization, providing funds and capacity development support to some of the largest MFIs in the country (IFC, 2009b, p. 13-14).

The RBI has also played a key role in directing funding to MFIs via its "priority lending" requirement. Intended to bring finance to areas deemed "national priorities" (exactly what these priorities are change over time), priority lending stipulations require that domestic banks in India lend 40% of their funds to microfinance, agriculture, and small industries, among others (IFC, 2009b, p. 33). Foreign banks must lend 32% of their funds to these areas. Any bank which does not comply with this directive must invest their unmet target amount in government projects which generally yield around 5-6%, compared to 11% which can be obtained by lending commercially, i.e. to MFIs (IFC, 2009b, p. 33). This provides a strong incentive for banks to provide funds to the targeted priority areas; the RBI's decision in 2000 to allow commercial

banks to lend to MFIs under the priority lending rule has significantly furthered MFI's access to commercial funding (IFC, 2009b, p. 33).

Despite these forms of support at the operational and financial level, government regulatory frameworks have not been fully conducive to the development of a strong microfinance sector. This is particularly so with regard to state level governments, which have acted more as controlling bodies instead of entities seeking to enable widespread growth within the industry (IFC, 2009b, p. 32). Moreover, a patchwork of agencies, boards and authorities collectively oversee a range of different sector actors (at the corresponding national or regional levels, for example), making transparency and clarity weak points in financial regulatory oversight. In fact the microfinance sector is in many ways self-regulated, due to the large number of organizations the RBI oversees and the relatively low volume of credit in the sector (0.5% of the credit flow of commercial banks (IFC, 2009b, p. 34). Attempts to pass a specific legal framework in the form of a "Microfinance Bill" have stalled and the enactment of the bill remains pending (IFC, 2009b, p. 35).

3.9 Conclusion

This chapter has provided a brief outline of the country, financial and microfinance sector contexts for Bangladesh and India. With this background understood, the methodology used to implement the current study will now be explained in the following chapter.

CHAPTER 4: METHODOLOGY

This chapter presents the methodology used for conducting this study. It begins by describing the general perspective of the study and then outlines the conceptual framework which guided the choice of methods and relevant stakeholders. Following this, the research context for the field work is explained, the background of all organizations involved is presented, and details on the research participants are provided. The settings where data collection took place, the instrumentation used and the sampling strategies employed are then discussed, after which the techniques used for handling and analyzing the data are stated. The chapter concludes by noting the limitations which exist on this research.

4.1 General Perspective

This research was designed as an embedded multiple case study, examining the social performance of ASA Bangladesh and ASAI India as a means of testing and refining the theory of mission drift. Testing and refining theories is one of the major aims of social research (Ragin, 1994, p. 32), which in turn contributes to the overall primary social research goal of improving and expanding the pool of ideas (Ragin, 1994, p. 36) used to make sense of the world. Through the testing and refining process, the quality of ideas in this pool can be improved upon, while those ideas which do not receive support lose their appeal (Ragin, 1994, p. 36). To this end in the present study, a case study format was chosen as this design seemed the most appropriate for examining the research topic. Qualitative methods were mainly employed for data collection, although limited quantitative techniques were also used. The rationale for adopting these perspectives will now be examined in depth, beginning with the reasons for using a case study approach.

4.1.1 Case Study Research Design

A case study design was selected given the nature of the phenomenon that was investigated. This research focused on contemporary events in their real-life context, in a manner in which the behaviors of those involved cannot be manipulated. As such, based on the criteria of Yin (2003, p. 7) for appropriate research design, a case study was thought to be the preferred method for exploring issues of this nature. Additionally, there was no control on the part of the researcher over the behavior of the study's participants, also an important criterion for choosing the case study format (Yin, 2003, p. 8). Moreover, the main research questions of this study can be described as "how" questions, which Yin (2003, p. 22) cites as being appropriate for the case study method.

It should also be noted that the goal of this study was not statistical generalization but rather analytical generalization (Yin, 2003, p. 32), meaning that the results of the study should not be taken to reflect the experiences of all for-profit MFIs, but rather be used to expand knowledge on the theory of mission drift and under what circumstances it may or may nor occur. In this sense, the case studies are "generalizable to theoretical propositions and not to populations or universes" (Yin, 2003, p. 10). Given the importance of theory in advancing our awareness of how the world works, the case study format can play a key role in expanding theoretical understanding; indeed, as Walton (1992) notes, "cases come wrapped in theories" (p. 122).

A multiple case design was selected as these are generally viewed as superior to single case studies (Yin, 2003, p. 53), when circumstances will permit. In this instance, the existence of two highly similar microfinance institutions (MFIs), using the same lending methodology, chaired by the same individual, operating in similar geographic, linguistic and cultural circumstances yet differing drastically in their legal structures afforded a unique opportunity to

isolate the effects of legal form on each organization's social performance. Accordingly, the social performance of both organizations (ASA Bangladesh and ASAI India) could then be reliably compared. Guided by the theoretical arguments in the literature on mission drift in microfinance, it was expected that ASAI India would be likely to show drift when compared to the social mission fulfillment of ASA Bangladesh, due to the former's for-profit nature. This is known as theoretical replication in case study design (Yin, 2003, p. 47), where contrasting results are expected in inter-case comparison for predictable reasons. In this instance, the theoretically predictable reason is ASAI India's for-profit legal form. See section 4.4.2 for additional details on why ASAI India was chosen for this study.

4.1.2 Unit of Analysis

The unit of analysis for this study was the social performance of both ASA Bangladesh and ASAI India. Given that social performance is defined as "the effective translation of a microfinance institution's (MFI's) mission into practice in line with commonly accepted social values" (Imp-Act Consortium Website, n.d., n.p.) and the aim of this study was to examine if mission drift in ASAI India was occurring, basing the research framework to be used around the social performance concept was logically appropriate. An assessment of non-profit ASA Bangladesh's social performance was first done, this then served as a baseline for comparison with the social performance of ASAI India. In the event differences were encountered, they were explored to determine if ASAI India's for-profit nature was responsible for the deviation, i.e. if ASAI India was experiencing mission drift vis-à-vis ASA Bangladesh.

Due to the complexity of factors and actors involved in the social performance of each MFI, an embedded case study design was chosen, as opposed to a holistic design (Yin, 2003, p. 43). To arrive at a full understanding of each organization's performance, the following

embedded sub-units of analysis were selected: the perspectives of ASA Bangladesh headquarters and field staff, the perspectives of ASAI India headquarters and field staff, the views of ASA Bangladesh current and ex-clients, the views of ASAI India current and ex-clients, and the operational performance of ASA Bangladesh and ASAI India (with regard to various aspects of outreach). Different data collection techniques were employed for each sub-unit, and collectively these findings were aggregated and examined at the main unit of analysis for this study, the social performance of each organization.

4.1.3 Qualitative and Quantitative Methods

This study employed mainly qualitative methods for data collection, although limited quantitative approaches were used as well. Given that qualitative approaches capture data in naturally occurring settings within a particular case, which is essentially a focused and bounded phenomenon within a larger context (Miles & Huberman, 1994, p. 25-26), this was felt to be highly consistent with the nature of case study research design, as articulated by Yin (2003) and discussed previously. Further, qualitative data is very effective for "*testing hypotheses*, seeing whether predictions hold up" (Miles & Huberman, 1994, p. 10, emphasis original). In the current study, the prediction was that ASAI India would show markedly different social performance due to its for-profit nature, hence the use of qualitative data to this end was deemed appropriate. This is particularly so as social performance is a complex phenomenon, one which an understanding of requires deep investigation that is not possible through quantitative means alone.

However as one aim of this research was to understand the depth of poverty outreach by ASA Bangladesh and ASAI India (depth being one aspect of outreach within the social performance process), a quantitative approach was employed here. This study used the Progress out of Poverty Index (PPI) by Schreiner (2008) and Chen & Schreiner (2009) as a means of

investigating depth; this tool dictated that this aspect of the data collection would be relatively shallow, given the limited number of fixed, quantified indicators the PPI uses (for more information on the PPI, see section 4.7). Accordingly, a quantitative approach was employed to gather a limited range of information on a wide scale by means of the PPI, since quantitative approaches typically sacrifice depth for breadth (Ragin, 1994, p. 48-50).

4.1.4 Triangulation of Data

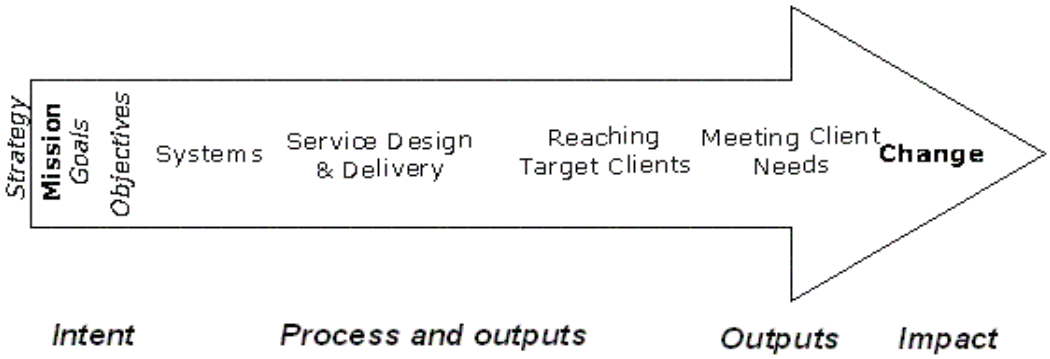
To increase the reliability and validity of the data used for analysis in this study a number of triangulation measures were employed; the same techniques were used for ASA Bangladesh and ASAI India data. At the headquarters level, multiple respondents were interviewed on the same topics. This provided different perspectives and enabled confirmation of previously stated views as expressed by others in the organization, as well as helped determine emerging trends and patterns. The findings which were identified here were also triangulated with data from the field level staff and ASA and ASAI publications and documents, to further determine consistency as to what each organization was actually doing. Non-ASA or non-ASAI secondary sources provided additional validity on claims or statements made by the organizations themselves; such secondary sources include financial data as reported on the MIX Market, an online microfinance database.

Client and ex-client data was also triangulated with both management and field level staff views, for example on how ASAI India viewed (and reacted to) deviations from the institution's policy on having borrowers attending group meetings on time. PPI data was also compared with management and branch staff views on client targeting and who each organization was serving; the PPI findings added credibility to the statements made on this topic by each organization's employees.

4.2 Conceptual Framework

To examine whether ASAI India has experienced mission drift as compared to ASA Bangladesh, a research framework was developed which is based on the standard way in which social performance (defined as “the effective translation of a microfinance institution's (MFI's) mission into practice in line with commonly accepted social values”, see Imp-Act Consortium Website, n.d., n.p.) is conceptualized in the literature. This conceptualization is primarily through an approach known as social performance management (SPM), which is defined as “an institutionalised process which involves setting clear social objectives, monitoring and assessing progress towards achieving these, and using this information to improve overall organisational performance” (Imp-Act Consortium Website, n.d., n.p.). Essentially, SPM is an operationalized approach to addressing social performance and thus determines mission fulfillment/drift. Advocates of the process have often depicted it as linear, with casual links between an organization’s aims, actions, outputs, and outcomes (Social Performance Task Force, 2009; International Fund for Agricultural Development [IFAD], 2006; Lapenu and Zeller, n.d.), an approach which mirrors the logical framework technique employed by many large development organizations. By breaking an MFI’s activities down into these separate components, a clearer picture of how performance can be managed for social aims can be ascertained. The following diagram illustrates how the SPM process is conceptualized:

Figure 4: Social Performance Management Process



(Source: Microfinance Center [MFC] Website, n.d., n.p.)

This outline has served as a blueprint for the development of a variety of toolkits and documents for managing social performance. Accordingly, for this study Woller's (2006) Social Performance Assessment (SPA) Tool and (2008) Social Audit Tool (or SAT, an updated version of the SPA) were chosen as means for examining the intent and processes sections of the SPM framework, as that is what these tools were specifically written for (Woller, 2006). The SPA and SAT cover the following categories: i) mission statement and management leadership, ii) hiring and training, iii) incentives, iv) monitoring systems, v) strategic planning, and vi) corporate social responsibility (CSR). CSR is not an internal process per se, but was added to the Social Audit Tool as it reflects how an organization views its social obligations to all stakeholders in the society in which it works (Woller, 2008. p. 30) and is examined in tandem with the other internal processes listed in the SAT. As such, CSR is treated as an internal process for the purposes of this study and investigated accordingly.

Note that customer service was also listed as an internal process in the SAT (but not the SPA), however it was felt by this author that customer service was not an appropriate category for inclusion in the process section of the SPM framework. This is because to the extent an

organization has good customer service processes, this may reflect a desire to earn as much money as possible (from satisfied customers) rather than work towards fulfilling its mission. In this regard, customer service practices are just good business sense and do not say much about how or if an organization is working to operationalize its social mission and aims.

Beyond customer service, the areas of inquiry for each tool (the SPA and SAT) are viewed as processes that all MFIs logically engage in and thus could reasonably be thought to incorporate social performance aims (Woller, 2006, p. 6), if an organization chose to do so. As such, these areas were all employed in the present study's conceptual framework. Client targeting policies was also added by this author to the list of internal processes. This was done as it was felt that this is an area of considerable importance for an MFI, since it directly relates to an organization's actual depth of poverty outreach, an oft-cited realm where an institution can experience mission drift.

Schreiner's (2002) aspects of outreach framework was adapted to examine the outputs of both ASA Bangladesh and ASAI India. Outputs are what an MFI directly creates for society; they are the immediate results of an MFI's work. According to the Schreiner (2002) framework, MFIs deliver outputs along six different aspects, namely depth, length, breadth, worth, cost and scope, which Schreiner terms "aspects of outreach" (2002, p. 4). These aspects are viewed by Schreiner as a means for analyzing how different MFI strategies can result in the greatest gain for society, i.e. how the work of MFIs generate the most social benefits.

Taken together, these aspects provide a combined perspective on one area (outputs) of the social management process for how an organization is performing in meeting its social mission. It is the collective approach to the six aspects of outreach which renders this aspects of outreach framework of value for examining social performance (Woller, 2001, p. 19; Schreiner, 2002, p.

13); viewing only one or two aspects (in isolation from the rest) will give a distorted picture of the manner and extent to which an MFI is meeting its mission. The Schreiner (2002) framework has contributed somewhat to the conceptual basis for examinations of MFI mission drift (see Hishigsuren, (2004, p. 43). However, prior to this dissertation it was largely an under-operationalized approach for an in-depth investigation of the issue of mission drift and existed primarily as a reference document. Indeed, Hishigsuren concludes her (2004) analysis by recommending that any framework "for measuring whether or not MFIs are adhering to their poverty alleviation mission should consist of at least five dimensions of outreach" (p. 261), of which depth, scope, cost, and quality of services and client satisfaction are listed.

Although Hishigsuren (2004, p. 261) also recommends impacts (the final end of the SPM process, see Figure 4) be included as a dimension of outreach for assessing mission drift, impacts were not included in the present study due to the severe methodological difficulties involved in proving this element of social performance. Although tools for impact assessment such as The SEEP (Small Enterprise Education and Promotion) Assessment Tools For Microfinance Practitioners (The SEEP Network, n.d.) and past studies have been written in this area of SPM, recent randomized control trials (RCTs) in microfinance (Karlan & Zinman, 2009; Banerjee, Duflo, Glennerster, & Kinnan, 2009) have cast doubt on the validity of such previous approaches and studies, raising questions about the future of these tools in the sector and appropriateness of articles written using such methods. Indeed, RCTs are now considered the 'gold standard' for proving impact and employing such methods were well beyond the resources of this author and scope of this study.

4.3 Research Context

Having explained a general overview of the approach and conceptual framework used for this study, the specific research contexts will now be elaborated. As data collection was done in Bangladesh and India, basic contextual information on the field sites selected in each country will be presented.

4.3.1 Bangladesh

For Bangladesh, Dhaka, also known as Dhaka Regional Municipality (henceforth referred to as Dhaka) was the site of data collection. Located in relatively central Bangladesh, Dhaka has an estimated population of 9.3 million (Dhaka City Corporation, n.d., n.p.) and is growing at a rate of around 6% per year (Dhaka City Corporation, n.d., n.p.). Resident per capital income is estimated by the Dhaka City Corporation (n.d., n.p.) to be US $550/per year, or approximately $1.50/day. For additional details on the general Bangladesh country context, please see section 3.1 in Chapter 3.

4.3.2 India

In India, the Kolkata Metropolitan Area [KMA] (the largest urban agglomeration in east India, see Kolkata Metropolitan Annual Report, 2009, n.p.), henceforth referred to as Kolkata, was chosen as the site for data collection. The capital of the state of West Bengal, Kolkata has an estimated population of 14.77 million as of the most recent census in 2001 (KMA Annual Report, 2009, n.p.). Although exact per capita income figures for Kolkata were not available, overall the income within the city is viewed to be higher than the rest of West Bengal (KMA Annual Report, 2009, n.p.). For additional details on the general India country context, please see section 3.5 in Chapter 3.

At the time of this study's design, ASAI India was operating only within Kolkata, making it the de facto choice of location for examining this organization's operations. To enhance the comparability of findings obtained there with those from ASA Bangladesh, Dhaka was selected as that country's study site, due to the geographical and economic similarities which are perceived to exist between Dhaka and Kolkata. Additionally, the large number of accessible MFI clients and branches within each city was thought to offer a diverse range of clients and MFI staff to be potentially surveyed.

4.4 Organizational Context

An overview of ASA Bangladesh and the rationale it was chosen for this study will now be presented. This is followed by a description of Catalyst Microfinance Investors (CMI) which is the investment fund responsible for financing ASA International's operations, a brief summary of the structure of ASA International itself, an overview of ASA International India, and the reasons it in particular was selected for comparative examination in this study, as opposed to another ASAI country operation.

4.4.1 ASA Bangladesh

Founded in 1978, ASA is one of the largest non-profit, non-governmental organization (NGO) MFIs in Bangladesh, with over 4 million borrowers and 6.6 million depositors as of December 2009 (MIX Market ASA, n.d., n.p.). Originally offering training on social mobilization, health, education and nutrition for the poor, ASA underwent radical reform in 1992 and switched solely to providing credit as a means of alleviating poverty (ASA Website - Evolution, n.d., n.p.). Since this change, the organization has come to focus solely on the provision of financial products to the poor and has developed a highly efficient and cost effective model for service delivery. ASA has been described as "the Ford Motor Model of Microfinance"

by the Asian Development Bank (Fernando & Myers, 2002, p. 1) and has been ranked the top MFI in the world by Forbes Magazine (Forbes.com, 2007). ASA also received the Financial Times and International Finance Corporation Award for "Banking at the Bottom of the Pyramid" in 2008 (ASA, 2008, n.p.).

ASA offers loans, savings, and insurances products for male and female clients, although women remain the organization's primary focus, comprising 75% of the organization's borrowers at the end of 2007 (ASA, 2008, n.p.). Products available include education loans, basic small male or female loans, small business loans (for small enterprises), rehabilitation loans for disasters or emergencies, and a loan product designed specifically for the hardcore poor (ASA, 2008, n.p.). ASA also has health assistance grants for members, mini-life insurance, and both mandatory and voluntary savings products (ASA, 2008, n.p.). Branches are in operation in all 64 districts of Bangladesh. ASA's stated mission is " to support and strengthen the economy at the bottom of the socio-economic pyramid by facilitating access to financial services for the poor, marginalized and disadvantaged" (ASA Website, Vision – Mission – Objective, n.d., n.p.), with an overarching vision of "a poverty free society" (ASA Website, Vision – Mission – Objective, n.d., n.p.). Given ASA Bangladesh's 30 year history of documented advocacy and work on behalf of the poor, its recognition as being a leader in the microfinance field (noted above), along with its explicit non-governmental status, it was felt that this was a suitable organization to use as a baseline for examining non-profit social performance within an MFI.

4.4.2 Catalyst Microfinance Investors, ASA International, and ASA International India

In recognition of the fact that large numbers of poor people worldwide do not have access to financial services, ASA recently sought to undertake international operations (ASA International [ASAI], Overview, n.d., n.p.). From 2006-2007 a global microfinance investment

fund was established, named Catalyst Microfinance Investors (CMI). CMI is led by the President of ASA Shafiqual Choudhury and Dirk Brouwer, the Managing Director of Sequoia, a corporate advisory and private equity firm based in the Netherlands (ASAI Website, Overview, n.d., n.p.).

The CMI investment fund closed in 2007 with $125 million in equity contributions from partners and investors (ASAI Website, Overview, n.d., n.p.), including large contributions from the Dutch pension fund ABP, Gray Ghost Microfinance Fund and TIAA-CREF, an American investment firm. Exact dollar amounts provided by each organization were not disclosed by ASAI, to protect contributor confidentiality. ASAI India staff indicated that the fund is expected to earn at least a 20% return for its investors after 10 years (personal communication, July 17, 2010). Following the fund's closure in 2007, ASA International (ASAI) was established the same year, with the aim of starting new microfinance institutions around the world, funded by the CMI equity. The Chief Executive Officer (CEO) of ASAI is also ASA President Shafiqual Choudhury, with Dirk Brouwer of Sequoia serving as the organization's Executive Director. ASAI operational matters are managed an ASAI team based in Dhaka, with ASAI's Europe Office in the Netherlands overseeing corporate, treasury and legal compliance functions (ASAI Annual Report, 2009, p. 2). Using the ASA Bangladesh microfinance model as its template, ASAI has so far established MFIs in Pakistan, Cambodia, Nigeria, Afghanistan, Sri Lanka, Philippines, Ghana, and India (ASAI Website, Overview, n.d., n.p.).

ASAI India operations commenced in July of 2008, registered as a for-profit Non-Bank Finance Company (NBFC). ASAI India management stated that the initial startup equity provided was $7.5 million US (personal communication, July 15, 2010). To date ASAI India has been working only in the Indian state of West Bengal, however plans are underway to expand to other states in 2010/2011 (personal communication, July 17, 2010). Under Indian law ASAI India

is only allowed to provide loans; accordingly it has offered three products, i) a small loan of 37 weeks, ii) a small loan of 45 weeks, and iii) a small business loan (note that the week product has been discontinued and its clients are in the final stages of repayment; ASAI India, 2010, n.p.). ASAI India broke even after four months of operations and was posting a surplus after six months (personal communication, July 15, 2010); as of the end of June, 2010 the organization had 250,000 borrowers in 228 branches. ASAI India's mission is "to reduce poverty and improve the quality of life by providing microfinance in an innovative and sustainable way" (Micro-Credit Ratings International Limited [M-CRIL], 2010, p. 1).

As the operations of ASAI India are financed 100% by CMI equity (which in turn was provided by previously-mentioned private investors), it was felt that ASAI India represented an excellent counterpoint for comparison with ASA Bangladesh, in that the sole main difference between the two organizations was their legal structures (for or non-profit, respectively). ASAI India is also currently the largest operation of ASA International, thus providing the greatest range of clients and staff to be potentially surveyed, further enhancing the validity of the research design of this dissertation. Although SKS and Bandhan are presently the two largest MFIs in West Bengal, ASAI India's strong performance (further discussed in Chapters 5-8) illustrates the organization's professional capabilities, further rendering it an attractive choice for study. Additionally as noted in section 4.3.2, given the close geographical proximity between West Bengal and Bangladesh, cultural and linguistic similarities therein, and ASA Bangladesh's previous experience providing technical assistance to Bandhan (a large Indian MFI based in Kolkata, see Ford Foundation, n.d., p. 6) in establishing its operations, it was felt that ASAI India was the most likely of all ASA International operations to be rolled smoothly and experience the least difficulties in getting established. For all of these reasons, ASAI India was selected to be the

commercialized ASAI MFI whose social performance would be compared with that of non-profit ASA Bangladesh.

4.5 Research Participants

A wide range of stakeholders participated in providing data for this study, chosen to increase the range of opinions and perspectives which pertained to the research topic. Due to capacity and resource constraints on the part of this author it was not possible to include every single stakeholder which may be thought to be of some relevance for the research problem, however every effort was taken to obtain data from all of those deemed to have the greatest significance for the study's aims. Accordingly, participants can be classified as being ASA Bangladesh and ASAI India headquarters staff, ASA Bangladesh and ASAI India branch staff (including regional managers, branch managers and loan officers), ASA Bangladesh and ASAI India clients (both new and longer-term members) and ASA Bangladesh and ASAI India ex-clients, meaning those who had previously been members but were no longer so at the time of their participation in this study. The aforementioned classifications above will now be further described, beginning with ASA Bangladesh headquarters staff.

4.5.1 ASA Bangladesh Headquarters Staff

ASA Bangladesh staff interviewed at the headquarters were all senior management officials. Data from these respondents was obtained during August, 2008, February and March, 2009, and August, 2010, with the vast majority of the work done in 2009. Using the organization's organogram (a hierarchical organizational diagram) as a template for identifying respondents, the following 16 individuals were interviewed:

Table 6: ASA Bangladesh Senior Level Managers Interviewed

Board Member, Chairperson	Director, Operations 2
Board Member, Treasurer	Deputy Director, Operations 1
ASA President	Deputy Director, Operations 2
Deputy President	Director, Agribusiness
Executive Vice-President, Accounts	Director, Finance and Monitoring Information Systems (MIS)
Executive Vice-President, Operations 1	Director, Legal Affairs
Executive Vice-President, Operations 2	Director, Research, Documentation & Management Monitoring
Director, Operations 1	Deputy Director, Human Resources

*Note that many respondents were interviewed more than once.
(Source: Author's field work, 2008; 2009; 2010)

4.5.2 ASAI India Headquarters Staff

Owing to ASAI India's smaller size, fewer senior officials at that organization's headquarters level were interviewed. All data collected from these officials was obtained in August, 2010. Again using the organogram as a basis for identifying the relevant respondents, the following nine individuals in ASAI India's management were interviewed:

Table 7: ASAI India Senior Level Managers Interviewed

Board Member/Chief Executive Officer	Deputy General Manager 1
Board Member/Chief Operating Officer	Deputy General Manager 2
ASAI India Managing Director	Assistant General Manager, Human Resources
General Manager	Human Resources Officer
Company Secretary	

*Note that many respondents were interviewed more than once.
(Source: Author's field work, 2010)

Although ages were not asked, for both ASA Bangladesh and ASAI India the respondents all appeared between 40 to 80 years old and were all male, with one exception in ASA Bangladesh. Senior officials in each organization were also generally well educated, with several holding master's degrees in accounting, sociology, business administration, and law. Despite these somewhat comparably high levels of education however, ASA Bangladesh management's

work experience was overwhelmingly in the non-profit, non-governmental (NGO) field, while ASAI India's senior staff came mainly from private sector backgrounds. All senior employees in both organizations spoke English fluently; quotations attributed to these individuals in the data analysis chapters are their direct words as spoken in English. For further elaboration and details on the background of ASA Bangladesh and ASAI India senior management please see section 5.3.2 in Chapter 5 on intents and aims for social mission.

4.5.3 ASA Bangladesh Field Level Staff

At the field level staff were interviewed from six ASA branches in Dhaka. (See section 4.8 for details on sampling procedures used to chose the branches, both for ASA Bangladesh and ASAI India). Branch and regional managers were individually interviewed, while loan officers partook in a focus group discussion which was not attended by any management member. Data collection here took place mainly during February and March of 2009, although a follow-up visit was conducted to three of these same branches in August 2010. All previous staff members who were interviewed in 2009 had since moved on by August 2010, consequently their replacements were interviewed in their stead. In total 52 ASA Bangladesh field staff were interviewed, their specific numbers by job position are as follows:

Table 8: ASA Bangladesh Field Staff Respondents by Job Title

Title	District Managers	Regional Managers	Branch Managers	Loan Officers
Number of Respondents	2	8	9	33

(Source: Author's field work, 2009; 2010)

The field staff participants from ASA Bangladesh were all male except for one branch manager. Varying levels of education were reported with some management members holding

university degrees, while some loan officers had only completed up to a secondary level of study. No respondents for this sub-unit of analysis spoke English; as such their views on the research problem were obtained via a translator/research assistant who is fluent in both Bangla and English. Any quotations attributed to field level staff in subsequent data chapters are the direct English translation of the respondents' answers from Bangla, as provided by my assistant. For additional information on the background of the research assistant please see section 8.3.4 in Chapter 8.

4.5.4 ASAI India Field Staff

As with ASA Bangladesh, for ASAI India field staff from six branches were also interviewed. Data from these respondents was obtained in August, 2010. In total 36 ASAI India field staff were interviewed, their specific numbers by job position are as follows:

Table 9: ASAI India Field Staff Respondents by Job Title

Title	District Managers	Regional Managers	Branch Managers	Loan Officers
Number of Respondents	3	4	6	23

(Source: Author's field work, 2010)

Two of the ASAI India field staff were female and the rest were all male. Branch and regional managers were interviewed individually while loan officers participated in focus group discussions, held without the presence of any management figures. A few branch staff and one regional manager spoke limited English but the vast majority of data (as spoken by the respondents) was translated from Bangla to English by the same research assistant/translator who worked for me in Bangladesh; subsequent quotations in the data chapters reflect his translations

as opposed to direct responses from these participants. All participants had at least a secondary education, with several holding university degrees.

4.5.5 ASA Bangladesh Clients & Ex-Clients

From each of the six ASA Bangladesh branches selected for this study, current and ex-clients of ASA participated in focus group discussions. These discussions were held in February and March, 2009. The number of participants in total was 60 and can be further broken down by respondent type, as follows:

Table 10: ASA Bangladesh Number of Client and Ex-Client Respondents

Current Clients	Ex-Clients
33	27

(Source: Author's field work, 2009)

These clients were all female and users of ASA's small female loan, the organization's primary lending product. None of these respondents spoke English; any quotations attributed to these clients or ex-clients in subsequent data chapters are the direct English translation of the respondents' answers from Bangla, as provided by my assistant. For additional details on the nature of these respondents please see section 8.3.1 in Chapter 8; these details are presented there to better contextualize the particular data obtained from the focus group discussions in which all client and ex-clients participated.

4.5.6 ASAI India Clients & Ex-Clients

Replicating the approach used at ASA Bangladesh, current and ex-clients of six ASAI India branches also participated in focus group discussions, with six individual interviews held with ex-clients as they were unable to attend the focus groups. (See section 4.8 for details on the sampling strategy used to select the branches). All data collected here was obtained in August,

2010. In total 93 of these types of respondents participated in the study; exact figures per type are as follows:

Table 11: ASAI India Number of Client and Ex-Client Respondents

Current Clients	Ex-Clients
57	36

(Source: Author's field work, 2010)

All these clients were female and were borrowers of ASAI India's small female loan, which is also this organization's main lending product. Due to these participants lack of English ability, any quotations attributed to these respondents in subsequent data chapters are the direct English translation of the respondents' answers from Bangla, as provided by my assistant. Additional details on the nature of these respondents are presented in section 8.3.2 of Chapter 8, to better contextualize the data provided by these participants.

4.5.7 ASA Bangladesh and ASAI India Progress out of Poverty Index (PPI) Respondents

Current clients from both ASA Bangladesh and ASAI India were also surveyed using the Progress out of Poverty Index (PPI), an indirect measure used for determining the depth of a household's poverty. The numbers from each organization are as follows:

Table 12: ASA Bangladesh and ASAI India Number of PPI Respondents

ASA Bangladesh Clients	ASAI India Clients
88	93

(Source: Author's field work, 2009; 2010)

All of these clients were women, users of each MFI's small female loan product, and had recently joined their respective country's organization (ASA Bangladesh or ASAI India). Recent was defined as within the last three months. As many of the focus group participants came from the PPI respondents, the background and nature of these PPI participants is the same as those of

the focus group participants. For particular details on these backgrounds, please see sections 8.3.1 and 8.3.2 in Chapter 8. The PPI is further described in detail in section 4.7 of this chapter.

4.6 Data Collection Settings

The settings in which all data collection took place will now be described. As there was no difference in the nature of the settings for ASA Bangladesh and ASAI India field work (aside from their locations), the settings for each are presented in tandem here.

4.6.1 MFI Headquarters Level

At the headquarters level for both ASA Bangladesh and ASAI India, all interviews were done at the main central office. In Dhaka this is the ASA Tower on Mirpur Road, while in Kolkata it was the ASA Office in Sector 1, Salt Lake City. An individual's office or cubicle was used as the specific site for conducting the interview and in all cases was a relatively private environment.

4.6.2 MFI Field Staff Level

Field staff from each organization were interviewed in the branch where they worked. Usually this was the main business room of the branch where transactions with clients and other work are performed. In some cases, the living quarters of the branch was used as this afforded extra privacy to the respondents.

4.6.3 Client and Ex-Clients

The home of a client, ex-client or neighbour was used for all data collection from this group of respondents. This applies to focus groups, individual interviews with ex-clients at ASAI India, and the administration of the PPI. The locations were secure and onlookers were strongly discouraged from attending; branch staff were similarly not permitted to watch the discussions or interviews. Additional details on the settings for current and ex-clients are presented in section

8.3.4 in Chapter 8; it was felt they were more appropriately displayed there, to better contextualize the data obtained from these respondents.

4.7 Instrumentation

Individual interviews and focus group discussions provided the majority of the qualitative data obtained, gathered based on a semi-structured approach to question asking which was centered around several key topics (guided by the theoretical literature and conceptual framework, see Chapter 2 and section 4.2 of this chapter) while also retaining sufficient flexibility to explore new or unexpected avenues of inquiry, if necessary. Most interviews and discussions lasted approximately 45 minutes as any longer was felt to be a significant burden on the respondent's time. Copies of the interview guides and focus group discussions starters are in the appendices of this dissertation, although should be noted that given the flexible nature of the inquiry and ongoing deductive process coming out of the data analysis in the field, additional questions were also asked which may not be listed here and the nature of some interview focuses changed as new findings emerged.

For quantitative data, the Progress out of Poverty Index (PPI) was used as the study's main instrument and was employed for ensuring the examination of depth of outreach by both ASA Bangladesh and ASAI India was adequately empirical. Created by Schreiner (2007) and custom-made for a range of countries (including Bangladesh and India), the PPI is a tool which uses indirect measures to determine a household's poverty level, based on the presence or absence of identifiable indicators such as house construction materials, type of toilet used and the number of children under the age of 11 in the household (Schreiner, 2007, p. 3, p. 6). (Please see Appendices C and D for a full list of indicators and complete copies of the Bangladesh and India PPIs). These indicators are weighted and linked to country-specific poverty scorecards which are

designed based on public quantitative data such as the World Bank Living Standards Measurement Survey (LSMS) or Household Income and Expenditure Survey (HIES), conducted by the Bangladesh Bureau of Statistics (BBS) (Chen & Schreiner, 2009, p. 3). The specific scorecard indicators are statistically selected from these data sources due to their high correlation with household poverty. For each indicator, a numerical score is given which is determined by the client's response to the question asked. The numerical scores for each indicator are then added to give a total household score.

The total household scores based on the index indicators for any given application of the PPI are then compared with scoring bands accompanying the poverty scorecard, to determine the likelihood the surveyed household is poor (based on several different poverty lines). The lower a household's score, the greater the likelihood it is poor. To illustrate, a household score between 30-34 would put a household in Bangladesh at a 67.3% chance of being below the $1.25/day poverty line and 94.8% below the $1.75/day poverty line (Chen & Schreiner, 2009, p. 112, p. 120). Please see Appendices E and F for complete copies of all scoring bands for each poverty line, for each country's PPI.

The PPI was designed to be a quick, practical and easy to use approach for monitoring poverty rates, tracking changes in poverty levels over time and targeting services (Chen & Schreiner, 2009, p. 1). Indirect tools like the PPI are felt to be less costly and easier to use than direct measures of poverty such as lengthy household expenditure surveys (Chen & Schreiner, 2009, p. 1). Schreiner (2007, p. 4) reports the PPI is accurate at the 90% level of confidence and is comparable to any existing poverty assessment tool today.

4.8 Sampling

The sampling strategy used for this study could be described as a combination of purposive, theory-driven, and random (Miles & Huberman, 1994, p. 27). Initially, the boundaries for the cases were set as defined by the study's unit of analysis and after a reasonable assessment of the resources available to this author for conducting this research. Subsequently, within the unit of analysis key stakeholders (sub-units of analysis) were identified who were judged likely to have a significant perspective on topic being investigated. This judgment was guided by the study's theoretical framework and existing instrumentation which could feasibly be employed for data collection. At the headquarters level for both organizations, all individual respondents were chosen purposively, due to their perceived relevance to the study's aims. In principle, the study's conceptual framework and theory of mission drift also lead to the selection of branch staff, clients and ex-clients as sub-unit stakeholders in the study's unit of analysis.

However the sampling strategy for actually choosing which branch staff, clients and ex-clients would participate from each organization was somewhat random. At the time of the study's design, ASAI India was operating only in Kolkata; consequently Dhaka was chosen for the ASA Bangladesh field site due to its perceived similarities with Kolkata (as explained in sections 4.3.2 and 4.4.2). Within Dhaka, ASA Bangladesh operates 111 branches. Following recommended guidelines for choosing an appropriately sized sample, it was decided that 5% of these branches would be selected, which meant six actual branches. A numbered list of all 111 ASA Dhaka branches was obtained and an online random number generator program chose six numbers (out of 111) at random. These numbers were then matched to the corresponding numbered list of 111 branches, to see which ones were actually picked. Each branch had an equal likelihood of being chosen. Once selected, all branch staff and as many new and ex-clients as

possible from that particular branch were interviewed and surveyed with the PPI. (For the specific numbers of each type of respondent, see section 4.5). Essentially the decision to include the perspectives of field staff, current and ex-clients was theory-driven; the choice which led to the particular selection of branches (and therefore its accompanying respondents) was random.

The same random approach for choosing the branches of ASAI India was also employed. To be comparable with ASA Bangladesh, it was decided than again six branches would be randomly selected in and around Kolkata. The only condition on this selection process was that the branches be in operation for at least one year, to ensure that ex-clients would actually exist. (A branch only open for a few weeks is unlikely to have many ex-clients). A numbered list of 54 suitable branches was prepared by ASAI India staff and again using the same online random number generator, six numbers were chosen out of 54. The selected numbers were then matched against the numbered list of 54 branches, to identify which ones had been selected. Once chosen, the relevant stakeholders (branch staff, current and ex-clients) were interviewed and surveyed, as was done at ASA Bangladesh.

A purposive and theoretical approach was also employed for conducting the document and secondary source analysis for each organization. All documents, internally generated figures, data and publications which could logically be thought to have any connection whatsoever to this study's unit of analysis were identified and obtained. Publicly available financial data on the MIX Market, an online microfinance database, was also identified as relevant to the study and was analyzed accordingly.

4.9 Data Handling & Analysis

For both ASA Bangladesh and ASAI India, as quickly as possible after data was collected (either from interviews or focus groups) the field notes were typed up in electronic format. This

was done to ensure the fullest accuracy possible; additionally recall may diminish as time passes from the data collection session. PPI data was also electronically recorded as soon after collection as it was feasible to do so.

For analyzing the interview and focus group data, a process known as coding was used, which assigns "units of meaning to the descriptive or inferential information compiled during a study" (Miles & Huberman, 1994, p. 56). Particular words, sentences, or entire paragraphs can be tagged with a code; in this sense "chunks" of data are identified (Miles & Huberman, 1994, p. 56). The codes used for this study were derived directly from the conceptual framework and research questions, although some codes emerged from the data as field work and analysis progressed. This combination of inductive and deductive-based codes reflects the importance of having a selective focus to avoid data overload, while remaining open to unexpected insights which developed as the study took place. Examples of codes used include "awareness of social mission", "client satisfied with service" and "importance of profitability".

After coding, the data was analyzed primarily with the aid of a computer program called NVivo7. This software is specifically developed for qualitative researchers and has a wide array of features, particularly the ability to code and retrieve data according to the categories created for a given study. This easily enables the researcher to identify which areas of the data collected pertain to which codes or concepts, and furthers the ease of interpreting the data. The interpretation and analysis done for this study on all field data was undertaken with the aim of identifying patterns and themes (Miles & Huberman, 1994, p. 69-70) which pertained to the specified research questions. Additional sources such as ASA and ASAI publications could not be analyzed with NVivo7 as they exist in hard copy only; however the same principles and

techniques applied to field data for coding and identifying important issues were applied to secondary data as well.

PPI data was easily analyzed; scores for each household were totaled and the average for each country was obtained. This average was then found on the scoring bands for each country's different poverty lines and the overall average likelihood of the sample being under each poverty line was noted and recorded.

4.10 Limitations

As with all research, this study has limitations. These consist of the urban-only focus of the field work in each country, the amount of time and resources available for this field work, and the author's inability to guarantee exact accuracy in translations of branch level and client level interview and focus group data.

The urban focus of this study (centering on Dhaka and Kolkata only) is acknowledged as a potential limitation on the findings. It is possible that in rural areas, branch staff, clients and ex-clients may have different perspectives, or that PPI depth of poverty findings may differ by urban/rural setting in Bangladesh and India.

Resource limits were a further constraint on the scope of this research. Due to a shortage of funds it was not possible to spend several months in each country, where such prolonged exposure may have been even more beneficial to understand the daily internal processes of each organization and the mindset of management with regard to social mission. In a related point, extended periods of time could not be spent among clients, which had this been done, would have further helped in contextualizing their experiences. An in-depth expenditure/consumption survey for clients would have also been useful as it would have enabled additional depth of outreach

analysis, conducted through means such as the poverty gap index. However due to resource and capacity constraints such a survey was not feasible for this study.

Lastly there is the issue of accuracy in translations at the field level. Although all central office management in both ASA Bangladesh and ASAI India spoke fluent English, most field level staff and all clients and ex-clients (for each organization) did not. A professional translator/research assistant was used for conducting interviews and focus groups with these respondents. There is no reason to assume any bias or distortions were present in any of his translations, however as this author could not verify verbatim what was being said, the possibility of inaccuracies, however slight, must be acknowledged.

4.11 Conclusion

This chapter has outlined all elements of the methodology used in this research. The next chapter will begin the analysis of the findings obtained in this study, as guided by and in reference to the conceptual framework and existing body of literature on this research topic.

CHAPTER 5: ANALYSIS OF INTENTS AND AIMS FOR SOCIAL MISSION

This chapter examines the intents and mission of ASA Bangladesh and compares them with those of ASA International (ASAI) India, to determine if the latter has experienced any mission drift in this realm due to its for profit nature. As the social performance management (SPM) process is generally viewed as linear, the intents and manner in which a mission is perceived by staff is considered a logical starting point for SPM examination within a microfinance institution (MFI). The inquiries made in this part of the research process were guided by the Woller (2006) Social Performance Assessment (SPA) Tool and Woller (2008) Social Audit Tool (SAT), prepared for the United States Agency for International Development (USAID).

5.1 Intents and Mission: ASA Bangladesh

Although ASA Bangladesh's mission has undergone a few subtle changes and rewordings in the last nine years, fundamentally the organization's aim remains to reduce poverty through the provision of sustainable financial services. This is evident in the 2001 English ASA Manual, which states "ASA is engaged in the process of empowering the poor, the landless, the labourers and the marginal farmers for the improvement of their socio-economic condition" (ASA, 2001, p. 1). Although a formal mission is not presented here, the institution's given goal is "to provide financial assistance to the poor through a systematic process by bringing them under an organizational structure" (ASA, 2001, p. 1). Additional analysis of a wide range of ASA publications has also indicated that ASA's clear aim is to provide financial services to the poor as a poverty alleviation strategy (ASA, 2002; Ahmmed, 2003; Kamal, 2006).

In 2008, ASA Bangladesh's website echoed the Manual's aims in slightly different words, stating the institution's mission was "to reduce poverty and improve the quality of life of the poor

through the provision of qualitative and responsive micro finance services in an innovative and sustainable way" (ASA Website – Vision, Mission, Objective, n.d., n.p.). This was subsequently modified again, as of 2010 ASA's mission is "to support and strengthen the economy at the bottom of the socio-economic pyramid by facilitating access to financial services for the poor, marginalized and disadvantaged" (ASA Website – Vision, Mission, Objective, n.d., n.p.) with an overarching vision of establishing " a poverty free society" (ASA Website – Vision, Mission, Objective, n.d., n.p.).

Beyond changes in grammar and syntax, what is of greater relevance for ASA Bangladesh's operations is how the essence of the mission is understood by and embodied in the actions of the organization's staff. Based on the data obtained in this study, it is apparent that ASA's mission is understood among its employees, from the headquarters down to the branch level. All staff interviewed spoke about how ASA's financial services were intended for poverty reduction in Bangladesh. The following excerpt by one senior ASA executive from my field notes expresses this sentiment well:

> ASA is working to alleviate poverty, mainly though credit. This is one ingredient to empowerment. Giving credit lets ASA do something in society…poor people are powerless, many need money. With it, clients get many benefits. They do income generating activities, can access health facilities, members can send their kids to school to get an education. Providing money is ASA's action (personal communication, February 11, 2009).

Similar views were also noted at the branch level, among both management and loan officers. One branch manager stated "ASA works with low income groups, offering loans, savings, our main motto is to improve the socioeconomic status of borrowers. It is our moral duty

to improve the status of the poor by offering loans" (personal communication, February 19, 2009). A loan officer at a different branch noted:

> ASA helps poor people; our country has a lot of poverty. We want to improve their lifestyles. ASA is associated with the poorest groups, those below the poverty line. ASA wants to uplift their poverty gradually. ASA gives step by step to improve the poor's economic situation (personal communication, February 23, 2009).

5.1.2 The Link Between Finance and Poverty Reduction

In describing the perceived link between microfinance and improved socioeconomic status, one ASA Bangladesh director stated that poor people often have a very weak position in society due to their lack of income. By receiving access to credit, the borrowers can be empowered economically and this sort of empowerment is a social objective of ASA (personal communication, February 12, 2009). "Finance is like a catalyst", said another executive, who went on to explain that borrowers are able to invest their loans in microenterprise activities such as purchasing and driving a rickshaw or expanding a tea or vegetable shop. These investments lead to greater financial returns for the clients, providing them with the funds necessary to meet life needs such as the ones previously described (personal communication, February 15, 2009). A third official reported that through increasing incomes, clients get better access to health and social services, they can also improve their purchasing power and consumption, which the respondent viewed as being important for borrowers' well-being (personal communication, February 23, 2009). Such views on the benefits microfinance can have are also found in ASA's published literature; writing on behalf of ASA, Kamal (2006) notes that:

> Due to the intervention of microcredit a significant change has been attained in the lives of the poor. As for example, it has created immense scope for employment, income has

> been increased, women's status has been upgraded, rate of literacy has increased and a lot of successes have been achieved in the field of health, nutrition and sanitation. Especially, ASA has been able to bring about positive changes in this respect. (p. 2).

ASA employees also frequently cited the high cost of informal finance and the lack of suitable savings options as additional reasons for their work in bringing access to finance across Bangladesh (personal communications, February 12, 2009, February 15, 2009, February 23, 2009, February 24, 2009).

5.2 ASA Bangladesh Overall Mission Assessment: Broad but Shallow

Despite the widely held views within ASA that the organization is working to alleviate the poverty of its borrowers and that financial services can make a difference in this regard, the institution's mission is essentially just a broad statement of intent. Specific goals for poverty outreach (i.e. depth of outreach, geographic areas for concentration or percentage of women clients) do not exist and impact assessments are not being done regularly. To the extent such assessments even take place, ASA Bangladesh staff conceded that they were done largely for public relations purposes and were designed to be conducted in a highly cost-effective and efficient manner (personal communication, February 15, 2009). After reviewing the methodology employed in such studies, they cannot be considered to be robust, reliable or sufficiently free of the possibility of bias. Additionally, although ASA officially employs client eligibility criteria which requires borrowers to be low-income, between the ages of 18-55, having a maximum of 1 acre of land and with preference given to women (ASA, 2001, p. 5), it is unclear to what extent loan officers are following these guidelines in practice and compliance monitoring by branch managers of these criterion is relatively low.

ASA Bangladesh staff also indicated that the organization's social mission was communicated primarily via the ASA Manual and regular field visits to branches by senior management. However a review of the ASA Manual reveals that apart from the statements mentioned previously, there is little in the way of additional elaboration of ASA's mission. Indeed, as an operations manual it is highly practical and focuses almost entirely on matters relating to the daily workings of ASA, covering the steps needed for establishing a branch and credit groups along with general management and administrative guidelines for their continued operation.

To illustrate, Chapter 5 of the Manual covers matters such as "the method of collection of loan installments", "the cross checking of the passbook with the CO register", and "essentials to be done before the loan disbursement" (ASA, 2001, p. vii). Chapter 9 addresses transactions within a branch, including "transactions of the daily cash book" and "bill payment system for purchasing various materials" (ASA, 2001, p. ix). Chapter 11 discusses the duties and responsibilities of different sections within ASA, including "accounts section", "internal audit section", and "revolving loan fund section" (ASA, 2001, p. x). Aside from the first page of the introductory chapter (ASA, 2001, p.1), no further evidence of a statement of social mission or poverty reduction aims was identified in the Manual.

Additionally, although field visits by management do indeed take place on a frequent basis, staff who participate in such visits indicated that often their main purposes in going to the branches was financial and administrative in nature, primarily relating to recovering overdue loans and performing branch monitoring as part of ASA's internal controls. Describing a typical day in the field, one senior level staff member stated:

> We analyze the whole performance of the branch, how loans are repaid by members, defaulted members and delinquent members. Senior staff and other management will make two or three groups and then they will all go out and try to get repayment from the people (personal communication, February 12, 2009).

Another high level manager reported that during a field trip:

> We spend two days per branch per visit. We spend time meeting with clients, attending group meetings, say for half a day...and spend the other half looking at records from the branch. Then we have a feedback session with staff, can look at weaknesses in the branch and develop solutions to problems (personal communication, February 12, 2009).

The ASA Manual (2001, p. 125-126) reinforces this view of what occurs on management field visits, noting that during them, branches are graded according to number of members currently in default and irregularities identified in branch financial reporting documents and procedures, among other criteria.

Thus although appearing well-meaning, ASA Bangladesh evidently does not have a concrete plan in place on how to actually formalize its mission. No official systems are in place for providing feedback to senior management on social aims or outcomes and the organization's Research Department has done little over the last decade to examine ASA's social performance management. Overall, ASA Bangladesh's conceptualization of it social mission is quite minimalist and serves as a relatively low baseline for comparison with ASAI India.

5.3 Intents and Mission: ASAI India

The formal mission statement of ASAI India is "to reduce poverty and improve the quality of life by providing microfinance in an innovative and sustainable way" (Micro-Credit Ratings International Limited [M-CRIL], 2010, p. 1). The overall vision of ASA International is

to “contribute to the development of microfinance – directly and indirectly creating access to & reliable financial services to millions of low income people, with India being one of the core markets” (ASAI India, 2010, p. 4).

In examining the social intents of ASAI India and how the organization’s social mission is perceived by staff, significant differences were apparent in how ASAI India headquarters staff and field staff viewed the mission in comparison with employees in ASA Bangladesh. The most noteworthy finding was the manner in which ASAI India senior headquarters staff conceptualized their institution’s mission and what it actually meant. Several senior managers had a weak grasp of what ASAI India’s social mission was and struggled to define it. “Social mission is not very clear… [long pause]…helping the poor to get a better life”, said one senior official (personal communication, July 15, 2010). “They [ASA International] claim to have [a social mission] but I haven’t seen anything in India”, said another manager (personal communication, July 16, 2010). A third executive echoed these views, saying “ASAI is just a business venture, really” (personal communication, July 16, 2010). Although one director did outline a poverty alleviation aim for ASAI India, this view was not widespread among senior figures. In fact one official went as far as to question whether microfinance can really play a large role in helping the poor, saying “if microfinance really reduces poverty, Bangladesh would be very different…they have had it for 30 years” (personal communication, July 15, 2010).

This difference in attitudes between senior level staff in ASAI India and ASA Bangladesh on social mission was also noticed by all ASA Bangladesh managers interviewed who had been assigned to work in ASAI India. “ASAI India is run for profit, they want to only profit. In Bangladesh we want to lend for socioeconomic benefit but ASAI India is all for profit”, said one ASA Bangladesh manager (personal communication, July 20, 2010), who had served in both

organizations. He further stated that "ASA Bangladesh's vision and mission is poverty alleviation, socioeconomic development, women's empowerment, but not in [ASAI] India, they only want to lend for profit." Indeed, ASAI India staff frequently did mention profitability as being extremely important, with many stating that as ASAI India is a for-profit firm, this is obviously their key focus.

These views on the priority of profit over social mission at ASAI India were seconded by other ASA Bangladesh mangers who had worked there, with one saying "[ASAI] India staff think only about business. ASA Bangladesh thinks about social business, business from a social point of view. ASAI India staff doesn't have a clear sense of mission" (personal communication, August 7, 2010). "In black and white [written publications from the organization] their [ASAI India] mission is poverty alleviation, but in reality it's about profit", said another official (personal communication, August 8, 2010). A third claimed that "in [ASAI] India staff only want their salary at the end of the month; they feel no responsibility for the poor. This is a bad thing, their way of thinking is different…in Bangladesh the authority is concerned about client benefits" (personal communication, August 8, 2010). "ASAI India is more interested in making profits than helping the poor", said another ASA Bangladesh manager (personal communication, July 20, 2010). This difference in mindset regarding social mission and organizational intent was attributed by these ASA Bangladesh staff mainly to the differing backgrounds and experiences of senior ASA Bangladesh and ASAI India executives.

5.3.1 ASA Bangladesh: The Old Guard

ASA Bangladesh staff who had worked for ASAI India felt that overall, the non-profit background and extensive experience of ASA Bangladesh staff who have been serving that organization for many years has lead to the development of a strong pro-poor attitude in senior

officials therein. “In Bangladesh all supervisory staff come from same background”, said one ASA Bangladesh manager. “They joined to help the poor, top management has a strong poverty alleviation vision” (personal communication, July 20, 2010).

My interviews with senior ASA Bangladesh staff did indeed reveal that many joined ASA (or microfinance in general) out of a strong sense of social commitment. “I was interested in women’s empowerment, so I joined Grameen Bank, then ASA” stated one director (personal communication, August 8, 2010). “I joined ASA in 1978, after the war of independence, I wanted to do something about the social exploitation of the poor” stated another (personal communication, August 7, 2010). In fact this was the main motivation founder and current president Choudhury had for establishing ASA – originally the organization was anti-credit and was dedicated to preparing peasants to rise up against their oppressors and demand their social and political rights (Rutherford, 2009). Only over a period of several years did ASA shift its focus towards the provision of finance as a way of bringing about improvements in the lives of the poor (ASA Website – Evolution, n.d., n.p.).

However the shifts in philosophy and operations at ASA Bangladesh over time did not diminish the organization’s desire to aid the impoverished, according to senior officials who were present at the MFI during these years. As one senior staff member stated:

> When ASA was established, the goal was to empower the poor. ASA’s vision is a poverty-free society. ASA still believes this though the means may have changed. Look at the organogram [organizational chart of ASA], the upper section of directors and deputy directors are the core of ASA...this core management all has this vision, they disseminate it through the organization. If your leadership is strong, if you can disseminate the vision,

the organization will reflect this in the grass roots (personal communication, February 8, 2009).

Said another ASA Bangladesh executive, “leadership comes from the president but is also supported by senior management, they share his vision. Most senior management has been here a long time, 20 years or more” (personal communication, February 24, 2009). It is through this experience and vision that ASA has developed and retained its (admittedly minimalist) social mission of reducing poverty through financial services, a view which continues in the organization to this date.

5.3.2 ASAI India: Career Not a Calling

In contrast with how the backgrounds of ASA Bangladesh senior officials were perceived, ASA Bangladesh staff who had served in ASAI India viewed upper management there as being predominantly upper class, with strong private sector backgrounds. “They [management] come from sophisticated urban families, the top people don’t think about poverty alleviation work”, said one ASA Bangladesh manager. “They think their job is just selling” (personal communication, July 20, 2010). “They [ASAI India management] underestimate the Bangladesh managers, they view the Bangladesh staffers as an obstacle”, said another (personal communication, August 8, 2010). “They [ASAI India management] think they [themselves] are rich and educated, they can’t see why poor people [Bangladesh staff] would come to help in a rich country [India]”, he added.

While no direct evidence emerged from my interviews with ASAI India managers to support the views that they looked down on Bangladesh managers seconded to their organization, the backgrounds and education of senior management did markedly differ from senior executives in ASA Bangladesh. Only one ASAI India executive had any experience in a nongovernmental

organization (an MFI called Bandhan) but this was only for about 3 years, with the rest of his 20+ years in the workforce in manufacturing, law, and for-profit finance. Other executives showed a similar history, with backgrounds in construction equipment manufacturing management, sales management, engineering and commercial banking. Although a few did have some years of experience in microfinance, this time was limited and spent solely in for-profit Non-Bank Finance Companies (NBFCs) such as SKS, another MFI operating in India.

The motivating factors which led senior ASAI India staff to join the organization also differed significantly from ASA Bangladesh, where the desire to aid the poor was the main driver. By contrast, ASAI India executives joined mainly for personal rewards and opportunities. “I joined [ASAI India] because ASAI is a global organization, it’s a good opportunity for me”, said one director (personal communication, July 15, 2010). “I saw an ad for ASAI India in the newspaper, so I joined because of growing opportunities, it is a growing company with much potential” said another (personal communication, July 15, 2010). A third executive reported that he joined ASA after downsizing at his previous mainstream financial organization employer left him without a job (personal communication, July 17, 2010), while a fourth stated he only got interested in microfinance after his own business efforts did not succeed (personal communication, July 15, 2010).

These backgrounds and motivations may explain some of the differences in attitudes seen in ASAI India management by ASA Bangladesh staff that were sent to India to work, when compared with their own senior managers in Bangladesh in regard to views on social mission and profitability. “All they [ASAI India management] cared about was their own benefits, their situations, their salaries”, said one ASA Bangladesh manager who had worked for ASAI India

(personal communication, August 8, 2010). “They [ASAI India management] just want to get as much money as they can and leave”. Another manager stated that:

> He [a senior ASAI India official] wanted to spend lavishly on the staff, much more than the salary guidelines stated. He wanted to spend as he liked for staff entertainment and ignored the [ASA Operating] Manual’s rules. He was very concerned about how to benefit staff, how to raise the salaries, he wasn’t concerned about anything else. He knew ASAI India was making huge profits, after seeing the P&L [profit and loss] statement, greed grew in his mind (personal communication, August 8, 2010).

5.4 ASA India Overall Assessment: Gap Between Headquarters and Field; Shallow and Weak

It is thus apparent that ASAI India senior staff had a much weaker conceptualization of the organization’s mission than did senior staff at ASA Bangladesh, and that ASAI India executives were highly focused on profitability and increasing their own personal benefits and income. However it should be stated that at the field level, ASAI loan officers largely reported the same perspective on their organization’s social mission as did branch staff at ASA Bangladesh. One ASAI India branch manager stated:

> Our aim is to assist the poor with access to financial services. The rich have fat bank balances, so banks will lend to them. But the poor cannot do this, no one will lend to them, so that’s why ASA International is serving them (personal communication, July 23, 2010).

“Clients take loans and use them for businesses, and then they get extra income that they can use for food, health, education, whatever they need”, said an ASAI India LO (loan officer) (personal communication, July 25, 2010). Such views were commonly found among all field staff interviewed for this study.

The apparently paradoxical finding of senior staff not expressing a clear articulation of ASAI India's social mission while their subordinates in the field have a good understanding of it is attributed to the role ASA Bangladesh managers have played in training ASAI field staff. "One director from ASA Bangladesh came for training, he discussed about the mission", said a group of ASAI India LOs (personal communication, July 24, 2010). "Our training materials [for new staff] are based on ASA Bangladesh's. We cover the background and social mission [of ASA] and how loans help…we explain how [loans] can help the poor get more assets and income" said an ASAI India Human Resources (HR) trainer (personal communication, July 17, 2010). Seconded ASA Bangladesh staff also acknowledged their contributions in the realm of training, with one ASA Bangladesh manager (who had served in ASAI India for one year) saying, "my main duty was staff recruitment and training of new LOs" (personal communication, August 8, 2010).

Nonetheless, the view at the field level in ASAI India generally reflects the same shallow perspective held by field staff at ASA Bangladesh in regard to what the social mission actually is, with loan officers and branch managers of ASAI India having only broad general awareness of the social aims of the organization. Although ASAI India has member eligibility criteria for taking a loan (criteria are: female, between the ages of 18-50, physically fit, living near branch area and not having more than three loans elsewhere; personal communication, August 4, 2010), field staff stated that these criteria were designed to guide the selection of borrowers who would best be able to repay the money and were not necessarily created out of any social mission aims. As with ASA Bangladesh, no specific targets for outreach (depth of poverty or geographic location) have been set by ASAI India. Overall ASAI India's intents regarding social mission are viewed to be weak at the senior level and comparatively as broad and shallow as ASA

Bangladesh at the field level. Overall this indicates that from a conceptual awareness perspective, ASAI India has experienced some mission drift, with less importance and understanding found in how the organization perceives of its role in working with and aiding the poor.

5.5 Conclusion

This chapter has examined the intents and manner in which social mission is viewed by senior and field staff in ASA Bangladesh and ASAI India. Findings indicate that ASAI India senior management have a weaker view of what their organization's social mission is than those of ASA Bangladesh and that profitability and self interest are the main factors guiding ASAI top management's behavior. This is indicative of mission drift. Although social mission is perceived in relatively similar terms by field staff in both organizations, it is done so in each in a broad and shallow way. The question at this juncture is: do these differing organizational views on social mission have an impact on the way each MFI actually operates? This issue will be examined in the following chapter on organization internal processes and systems.

CHAPTER 6: DOES IT MATTER? RELEVANCE OF SOCIAL MISSION FOR ORGANIZATIONAL OPERATIONS

Although ASAI India as an institution has an overall weaker sense of social mission than ASA Bangladesh and this is most apparent at the upper management level, does it actually matter? Do an MFI's intent, background of executives, and degree of mission understanding have a notable effect on the organization's operations?

To explore this issue, the internal processes, systems and actions of both ASA Bangladesh and ASAI India were compared. The main analytic categories used here were derived from the Woller (2006) Social Performance Assessment (SPA) and Woller (2008) Social Audit Tool (SAT) frameworks, although they were supplemented by inductive categories which emerged from the data during the course of field work and analysis for each organization. As an aid to the reader, the findings for each aspect of internal processes are summarized in the table below, to indicate whether ASAI India has experienced drift in any area investigated here:

Table 13: Summary of Mission Drift Findings for ASAI India by Internal Processes/Activities

Internal Process/Activity	Has ASAI India Drifted: Yes/No?
Hiring and Training	No
Incentives	No
Monitoring Systems	No
Strategic Planning	No*
Corporate Social Responsibility (CSR)	Yes
Staff Policies	No
Client Targeting Policies	No

*ASAI India is actually showing stronger social performance here than ASA Bangladesh.
(Source: Summary of author's field work findings, 2009; 2010)

These listed internal processes will now be explored in greater detail, beginning with an examination of the hiring and training practices of both ASA Bangladesh and ASAI India.

6.1 Hiring and Training

The staff recruitment and training efforts of a microfinance organization are considered an excellent entry point for communicating and reinforcing the institution's social mission (Woller, 2008, p. 16). Woller (2008) further notes that such efforts contribute significantly to developing a strong organizational culture which values social mission and ensures that staff attitudes and beliefs are aligned with the overall mission of the MFI (p. 16). To determine to what extent this is occurring at ASA Bangladesh and ASAI India, the practices of each institution with respect to hiring and training in relation to social mission will now be explored.

6.1.1 Hiring and Training at ASA Bangladesh and ASAI India

No significant differences were evident in the hiring and training practices of ASA Bangladesh and ASAI India. In each organization, employees are generally not chosen for their ideological commitment to the microfinance institution (MFI)'s mission per se but rather on a practical operational basis, such as their level of physical fitness ("important for working in the field", said one ASA Bangladesh senior employee; personal communication, February 10, 2009), communication skills, prior experience in microfinance, management skills, and a willingness to serve in rural areas and live in the branch. To the extent ASA Bangladesh and ASAI India's missions are reflected in their hiring, it is only through each organization's selection of people who are able to perform the tasks associated with financial service delivery to the poor.

Although each organization's mission is touched on in the first day of training for new loan officers in Bangladesh and India, the bulk of these training efforts are oriented towards imparting highly practical, meaningful knowledge which will equip the loan officer to begin operations as quickly as possible. This is apparent in the typical training schedule for a new field worker in ASA Bangladesh, which as described by senior staff, consists of four days of formal

instruction that covers group formation and organization, loan disbursal and collection, characteristics of the ASA model, employee skills needed to implement it, and ASA benefits and rules. This focus on practicality is also reflected in ASA's written publications; writing for ASA, Kamal (2006) notes that "in ASA, practical training is emphasized and preferred most" (p. 5). At ASAI India, training consists of three days of formal instruction and three days of on-the-job training (OJT), which covered the same topics addressed by ASA Bangladesh. For each organization, the social mission does not seem to have a prominent place in formal training efforts beyond an introduction and history of the organization.

Overall, both ASA Bangladesh and ASAI India also emphasized informal field-based learning as the main means for educating and socializing new employees about their role in the organization. Said one senior ASA Bangladesh executive:

> ASA is not big on formal training...it is not popular here. All people have academic knowledge, so they don't need so much class training. Only a few days are held, the rest is on-the-job training. Training focuses on practical coaching, mentoring, and each-one-teach-one method, with an old loan officer or branch manager and a new employee. Most training is done at the field level. We don't do much ongoing training, only for newly promoted branch managers (personal communication, March 2, 2009).

The ASA Manual (2001) further supports these statements, noting "newly appointed staff acquire skill and experience through on-the-job training" (p. 44).

These views were also echoed by an HR director at ASAI India who stated "it is better to do as much [training] as we can in the branches…because the LOs [loan officers] will be in that environment for working" (personal communication, July 17, 2010).

Based on these findings, it is evident that ASAI India has not experienced any mission drift in regard to its hiring or training practices. To a considerable degree ASAI India has just replicated the processes and views of ASA Bangladesh in this area and employs the same minimalist view of the place of social mission in the overall training process. This suggests that an organization need not be for-profit to devote little effort to selecting and training employees on social performance issues. Rather, the prerogative of management, irrespective of organizational legal structure and incentives, seems to be the key determiner for whether or not social mission assumes a prominent role in MFI hiring and training policies and practices.

6.2 Incentives

Woller (2006) identifies incentives as an area which "contributes in a significant manner to social performance" (p. 6). This view is later reiterated in the subsequent USAID Social Audit Tool, which notes incentives are one of the internal processes which is most important in terms of impact on an organization's social performance (Woller, 2008, p. 18). In this audit tool, Woller further states that "an incentive system that ignores social performance is much less likely to produce attitudes and behaviors consistent with social mission. It may even produce behaviors and outcomes contrary to social mission" (p. 5).

6.2.1 Incentives at ASA Bangladesh and ASAI India

Based on the data obtained in this study, it is apparent that both ASA Bangladesh and ASAI India have no incentive system for staff beyond the prospect of promotion. Although there is a bonus for employees it is applied equally across the organizations and is not tied to individual performance. Said one senior ASA Bangladesh staffer:

> We have no performance linked bonus, everyone gets it. The bonus is not linked to individual effort because some areas are poorer than others and this would punish people

> who work in difficult areas. Clients' ability to repay depends more on region than individuals. And linking performance [with bonuses] could create unhealthy competition since loan officers could choose [clients] based on this (personal communication, February 19, 2009).

ASAI India executives confirmed they employed the same approach as ASA Bangladesh to incentives, with one ASAI director stating "We have no staff incentives here; it is not policy to do so. We don't believe in it, this is what the company has decided" (personal communication, July 17, 2010). No written evidence in institutional publications regarding incentives was identified for either organization.

Other possible non-performance based ways in which an incentive system could be structured are advocated by Woller (2006; 2008); however these are largely incompatible with ASA Bangladesh's and ASAI India's overall models. For example, although outreach indicators are listed as a possible component for a social performance-supportive incentive structure (Woller, 2008, p. 18), given that both ASA Bangladesh and ASAI India do not have specific outreach indicators relating to their mission, such an incentive would not be applicable to either organization.

It is beyond the scope of this study to provide an evaluation of whether or not ASA Bangladesh and ASAI India should have social performance-linked incentives for staff. Although it could perhaps be argued that such a system, if it existed, could enhance mission fulfillment efforts further, the issue at hand is whether ASAI India has experienced drift in its performance in this respect vis-à-vis ASA Bangladesh, due to the former's for-profit nature. Based on the data gathered for each organization it is apparent that no drift has taken place here. ASAI India field staff do not receive bonuses for high repayment rates or other measures of organization financial

profitability, thus indicating pressures to be profitable have not impacted upon this internal process within the institution. As social performance-based incentives are not used by non-profit ASA Bangladesh or for-profit ASAI India, no drift could occur here either. ASAI India is essentially replicating the minimalist process used by ASA Bangladesh with regard to all aspects of incentives.

6.3 Monitoring Systems

Performance monitoring, defined as "the routine collection of information for the purpose of comparing performance to organizational mission and objectives" (Woller, 2008, p. 20) is another aspect of the SPA/Social Audit Tool frameworks. These frameworks are used for assessing an organization's internal processes in regard to their appropriateness for contributing to an institution's social mission. As a concept, performance monitoring has a well-established history for examining financial performance and goal-setting in most financial organizations and is not confined only to microfinance institutions. However monitoring techniques and procedures are still in their infancy for microfinance social performance, although the rationale for adopting such efforts here is described as being equally valid as that for financial performance (Woller, 2008, p. 20).

6.3.1 Performance Monitoring at ASA Bangladesh and ASAI India

Both ASA Bangladesh and ASAI India's monitoring systems are highly oriented toward collecting operationally relevant, meaningful financial information. The two organizations are each using ASA Microfinance Management System (AAMS) as their management information system (MIS), a software package for organizing the financial activities of the overall organization. Broad-based social performance information is generally not gathered – "If we want to look at social performance, we can do some periodic checks or samples, its not

something we are regularly tracking" said one Bangladesh central office executive (personal communication, February 23, 2010). Basic information on the total loan amounts disbursed per product, each product's percentage of each organization's overall portfolio, total number of branches, the number of borrowers, and savings mobilized (where applicable) are among figures routinely collected in the AAMS. Data on portfolio at risk, cost per money lent, and other financial indicators (such as return on assets and equity) are also complied. Information gathered on individual clients appears to be fairly limited. Although a borrower's age, self-reported weekly income and that of other household members, whether or not a borrower has loans from another MFI, and the total capital/assets of their prospective business is recorded on a new client's first loan application in both MFIs, this information does not appear to be used in any further monitoring procedures. Nonetheless, much of the data above presently collected could be viewed with a "social performance lens", if desired, however no tracking or reporting is done in this regard at ASA Bangladesh or ASAI India.

6.3.1.1 ASA Bangladesh: Progress out of Poverty Index

The only exception identified in regard to formal monitoring processes for social performance is the use of the Progress out of Poverty Index (PPI) by ASA Bangladesh. As discussed in section 4.7 in Chapter 4, the PPI is a poverty monitoring tool which indicates a client's poverty level at a given instance and can be used to track changes in their economic status over time without attributing causality (Chen & Schreiner, 2009). This tool is being employed at ASA Bangladesh on all new borrowers in one branch per district in every district of the country. Borrowers are assessed at entry to ASA and will be repeatedly scored over time, ostensibly to show if improvements are taking place in ASA's clients' poverty status. The PPI is

being used mainly for the sake of ASA Bangladesh's relationship with the Microcredit Summit and image in the wider industry. Said one senior executive:

> We are working with the Summit, we want to work with them due to their good relationship. We want to communicate with the international forum. Sam Daley-Harris [head of the Microcredit Summit] came here and proposed using the PPI, and ASA accepted (personal communication, March 2, 2009).

However in spite of this commitment to its international relationships, ASA Bangladesh is concerned about the financial cost of using the PPI for the Summit. As I wrote in my field notes:

> They think the sample size is too big, demands too much time from the workers. ASA recruited another person to handle this. They are doing 64 branches, one from every district in Dhaka. He [the ASA staff member interviewed] told Daley-Harris it is difficult to manage the sample size. Maybe they will reduce by one fourth the sample size but only if Daley-Harris agrees (personal communication, March 2, 2009).

In fact, Chen & Schreiner (2009, p. 38) note that the sample sizes for ASA (and BRAC) are from 50,000 to 100,000 clients for each MFI. However despite gathering this PPI data, at present ASA Bangladesh is not using it for any operational decisions within the organization.

By contrast, ASAI India is not using the PPI at all. Staff there had little knowledge of ASA Bangladesh using the PPI (and what the PPI actually is) and thus were not in a position to speculate as to why ASAI India was also not using the tool. Although it is possible the PPI is not being used in India due to the costs involved and the for-profit orientation of those operations, no evidence exists to support that view. It appears as if the use of the PPI by ASA Bangladesh is simply a special project for external actors which has no bearing on how the organization acts on its social mission. Given that ASA Bangladesh is not actually using the PPI data for its own

purposes (but rather for the sake of the Microcredit Summit), it does not necessarily follow that the lack of PPI use in ASAI India is tantamount to mission drift. Thus in regard to the overall process of monitoring systems, ASAI India is found to not have drifted from ASA Bangladesh's social mission fulfillment.

6.4 Strategic Planning

Strategic planning is another element of the Woller frameworks (2006; 2008) and is defined as "a process that includes, among other things, establishing organizational priorities, setting performance goals, establishing action plans, and devising criteria to assess fulfillment of performance goals" (Woller, 2006, p. 49). Devising strategic plans is primarily a responsibility of high-level management, including the president of an organization and its board. Strategic planning in relation to social mission is accorded high value in the Woller frameworks, with the author noting, "the inclusion, or non-inclusion, of social considerations into strategic planning is perhaps the clearest signal of the relative importance an MFI attaches to social mission" (Woller, 2006, p. 49). To determine if this inclusion or non-inclusion is occurring, it is first necessary to understand who exactly ASA Bangladesh's board consists of.

6.4.1 Strategic Planning: ASA Bangladesh

The composition of ASA Bangladesh's board is varied, with a range of individuals from different sectors. Comprised of eight members including the president, the backgrounds of the board members are as follows: one former Bangladesh Academy for Rural Development and Bangladesh Rural Development Board member, who was also a winner of the Ramon Magsaysay Award for Community Leadership and has a strong history of working for women's rights in the country, two editors of prominent Bangladesh newspapers, one rural finance and microfinance specialist, one social development worker, one current professor of sociology, and one retired

professor. All members were described by ASA staff as being strongly committed to advancing the status of the poor in Bangladesh, as depicted through their careers and life experiences.

The discussion of and importance accorded to social performance issues by the board need to be separated according to ASA's financial service operations and other areas in which the organization is active. In most respects it does not appear that much weight is given by the board to specific discussion of ASA's social mission or the establishment of quantifiable social goals or objectives for its financial services operations. Rather, the bulk of board meeting time in this realm is directed towards operational and financial matters at ASA. One board member stated that meeting agendas usually covered matters such as "revisions in the pay scale, approval of the annual budget, financial planning, expenditures, approval of the compensation package for president and other staff, evaluation of policies and the smooth running of ASA" (personal communication, March 9, 2009).

Priorities for financial service activities for ASA Bangladesh were also described in highly operational, financially-oriented terms. Based on a discussion with a senior executive about what ASA's priorities are for the next five years, I noted in my field notes that "they want to become a regulated financial institution. The plan is to get a banking license and offer a full range of financial services" (personal communication, March 2, 2009) One board member, emphasizing the importance of financial product development, indicated that ASA "wants to expand more into SMES [small and medium enterprises] and then to larger entrepreneurship" (personal communication, March 8, 2009). ASA management indicated that this was due to market saturation occurring for smaller borrowers and the fact that many SMEs were believed to still be outside the reach of mainstream finance.

Beyond ASA's financial service delivery, ASA's strategic planning activities in other realms can be viewed as being in line with its vision of a poverty-free society. Board members and senior management noted that ASA plans to expand into the medical field and aims to establish a hospital and medical college. Said one senior ASA executive:

> This is for helping the poor. We want to create pro-poor health care and have pro-poor doctors. We will have socially oriented doctors and affordable care for the poor. We want to establish it in two or three years, the money is there but finding the land is a problem in Dhaka (personal communication, March 4, 2009).

6.4.2 Strategic Planning: ASAI India

The composition of ASAI India's board, by contrast, differs to a considerable degree from ASA Bangladesh's. While the ASA Bangladesh board drew from a wide cross-section of Bangladesh society, ASAI India's board is almost exclusively finance and business-oriented, with several non-Indians holding seats. Consisting of seven members in total (including ASA Bangladesh's president and CEO of ASAI International), the backgrounds of the members are: the current managing director of ASAI India, who has a strong background in mainstream finance and investment banking, one board member with a career in western corporate treasury functions, the Dutch head of Sequoia Investments (who has strong corporate financial experience), another board member with a distinguished background in national and private banking in India, one agricultural specialist, and one member with extensive experience in microfinance in Bangladesh.

However despite the differing composition of the ASAI India board compared with ASA Bangladesh, until recently, issues addressed in their meetings were in many respects of the same nature as those discussed by ASA Bangladesh's board. "We discuss legal compliance issues, the lending methodology, review the audit report, talk about where money will come from and how it

will be used, these sort of things", said one ASAI India board member (personal communication, August 5, 2010). "The board has met a lot, since ASAI India is still new. Our main priority has been on starting operations and our expansion", said another (personal communication, August 9, 2010). Social performance issues did not play a major role in these discussions until recent, with one board member stating ""I had to face inquiries from the social rating organization about whether social mission discussions occurred in board meetings. Before the rating it didn't come up" (personal communication, July 16, 2010). The rating this member refers to is a social rating completed in March 2010 by M-CRIL, a social rating agency. However the fact this rating took place, along with its ensuing results, has led to some interesting findings.

Initially, ASAI India commissioned a social rating at the behest of Oikocredit, a social investment group providing private funds to microfinance institutions (Oikocredit Website). "As per the terms of our loan sanction letter [from Oikocredit], we were required to do a social rating. This organization has a policy for this. We borrowed 100 million rupees in a three year loan" said one ASAI India senior executive (personal communication, July 30, 2010). The rating performed by M-CRIL found that ASAI India had a relatively low focus on social mission and made numerous recommendations for increasing the organization's social performance management. Although ASAI India top management was not particularly happy with these recommendations ("We don't really want to implement the findings", said one board member; personal communication, July 15, 2010), others indicated they would be acting on the suggestions of M-CRIL. "We must comply with the recommendations of the rating to get the next amount of money [from Oikocredit]" (personal communication, August 9, 2010), said another board member. These two members also indicated that since receiving the rating, social performance issues have in fact been discussed at board meetings. Examples of these matters include allowing

an extra 1000 rupees per loan for the purchase of water filters, focusing ASAI India's expansion more into rural areas, allowing 1000 rupee loans (below ASAI India's loan floor and ostensibly aimed at very poor clients), and paying for the funeral costs of a borrower if she dies while being an ASAI India client.

6.4.3 Comparison of Strategic Planning Between ASA Bangladesh and ASAI India: Unexpected Findings

These findings thus reveal an add contrast – ASAI India appears to be showing a stronger strategic focus on social performance than ASA Bangladesh, despite the fact that the former is for-profit and the latter non-profit. This is certainly not what one would expect given the literature on the commercialization of microfinance and mission drift, which tends to emphasize moves away from so-called "socially responsible actions" due to a narrow institutional focus on financial returns. Contrarily, the evidence in the present study indicates that a) being non-profit does not necessarily mean an organization will engage in deep strategizing on social performance issues, and that b) the rise of social investors (who seek a financial and social return within a commercialized context) can actually lead to improved organizational thinking about social performance, as opposed to the practices of MFIs operating in an environment such as Bangladesh, where foreign social investors cannot come. This indicates that a commercialized market (such as India) can indirectly bring about greater strategic focus on social performance management by an organization, even if this occurs due to pragmatic self-interest in obtaining more funding on the part of the institution, as opposed to having a well developed sense of social mission within that MFI's management.

In fact, ASA Bangladesh has no plans or desire to undertake a social rating. "Most organizations in Bangladesh do a rating only if a donor requires it", said one senior ASAI board

member (personal communication, August 9, 2010) who is also involved closely in ASA Bangladesh. "It might help justify ourselves but it is costly, M-CRIL charges 15-20 thousand dollars or more, depending on the country. We [ASA Bangladesh] feel we're doing a good job, we deal with social issues in our own way", he added. This official went on to outline additional activities funded by ASA Bangladesh as part of its support to the poor, although these activities were not administered by ASA's core finance operations. Broadly speaking these activities can viewed as Corporate Social Responsibility (CSR) or outreach to the community, another element of Woller's (2008) Social Audit Tool and are reviewed as follows.

6.5 CSR: Outreach to the Community

Although not originally considered an internal process per se in the SPA framework (Woller, 2006), CSR was later added to Woller's (2008) USAID Social Audit Tool. This tool defines CSR as "a company's obligation to be accountable to all of its stakeholders in all its operations and activities with the aim of achieving sustainable development not only in the economic dimension but also in the social and environmental dimensions" (Woller, 2008, p. 24). Given microfinance's expected convergence with the mainstream financial sector in the future (Woller, 2008), it is expected that private investors may apply pressure for MFIs to adopt CSR approaches in line with their mainstream counterparts. Ostensibly, this is the reason CSR was added to the overall SPA framework.

6.5.1 CSR at ASA Bangladesh

Although ASA Bangladesh does not have a formal written CSR policy, the organization has undertaken a number of activities which can be considered applicable under the CSR heading. These can further be classified into two categories, i) actions for the wider society and ii) policies for staff.

In terms of wider actions for society, ASA Bangladesh can be viewed as making a contribution, as evident through its establishment of ASA University in 2007. The university accepts students from the general public, not only children of ASA staff or clients, although ASA managers did indicate there are tuition waivers for students whose parent(s) are ASA borrowers. The rationale for founding ASA University is linked to the president of ASA's vision of a poverty-free society. Said one senior ASA official:

> The Honorable President decided to make education affordable for middle and lower class students…not just for the rich. Fees are 50% lower than other private schools. The idea is for everyone, even the poor, to send their children to be educated. This benefits the development of our country for the future (personal communication, March 4, 2009).

Although ASA University is run as a for-profit entity separate from ASA's financial services, it was established by ASA Bangladesh. "We [ASA] are an NGO, management doesn't take any profit. So where should our money go? We have no owners…no shareholders and pay no dividends. So profit goes to expansion and philanthropy, we started a university", said another executive (personal communication, February 15, 2009). ASA staff reported that all profits the university itself makes are reinvested in expanding and developing the school.

6.5.1.1 Hope for the Poorest

ASA Bangladesh also recently created Hope for the Poorest (HP), a separate but closely associated NGO organization dedicated to providing non-financial assistance to the extreme poor. "We feel a human responsibility to help these people, so we started HP", said one executive (personal communication, August 9, 2010). Founded in 2010, HP's efforts to date have focused primarily on health care in the Habiganj district. On-going and recent initiatives include overseeing a free ASA-established health centre and providing free eye care services (such as

cataract operations) through an agreement with Sight Savers, an NGO specializing in vision problems. A project focusing on water and sanitation is presently under development, as is a proposal to develop a scholarship fund for needy youth. The director of HP informed me that the organization was initially funded 100% by ASA, although the surgeries performed by Sight Savers are also subsidized by that NGO to some extent. “Initially we [HP] were provided 1 crore [10 million] taka from ASA, the President also gave 1 lakh [100,000] of his own fund. The total is around 150,000 dollars”, said the HP director (personal communication, August 9, 2010). He went on to add that HP was founded to meet the non-financial needs of the very poor, which he felt were particularly acute in the field of health. “Many people are suffering from eye issues so this is our priority now”, he stated. “We have no profit motive, only to help the poor” (personal communication, August 9, 2010). ASA Bangladesh also informed me that the eventual goal for HP is to expand countrywide, to all districts of Bangladesh (personal communication, June 12, 2010).

6.5.2 CSR at ASAI India

Presently ASAI India has no formal CSR policy or any activities ongoing which are intended to benefit the wider community. The main reason stated by ASAI India management for this was that as the organization is still relatively new, they are not in a position to start focusing on additional projects at this time. “Our objectives now are sustainability and expanding”, said one executive (personal communication, July 16, 2010). “Maybe in two years time, we will start some financial literacy programs”, stated another (personal communication, July 15, 2010). However in contrast with ASA Bangladesh, ASAI India intends to restrict any future CSR activities solely to its own borrowers. “If we do something, it will only be for the borrowers, we

can only help them" said one executive (personal communication, July 30, 2010). He went on to state that:

> We don't have the disposable funds to help everyone, and they say charity begins at home. We are a for-profit company, how could it be different? Anyway we are not the government; we are not mandated to look after people. We have paid 300 million rupees in tax; the government should use this for the welfare of the people (personal communication, July 30, 2010).

These views represent a significantly different approach on the part of ASAI India for wider community support than those espoused by ASA Bangladesh. Although tax paid by ASAI India could be used to provide public goods, mandatory compliance with tax law can hardly be considered a benevolent act of CSR. While acknowledging the for-profit nature of ASAI India creates different incentives and expectations for how management will engage with the wider community than those undertaken by ASA Bangladesh, there is still no reason why ASAI India could not develop outreach programs which benefit all of society, if they so chose. To illustrate, the American corporate giant Walmart (and its community outreach arm the Walmart Foundation) have given millions in food aid, educational support and grants to non-profits organizations throughout the world (Walmart Website, n.d., n.p.), regardless of whether they are consumers of Walmart or not. ASAI India's decision to limit any future CSR activities to its own clients is thus seen as an incidence of mission drift vis-à-vis ASA Bangladesh, for ASAI India's desire for profitability, although understandably important, appears to have significantly restricted the scope and degree of community outreach the organization intends to pursue. Given that Catalyst Microfinance Investors, (CMI) the fund used for establishing ASA International, does claim to seek social returns in addition to its financial aims (CMI Website, n.d., n.p.),

ostensibly wider support to the community in which ASAI India operates would be in line with this first objective. The attitudes expressed by senior management at ASAI India also seem somewhat at odds with the rhetoric of ASA Bangladesh and ASA International in general, both of which depict a rather compassionate and empathetic view towards helping the poor (ASA, 2009; ASAI, 2009).

6.6 Staff Policies

Staff policies are considered an area of social performance as they reflect to what extent an organization behaves responsibly towards its employees, which is part of how the organization views its overall engagement with society's stakeholders as it works to achieve its social objectives (Woller, 2008, p. 26). Additionally as Schmidt & Ramana (2010) include staff pay as a conceptual category of mission drift in their paper on this topic, it was accordingly felt that using the category of staff policies, given its high degree of amenability to the concept of staff pay, was acceptable for this current study's analytical framework.

6.6.1 Staff Policies: ASA Bangladesh

For ASA Bangladesh's staff policies, most directives in the ASA Manual (used by ASA Bangladesh as its key reference document for governing employer-employee relations) refer to expected staff codes of conduct and the actions to be taken in case of non-compliance (ASA, 2001, p. 43-52). The large majority of these codes refer to an employee's responsibilities and duties in regard to ASA but some aspects of them are directed towards client/staff interactions, i.e. the punishment for selecting non-target clients for ASA groups or excluding potentially good members from groups without justification (ASA, 2001, p. 52). To illustrate, the following excerpt from the ASA Manual (2001) is presented as follows:

> If mistakes or irregularities are found in the selection of group members (for example non-target, selection of member from a distant area, member associated with various evil deeds, more than one member fro the same family, etc): Arrangements will be made to exclude gradually the non-target members who have already taken loans. From now on, in case of non-target members, punishment of the concerned employee will be given in the following manner:
>
> 10% of the total members – making him careful, up to 20% - warning him, up to 30% - issuing show cause notice asking why Tk. 10 (ten) will not be fined for each member. Above 30% - penalty of Tk. 10 (ten) per member. (p. 52).

However regulations of this sort are limited in number and generally do not reflect a strong policy or system of regulations for governing client/staff relations. No formal client feedback system exists for addressing client grievances or providing them formal access to management.

Although not referred to in the ASA Manual, ASA Bangladesh also offers a number of benefits to staff. Both central office and branch staff noted during interviews that employees receive a housing and transportation allowance, along with a yearly bonus of one month's pay. Employees also have access to several funds. The first is an investment fund called the Provident Fund, which receives a 10% contribution of employees' monthly basic pay that in turn is matched by a 10% contribution from ASA. The fund is then invested and profits are distributed to the employees on an annual basis. If an employee quits, he/she receives all his fund contributions back and employees can also avail of personal loans from the fund.

Two other funds of a similar nature also exist for health and welfare purposes, the staff fund and staff family welfare fund. In the case a staff member or a member of their family falls ill,

the funds provide financial assistance, with the amount fixed according to the nature of the illness. The amount given will also depend on the length of time an employee has been with ASA Bangladesh; those there five years or more will receive 90% of the maximum available for a given sickness. Employees also receive severance pay upon leaving ASA, based on the number years spent employed there. Additionally ASA has a non-smoking policy which employees must observe at all times, regardless of whether they are at work or not.

According to ASA Bangladesh staff, Bangladesh has no law mandating any specific social benefits to be provided by employers, nor is there national health insurance in the country. As "a measure of social responsibility is whether the MFI go beyond the minimum mandated benefits" (Woller, 2008, p. 27), when compared against what is legally required (which is nothing), it is felt that ASA Bangladesh's policies and benefits reflect a social commitment to its employees and its vision. Employee satisfaction with the organization appears reasonable; turnover, defined as an indicator of staff satisfaction which reflects the quality of management/employee relationships (Woller, 2008, p. 27) was 4.5% (out of 25,000 employees) in 2008, with 230 leaving due to involuntary attrition (personal communication, February 17, 2009). Management felt that overall turnover was low, which they in turn attributed to a good healthy working environment.

6.6.2 Staff Policies: ASAI India

At present ASAI India does not have specific operations manual; senior management in HR informed me that it was currently undergoing final preparations for publication at the time of my visit. However, staff stated they had been generally following the ASA Bangladesh Manual with regard to client-staff interactions. ASAI India staff also reported that Indian law required a number of benefits for employees and outlined specific guidelines which must be adhered to with

respect to employer-employee staff relations; to a large degree these requirements are quite similar to what ASA Bangladesh has voluntarily adopted.

Specifically, ASAI India also has an annual bonus for employees which amounts to one month's gross salary; this is a statutory requirement under the Payment of Bonus Act which all workers must receive. ASAI India also has a Provident Fund, similar to ASA Bangladesh, in which the wages of an employee are deducted by 12%, this amount is then matched by ASAI India and the money is deposited in an account. The account earns 8.5% interest annually but this amount cannot be accessed by the employee; when a worker leaves from ASAI India the full amount is then made available to him or her. This Fund was also reported by ASAI management to be a mandatory benefit as decreed by the government (personal communication, July 17, 2010).

ASAI India employees are also eligible for the Employee State Insurance Corporation (ESIC) health benefit, a mandatory health scheme run by the central government of India. ASAI India staff stated that employees and ASAI India paid a certain amount annually; in return they received health insurance coverage, though specific details about the amounts paid and extent of coverage available were not supplied by ASAI India during my discussions. Turnover figures were also not available but ASAI India management felt they were quite low. ASAI India does not have any formal client feedback mechanisms for addressing grievances or providing access to management (personal communication, July 17, 2010).

6.6.3 Comparing Staff Policies: ASA Bangladesh and ASAI India

When juxtaposed with ASA Bangladesh, ASAI India does not appear to have suffered any mission drift in regard to its staff policies. This is primarily due to the similar nature of the benefits ASAI India offers, which although comparable with those given by ASA Bangladesh, are statutory in nature and thus non-avoidable. It does not appear ASAI India has gone beyond

the legally required minimum (Woller, 2008, p. 27) and thus this suggests ASAI India is not making any particular effort towards enhanced social responsibility. However as ASAI India's benefits are nonetheless equivalent with those offered to staff by ASA Bangladesh, it cannot be concluded that ASAI India has drifted in this respect. As neither organization has feedback mechanisms for clients to address grievances, ASAI India's lack of directives here are also not indicative of mission drift, though it could perhaps be argued that the absence of such feedback processes are suggestive of weak social performance in both MFIs.

6.7 Strategic Planning and CSR: Challenging Current Assumptions

Overall the findings from the strategic planning and CSR activities of both ASA Bangladesh and ASAI India reveal some interesting insights into how microfinance organizations operate, how ownership structure and management views affects decisions, and how the overall market context in which an MFI is located can influence choices made. It is apparent that commercialization can simultaneously enhance strategic planning for social performance while constraining CSR activities aimed at the wider community; at the same time non-commercialization can restrict strategic planning for social performance management while enhancing community-oriented CSR. Nowhere in these findings is the automatic assumption found in the literature that "commercialization leads to deviation from social aims" born out so simply. Rather, the evidence here reveals reality is much more complex and nuanced, with several contextual factors interacting to produce varying outcomes which may or may not be conducive to the strong promotion of an MFI's social mission. These conclusions add depth to the literature which so far has approached the impact of commercialization on social mission in rather shallow (and generally negative terms). These findings further illustrate that

commercialization, as well as being non-profit, can result in both social mission enhancing and limiting activities.

6.8 Client Targeting Policies

Although not specifically mentioned by Woller (2006; 2008) as an element of the SPA/Social Audit Tool frameworks, the choice of what sort of client to target is also a critical decision an MFI must make, one which ostensibly spans service design, delivery and eventual outputs. As such, depth does not fit entirely into just one particular category in the SPM framework. Depth of outreach is often one of the main indicators used when examining mission drift, with critics of commercialization frequently arguing that the need to be profitable will drive MFIs up-market and away from their traditional poorer targets (see for example, Hishigsuren, 2004; Frank, 2008). However before looking at the actual depth of outreach by both ASA Bangladesh and ASAI India, it is first necessary to look at the client targeting policies employed by each organization. This will enable comparison not only of depth outputs but will also show whether the policies of ASAI India have drifted from those of ASA Bangladesh with regard to who the organization is targeting for financial services.

6.8.1 Client Targeting: ASA Bangladesh

Interviews with senior ASA Bangladesh management revealed that, although ASA is not specifically excluding the very poor (termed “hardcore poor” at ASA), the organization’s focus is first and foremost on the middle to upper poor. Staff and executive members indicated that their aim was to serve “the middle segment of the poor, the upper moderate poor” (personal communication, February 10, 2009). “Those living on one or two dollars a day [income level], not necessarily the poorest of the poor but fairly poor clients” and “the poor and a bit above –

those who cannot go to commercial banks and get a loan there", stated other ASA officials (personal communications, February 12, 2009 and February 15, 2009).

ASA Bangladesh's field level staff echoed the views of senior management. "Typical clients have 100-150 taka income per day [per household], stated one group of loan officers (personal communication, August 7, 2010). These people are not the hardcore poor, they are poor though…low income and no assets. They are middle poor". "They [ASA Bangladesh clients] are not hardcore poor or ultra poor", said a branch manager from a different branch. He went on to add that "they are dairy farmers, shop vendors, rickshaw drivers…maybe they have a little land but not much. They have some source of income" (personal communication, August 7, 2010).

The main reason offered by ASA staff for why the organization chose not to focus exclusively on the hardcore poor was that they were not good candidates for loans. One senior headquarters employee indicated that "the hardcore poor are even more vulnerable than the moderate poor, the hardcore poor can lose all", while another stated that the hardcore poor need jobs, not loans (personal communications, February 12, 2009 and February 23, 2009). A lack of physical capacity was often cited as one of the key impediments for the hardcore poor in utilizing loans, with one manager commenting that 'they are beggars, disabled, the elderly……very few can use them and sell things" (personal communication, February 24, 2009). Another executive felt that borrowers need to be competitive and have discipline, but the hardcore poor often are not strong enough since they cannot market goods and are not motivated. Further, it was expressed that the hardcore poor have very little experience in generating income so their repayment capacity is poor; moreover they are usually in a traditional business which is difficult and not really profitable (personal communication, February 15, 2009).

In fact, the hardcore poor may self-select out of ASA Bangladesh's current credit program, even if they were sought out by staff. One ASA official noted that the hardcore poor are reluctant to take loans, while another gave an example that if a hardcore poor client uses a loan and buys a goat, they will need money until that goat becomes profitable. This official concluded that their only choice will be to beg in the meantime and if they can't feed the goat and it dies, they will be in bigger trouble (personal communication, February 17, 2009). This perceived aversion to risk among the hardcore poor is viewed by ASA Bangladesh to be so significant that it serves as an impediment to their involvement with the organization.

6.8.2 Client Targeting: ASAI India

As with ASA Bangladesh, ASAI India is also not focused on serving the hardcore poor. "No, we are not targeting the poorest of the poor…we are reaching to the unbankable poor in general" said one senior ASAI executive (personal communication, July 15, 2010). Field staff in the branches shared the same views as senior management, with one branch and regional manager focus group stating, "our clients are not hardcore poor, they are the average and upper poor…their daily income is around 150 rupees per household", which is approximately $3/day at current exchange rates (personal communication, July 23, 2010). "We are to work with the fairly better off poor, those earning but in the middle", said another group of loan officers (personal communication, July 25, 2010). Management estimated the average daily household income for an ASAI client to be around $2/day in theory, but in practice may be above the poverty line.

One of the reasons cited by ASAI India staff for not focusing on the hardcore poor was their perceived inability to repay loans. "We want people who can repay the loans, we need to verify if they can repay. But the hardcore poor cannot repay, they can't afford to" said one manager (personal communication, July 25, 2010). "They need to pay around 250 rupees a week,

that is too much [for the hardcore poor]." "They live hand to mouth, they can't make installments because they have nowhere to work", said a group of loan officers (personal communication, July 26, 2010). Field staff also frequently cited the transitory lifestyle of many hardcore poor as an additional obstacle, with one group of loan officers saying "they live by railroad tracks, on khash [government] land in illegal settlements, they are floating and move around, if they had a permanent address it would be better" (personal communication, July 29, 2010).

Compared with ASA Bangladesh, ASAI India staff had more mixed views on the suitability of the hardcore poor to actually use loans effectively. As with ASA Bangladesh, some ASAI India employees felt the hardcore poor would not be able to make use of their loans for income generating activities, with a group of loan officers saying "they have no scope to use loans, they might get indebted more" (personal communication, July 26, 2010). "The hardcore poor are idle, they don't want to work, they enjoy sitting idle and just want to eat and sleep" said another (personal communication, July 23, 2010). "The hardcore poor are not suitably skilled, they cannot use the loan properly" reported a third (personal communication, July 28, 2010). "They spend everything, buy drugs and alcohol; they have no mentality to make savings, no regular jobs or income".

Despite these unfavorable views, others in the organization felt the hardcore poor did in fact have the capacity to use loans, but it was ASAI India's need to be profitable which kept them from being targeted by the organization. "Yes, they are good candidates, why not?" said one executive (personal communication, July 15, 2010). He went on to state that:

> In India the economy is growing, many parties are pushing infrastructure growth, so there are many opportunities now. Today's hardcore poor are well placed, they can access a lot, villages are changing, people are riding bikes, they are advancing. We aren't focused on

> them [the hardcore poor] because if we do, profits will go down…it's not easy to lend to the hardcore poor and be profitable (personal communication, July 15, 2010).

Some field staff also echoed this view, with one branch and regional manager focus group stating:

> They are physically fit, the problem is the profit margin [on loans] is small…and the interest for taking loans will come very slowly. The branch will have a much longer break even point. We have debt and shareholders so we need to pay interest there (personal communication, July 25, 2010).

6.9 Commercialization: Sufficient But Not Necessary for Targeting Up-Market Clients

In analyzing these targeting intentions for both ASA Bangladesh and ASAI India, it is apparent that both are focused on the middle to upper segments of the poor and that the hardcore poor are generally not the target. It is interesting to note though that while ASAI India is clearly not targeting the hardcore poor due to concerns about repayment ability of the borrower and profitability of the organization, the net outcome is the same strategic focus as that employed by ASA Bangladesh. This suggests that profitability may be a sufficient condition for an organization to avoid serving the hardcore poor, but it is not a necessary one. Thus while these findings may affirm some views in the literature that commercialization causes MFIs not to focus on the poorest of the poor, it is clearly evident that non-profits may also have reasons for not doing so. This indicates that profitability may be just one of several reasons an organization does not emphasize outreach to the lowest depths of poverty. Consequently, this also illustrates that reality is more nuanced than the literature has indicated to date on the matter of depth of outreach and mission drift. In the case of ASAI India, since ASA Bangladesh is also not targeting the hardcore poor, it seems incorrect to label ASAI India's desire not to target them as mission drift,

even if the reasons for this may be more related to profitability than general suitability of the borrower.

6.10 Overall Assessment of Internal Processes: Has ASAI India Drifted?

This chapter has employed a Social Performance Management (SPM) perspective for examining the internal processes and targeting practices of ASA Bangladesh and compared them with ASAI India, to look for evidence of mission drift in the latter organization. The findings indicate that ASAI India has not experienced mission drift in regard to its hiring and training, incentives, and monitoring systems. In terms of strategic planning, ASAI India is actually showing stronger social performance than ASA Bangladesh, suggesting social investors in a commercialized context can actually enhance SPM beyond levels that occur in settings where such investors cannot be active. This is somewhat at odds with the arguments made in current literature on commercialization and mission drift, which typically portray the overall commercializing process as one with negative implications for social mission fulfillment (see for example, Woller, 2007, p. 14; Copestake, 2007a, p. 21; CSFI, 2008, p. 1; CSFI, 2009, p. 33). However ASAI India is showing mission drift with respect to its CSR activities for outreach to the wider community, though staff policies remain consistent with those pursed by ASA Bangladesh.

No difference was evident between the two organizations on client targeting policies. Both MFIs are not focused on the hardcore poor, although ASA Bangladesh is mainly doing so due to the lack of suitability of such borrowers to use loans effectively, as opposed to profitability motivations as found at ASAI India. However the end result is the same, indicating that i) ASAI India has not experienced mission drift in this regard and ii) the desire to be profitable is only one reason an MFI may not focus on the hardcore poor, a point which has largely not been recognized

in the literature on mission drift. The overall conclusion of this chapter is that although ASAI India is experiencing drift in one aspect of its SPM, no widespread evidence of drift is apparent and that on the whole, the internal processes, systems and targeting practices of ASAI India do not differ significantly from those of ASA Bangladesh.

Having reviewed the internal processes and client targeting practices of both ASA and ASAI India, the following chapters will explore what these systems actually create for society. In the SPM framework these results are also known as the outputs an MFI produces. A modified version of Schreiner's (2002) framework will be applied to ASA Bangladesh and ASAI India for this examination, to analyze the aspects of outreach for each organization according to depth, breadth, length, cost, worth, and scope.

CHAPTER 7: SOCIAL WELL-BEING – DEPTH, BREADTH, AND LENGTH OF OUTREACH

This chapter examines some of the outputs of ASA Bangladesh and compares them with ASAI India, to determine if ASAI India is experiencing any mission drift in these areas due to the organization's for-profit nature. Outputs are what an MFI directly creates for society; they are the immediate results of an MFI's work. According to the Schreiner (2002) framework, MFIs deliver outputs along six different aspects: depth, length, breadth, worth, cost and scope. Schreiner refers to these as "aspects of outreach" (2002, p. 4). These aspects are viewed as a means for analyzing how different MFI strategies can result in overall gains for society, i.e. how the work of MFIs generate social benefits (Schreiner, 2002, p. 2). A lesser difference in the social benefits generated by ASAI India vis-à-vis ASA Bangladesh due to the former's for-profit ownership structure would be indicative of it experiencing mission drift. This chapter will focus on the aspects of depth, breadth, and length. Collectively these aspects are known as "social well-being" (Woller, 2001, p. 19), in that they primarily result in gains for society at large as opposed to individuals.

As an aid to the reader, a summary table of the findings on whether ASAI India is experiencing mission drift or not with respect to depth, breadth, and length of outreach will be presented. This provides an overview of the discussion to ensue. Following this, the analysis of social well-being will commence with an examination of the aspect of depth.

Table 14: Summary of Findings for ASAI India Mission Drift: Scope, Worth & Cost

Aspect of Outreach	Has ASAI India Drifted: Yes/No?
Depth	No
Breadth	No
Length	No

(Source: Summary of author's field work findings, 2009; 2010)

7.1 Depth

As noted towards the end of the previous chapter, a shift by an organization away from poorer clients to better-off ones is one of the more frequently cited attributes of MFI mission drift (see for example, Hishigsuren, 2004; Mersland & Strøm, 2010). The terms "depth" or "depth of outreach" are often synonymously used to describe how poor a client is, with deeper depth meaning the individual has greater poverty (Schreiner, 2002, p. 7). The implicit and explicit views in the literature on this matter argue that the deeper an MFI's outreach is, the more the organization is meeting its social mission (Woller, Dunford, & Woodworth, 1998, p. 3; Woller, 2002; Hishigsuren, 2004; Frank, 2008; Mersland & Strøm, 2010, p. 29). Although the client targeting strategies of ASA and ASAI India are comparable and thus do not reflect the desire to focus on wealthy clients, these policies on their own are insufficient to conclude that no drift is occurring in the actual outputs of ASAI India. Data on what these policies are resulting in once operationalized is necessary; to this end an empirical assessment of the depth of client outreach by both ASA Bangladesh and ASAI India is required.

To determine whether ASAI India has experienced mission drift here, this study first looked at the depth of new clients entering ASA Bangladesh, the findings from which served as a baseline for comparison with new clients at ASAI India. New clients were chosen for each organization because they best reflect who the institutions are targeting; the poverty level of long-term clients may (and in fact is expected by MFIs) to improve over time, due to the impact of the MFI's services.

For both ASA Bangladesh and ASAI India, the Progress out of Poverty Index (PPI) was used to measure depth. The PPI is a tool which employs indirect measures to determine a

household's poverty level, based on the presence or absence of identifiable indicators such as house construction materials, type of toilet used, and the number of children under the age of 11 in the household (Schreiner, 2007, p.3, p. 6). (For complete copies of the Bangladesh and India PPIs with full lists of indicators, please see Appendices C and D). These indicators are weighted and linked to country-specific poverty scorecards, which are designed based on public quantitative data such as the World Bank Living Standards Measurement Study (LSMS) or Household Income and Expenditure Survey (HIES), conducted by the Bangladesh Bureau of Statistics (BBS) (Chen & Schreiner, 2009, p. 3). The specific scorecard indicators are selected from these data sources due to their high statistical correlation with household poverty. For each indicator, a numerical score is given which is determined by the client's response to the question asked. The numerical scores for each indicator are then added to give a total household score.

The total scores based on the index indicators for any given application of the PPI are then compared with scoring bands that accompany the poverty scorecard, to determine the likelihood that the surveyed household is poor (based on several different poverty lines). The lower a household's score, the greater likelihood it has of being poor. To illustrate, a score between 30-34 in Bangladesh would put the household at a 67.3% chance of being below the $1.25/day international poverty line and 94.8% below the $1.75/day international poverty line, by Purchasing Power Parity (PPP) (Chen & Schreiner, 2009, p. 112, p. 120). (For complete copies of all scoring bands for each poverty line for the Bangladesh and India PPIs, please see Appendices E and F).

The PPI was designed to be a quick, practical, and easy to use approach for monitoring poverty rates, tracking changes in poverty levels over time, and targeting services (Chen & Schreiner, 2009, p. 1). Indirect tools like the PPI are felt to be less costly and easier to use than

direct measures of poverty such as lengthy household expenditure surveys (Chen & Schreiner, 2009, p. 1). Schreiner (2007, p. 4) reports the PPI is accurate at the 90% level of confidence and is comparable to any existing poverty assessment tool today.

7.1.1 Depth at ASA Bangladesh

To obtain an indication of the depth of outreach of ASA Bangladesh, for this study 88 new borrowers for the small female loan product (which comprises 80% of ASA Bangladesh's portfolio; personal communication, February 17, 2010) were assessed with the PPI in Dhaka Municipality, drawn from a sampling of new clients from six of the 111 branches ASA Bangladesh operates in this area. These branches were chosen randomly. (See section 4.8 in Chapter 4 for more details on how these clients and branches were selected). Scores for all client households were averaged, resulting in a score of 42 for the entire sample. This score was then located on the scoring bands for each poverty line to determine the likelihood of poverty level for all the households at that particular poverty line. The individual household scores obtained in this study are as follows:

Table 15: ASA Bangladesh: Progress out of Poverty Index Individual Scores for 88 Households Surveyed

HH1: 67	HH19: 46	HH37: 56	HH55: 26	HH72: 31
HH2: 44	HH20: 34	HH38: 34	HH56: 16	HH73: 56
HH3: 36	HH21: 40	HH39: 25	HH57: 35	HH74: 38
HH4: 48	HH22: 41	HH40: 40	HH58: 44	HH75: 31
HH5: 41	HH23: 57	HH41: 53	HH59: 21	HH76: 42
HH6: 50	HH24: 41	HH42: 41	HH60: 28	HH77: 71
HH7: 56	HH25: 49	HH43: 21	HH61: 38	HH78: 27
HH8: 57	HH26: 73	HH44: 41	HH62: 28	HH79: 50
HH9: 25	HH27: 45	HH45: 69	HH63: 18	HH80: 41
HH10: 45	HH28: 43	HH46: 40	HH64: 38	HH81: 32
HH11: 57	HH29: 57	HH47: 39	HH65: 28	HH82: 60
HH12: 28	HH30: 40	HH48: 44	HH66: 40	HH83: 77
HH13: 26	HH31: 40	HH49: 50	HH67: 28	HH84: 41

HH14: 34	HH32: 57	HH50: 36	HH68: 47	HH85: 60
HH15: 50	HH33: 32	HH51: 34	HH69: 35	HH86: 40
HH16: 26	HH34: 35	HH52: 50	HH70: 28	HH87: 37
HH17: 46	HH35: 51	HH53: 40	HH71: 30	HH88: 28
HH18: 34	HH36: 57	HH54: 22		

(Source: Author's fieldwork, 2009)

Using the aforementioned average of 42 from these scores, the whole sample's poverty likelihood by poverty line is presented in the following table, alongside the prevailing poverty rates by household in Dhaka. These Dhaka household poverty rates were determined by the Bangladesh Bureau of Statistics through the Household Income and Expenditure Survey (HIES), a comprehensive national survey similar to the World Bank's Living Standards Measurements Study (LSMS). The HIES percentage figures are from 2005, the most recent year for which data is available. These figures were included in Chen & Schreiner's (2009) PPI for Bangladesh (p. 76).

Table 16: Depth of Outreach by ASA Bangladesh: Average Progress out of Poverty Index Findings for 88 Households

Clients surveyed for this study (likelihood of household being at or below poverty line is)	**%**	**Dhaka Municipality regional poverty rates at household level in 2005***	**%**
National poverty line, lower bound (749.12 taka/per person/per month)	9.9%	National poverty line, lower bound (749.12 taka/per person/per month)	17.2%
National poverty line, upper bound (889.75 taka/per person/per month)	27.2%	National poverty line, upper bound (889.75 taka/per person/per month)	28.5%
International poverty line, $1.25/day (2005 PPP)	39.9%	International poverty line, $1.25/day (2005 PPP)	36.1%
International poverty line, $1.75/day (2005 PPP)	77.3%	International poverty line, $1.75/day (2005 PPP)	56.1%

(Source: Author's fieldwork 2009; *HIES, 2005, as seen in Chen & Schreiner, 2009, p. 76)

Although ASA Bangladesh does not have a set monetary criteria for its depth of outreach, it is evident from the distribution in this table that the majority of ASA's new clients belong to households likely having an income of $1.75 a day or less, putting them into the middle to upper

ranges of poverty. It is much less likely that ASA's new clients are among the extreme poor and the probability they have incomes under the $1.25/day PPP or national poverty lines is relatively low.

7.1.2 Depth at ASAI India

To examine ASAI India's depth of outreach, 93 new clients from six branches in and around Kolkata, West Bengal, were surveyed, also using the PPI. Clients sampled were borrowers of the female loan product only, which comprises 98% of ASAI India's portfolio (ASAI India, 2010, n.p.). The six branches selected for the client survey were randomly chosen from the 53 branches ASAI India operates in this area. (See section 4.8 in Chapter 4 for more details on the sampling selection method used). The average score for the households surveyed is 57, with individual household scores as follows:

Table 17: ASAI India: Progress out of Poverty Index Individual Scores for 93 Households Surveyed

HH1: 67	HH20:68	HH39: 60	HH58: 48	HH77: 50
HH2: 82	HH21: 65	HH40: 53	HH59: 59	HH78: 83
HH3: 61	HH22: 74	HH41: 64	HH60: 61	HH79: 24
HH4: 75	HH23: 76	HH42: 69	HH61: 37	HH80: 13
HH5: 43	HH24: 93	HH43: 68	HH62: 69	HH81: 36
HH6: 74	HH25: 86	HH44: 72	HH63: 36	HH82: 42
HH7: 77	HH26: 87	HH45: 35	HH64: 87	HH83: 40
HH8: 82	HH27: 77	HH46: 51	HH65: 72	HH84: 50
HH9: 67	HH28: 79	HH47: 31	HH66: 83	HH85: 36
HH10: 87	HH29: 82	HH48: 36	HH67: 52	HH86: 47
HH11: 65	HH30: 65	HH49: 34	HH68: 37	HH87: 37
HH12: 82	HH31: 73	HH50: 9	HH69: 44	HH88: 36
HH13: 53	HH32: 75	HH51: 56	HH70: 50	HH89: 33
HH14: 74	HH33: 78	HH52: 27	HH71: 64	HH90: 41
HH15: 91	HH34: 65	HH53: 30	HH72: 54	HH91: 18
HH16: 81	HH35: 31	HH54: 47	HH73: 13	HH92: 37
HH17: 67	HH36: 76	HH55: 45	HH74: 37	HH93: 34
HH18: 71	HH37: 85	HH56: 51	HH75: 31	
HH19: 82	HH38: 40	HH57: 63	HH76: 39	

(Source: Author's field work, 2010)

Using the average of 57 for the entire sample, the likelihood of the ASAI India households surveyed having an income at differing poverty lines is now presented alongside the prevailing geographically-appropriate poverty rates in West Bengal. These poverty rates were determined by the Indian government through the National Sample Survey Organization's (NSSO) Socio-Economic Survey (SES), a comprehensive national survey similar to the World Bank's Living Standards Measurement Survey (LSMS). Data from Round 62 of the SES was used; this round was carried out from July 2005 to June 2006. This was the most recent data available at the time the India PPI was constructed; these percentages were included in Schreiner (2008, p. 200), which is the PPI for India.

Table 18: Depth of Outreach by ASAI India: Average Progress out of Poverty Index Findings for 93 Households

Clients surveyed for this study (likelihood of sample households being at or below poverty line is):	**%**	**West Bengal urban poverty rates at household level for 2005-2006***	**%**
National poverty line (Rs.14.25/person/day)	5.7%	National poverty line (Rs.14.25/person/day)	10.5%
International poverty line, $1.25/day (1993 PPP)	16.0%	International poverty line, $1.25/day (1993 PPP)	19.2%
International poverty line, $2.00/day (1993 PPP)	69.9%	International poverty line, $2.00/day (1993 PPP)	47.1%
Greater than $2.00/day (1993 PPP)	30.1%	Greater than $2.00/day (1993 PPP)	52.9%

(Source: Author's field work, 2010; *NSSO, 2008, as seen in Schreiner, 2008, p. 200)

As was the case with ASA Bangladesh, it is evident from Table 3 that ASAI India also has a very low likelihood of serving the extreme poor, judging from the findings at the national poverty line. The majority of new clients are likely to have an income of $2.00/day or less,

indicating that the moderate to upper poor are also being targeted by ASAI India, as opposed to those with lesser incomes.

7.2 Analysis of Drift in Absolute Terms

In comparing the depth of outreach of ASAI India to that of ASA Bangladesh, it is apparent there has been a drift in absolute terms. Although findings at the extreme levels of poverty were fairly low in both organizations, ASAI India's new clients had a lower likelihood of being under the national poverty line when compared to the ASA Bangladesh sample, both at the upper and lower boundaries for the national poverty line in that country. (Note that for the India PPI, an upper and lower bound on the national poverty line do not exist). At the international poverty lines the difference is even more significant; ASAI India's new clients were considerably less likely than ASA Bangladesh's new clients to have an income under $1.25/day. Even though the upper stratum of poverty for India is higher than Bangladesh ($2.00/day in India, compared with $1.75/day in Bangladesh), new Indian clients were still less likely to have an income at this upper poverty range than Bangladeshi ones (69.1% vs. 77% likely, respectively). This demonstrates that on all income levels of poverty, ASAI India is targeting better off clients than ASA Bangladesh, thus at first glance it would appear that ASAI India is experiencing mission drift with regard to depth. The following table illustrates these findings clearly in a side by side display of both organizations' depth of outreach:

Table 19: Poverty Likelihoods by Household for ASA Bangladesh and ASAI India New Clients

Poverty likelihood by household for clients surveyed at ASA Bangladesh	%	Poverty likelihood by household for clients surveyed at ASAI India	%
National poverty line, lower bound (749.12 taka/per person/per month)	9.9%		
National poverty line, upper bound (889.75 taka/per person/per month)	27.2%	National poverty line (Rs.14.25/person/day)	5.7%
International poverty line, $1.25/day (2005 PPP)	39.9%	International poverty line, $1.25/day (1993 PPP)	16.0%
International poverty line, $1.75day (2005 PPP)	77.3%	International poverty line, $2.00/day (1993 PPP)	69.9%

(Source: Author's field work, 2009; 2010)

7.3 Analysis of Drift in Relative Terms

However in relative terms (compared to the population in the areas where the surveys were conducted), ASAI India's depth of outreach is generally comparable with ASA Bangladesh's at the national poverty lines and $1.25/day line (respectively by country, see tables 16 and 18). At the highest poverty strata ($2.00 for India and $1.75/day for Bangladesh), ASAI India actually marginally outperforms ASA Bangladesh. In calculating the excess likelihood of the clients sampled in India and Bangladesh being at the higher levels of poverty compared to the actual prevailing poverty rates at these levels in the geographic region for each country's sample, the findings indicate ASAI India clients have a higher difference of 22.8% at $2.00/day (calculated as 69.9% likely for the study's West Bengal sample, minus 47.1% for the general population in urban West Bengal), whereas ASA Bangladesh clients have a higher difference of 21.2% (calculated as 77.3% for the study's Dhaka sample, minus 66.1% for the general population in Dhaka). Collectively these findings suggest that given the context, ASAI India is performing relatively well in regard to depth of reach for the region in which it is operating and

that the organization is not experiencing a significant degree of mission drift vis-à-vis ASA Bangladesh.

7.4 Relative vs. Absolute Drift – Which Perspective to Use?

How to interpret these findings? Should absolute or relative drift be used as the chief yardstick for determining if organizations are drifting in inter-country comparisons? It is the position of this paper that ASAI India has not experienced overall mission drift in depth of outreach, even if there has been drift in an absolute sense. The reasoning behind this is that one must consider the relative poverty environment in which an MFI operates in order to draw firm conclusions about its degree of mission fulfillment. If there are many more individuals at a given poverty rate in a particular area than in other areas, this must be taken into account in any depth comparison between them. Proportionality of population matters – as 36.1% of the population in Dhaka is under $1.25/day compared to only 19.2% at this level in urban areas in West Bengal, how can it be mission drift if ASAI India's outreach to this depth is proportionally less also? If 1% of the population in Country X is under the country's national poverty line and 90% of the population in Country Y is under that country's national poverty line, are Country X's MFIs experiencing mission drift if they have lower depth of outreach to the national poverty line level, when contrasted with the depth of MFIs operating in Country Y? Although an extreme example, this illustration serves to show the difficulty in how a logical case could be made for absolute comparisons between countries without consideration of the population distribution by income level in each. In the cases of ASAI India and ASA Bangladesh, relative outreach is comparable, with for-profit ASAI India serving approximately the same proportions of clients at the same levels of income as done by non-profit ASA Bangladesh.

It should be further noted that ASA Bangladesh staff who served in ASAI India all stated that they felt the general economic environment in West Bengal was better than in Bangladesh and that ASAI India clients (along with the general population) were comparatively wealthier. These ASA Bangladesh staff also reported that women were more economically active and independent in West Bengal, which they attributed to cultural differences between there and Bangladesh. Partially as a result of these differences, ASA Bangladesh staff felt the ASAI India clients had a generally lower level of poverty than clients of ASA Bangladesh. Although these differences were not that noticeable to this author due to my position as an outsider in these regions, the observations of these ASA Bangladesh staff on this matter reinforce the conclusions obtained from the PPI and provide additional confirmation as to their validity.

Overall, these depth findings further raise an interesting issue with regard to the role and place of country context and income distribution in debates over mission drift. When critics and researchers talk about mission drift, do they consider the varying contexts different MFIs (or even the same MFI over time) are operating in? So far, there are few signs that they do. In Mersland & Strøm's (2010) multiyear/multi-MFI study, it is unclear to what extent the authors considered changing economic conditions in the areas under investigation. Frank's (2008) paper also makes no mention of inflation or regional variances among either the target MFIs under study or the propensity-score created control group. It is felt by this author that the importance of context has been largely overlooked thus far in many analyses of mission drift and that consequently, the full picture of whether MFIs are drifting or not has not truly emerged. It is dangerous to decontextualize poverty rates or loan sizes and simply compare them across time or organizations, for there may be valid reasons why performance or targeting differs at a particular point in time. These reasons may not be captured in the figures obtained by researchers employing macro level

comparative methods. Indeed, this point was made by Christen (2001, p. 14) in his pioneering paper on the issue of mission drift, yet some of its salience seems to have been lost in subsequent analyses on this topic.

7.5 Priorities of ASA Bangladesh: Breadth over Depth

A key implication from the depth of outreach findings for ASA Bangladesh is that the organization prioritizes breadth of outreach over depth. Breadth, defined as the number of clients an MFI serves (Schreiner, 2002, p. 9) is also a key concern within the microfinance industry, given that vast numbers of the poor remain without access to financial services (van Bastelaer & Zeller, 2006, p. 1; UNCDF, 2006, p. 1). ASA Bangladesh is committed to poverty reduction (albeit in the relatively shallow way as described in Chapter 5); this point was consistently stated by ASA staff in my interviews. However, the *manner* in which ASA Bangladesh conceives of reducing poverty appears to be predicated primarily upon financial access, not deep targeting. This goal can be seen in the organization's formal mission, which as previously noted, is "*facilitating access* [emphasis added] to financial services for the poor, marginalized and disadvantaged" (ASA Website – Vision, Mission, Objective, n.d., n.p.).

The importance accorded to breadth of outreach was also recognized by staff during interviews; one senior executive explained that the majority of ASA's profits flow back into the organization's capital fund, which is used to expand into more areas and attract more clients to existing branches (personal communication, February 24, 2009). Through increasing the number of borrowers, ASA can help more people (personal communication, February 24, 2009). This vision of covering a large number of people was attributed by a senior board member to Shafiqual Choudhury, ASA's founder and current president. Indeed, the Forward to the ASA

Manual (which describes all of ASA's procedures and policies in detail) describes ASA's approach as "geared to achieve massive outreach in microlending" (ASA, 2001, n.p.).

7.5.1 The Benefits of Access and Institutional Sustainability

The rationale for prioritizing access is twofold. First and foremost, ASA Bangladesh believes people do indeed benefit from greater access to finance, as noted in Chapter 5 on the organization's intents and view of its social mission. Second, given that the institution's comparative advantage is outreach to large numbers, ASA Bangladesh is best positioned to concentrate on delivering this benefit. "We specialize only in microfinance, this is what we do", said one senior Bangladesh director (February 23, 2009). Such views were frequently echoed by other officials within the organization. "People need capital, they have a shortage", said one executive (personal communication, February 12, 2009). "ASA sees itself as a financial provider for the poor" stated another (personal communication, February 11, 2009).

7.5.2 Breadth at ASA Bangladesh

These views should not be taken as evidence of impact; indeed, such an evaluation is beyond the scope of this article. However judging from ASA's rate of growth (averaging a 21.6% annual increase in borrowers and 26.8% increase in depositors since 2004, calculations based on MIX Market data, see MIX Market ASA, n.d., n.p.), the organization's absolute size (4 million borrowers and 6.6 million savers as of 2009, making ASA the third largest MFI in Bangladesh, behind Grameen Bank and BRAC, see MIX Market ASA, n.d., n.p.), and strong repayment rates (portfolio at risk has averaged 2.45% since 2004, based on MIX Market calculations, see MIX Market ASA, n.d., n.p.), it would appear sufficient demand has existed for the organization's products to warrant emphasizing breadth of outreach as the institution's key priority.

7.5.3 Breadth at ASAI India

Although a direct comparison between ASA Bangladesh and ASAI India's number of clients would not be valid due to the fact that ASA Bangladesh has been established for a much longer period of time, insights can still be gained into what extent ASAI India views breadth as an important element of the organization's operations. Despite the fact that the sense of social mission at ASAI India is weak, alternate circumstances may be causing the organization to engage in the same behavior as shown by ASA Bangladesh for pursing scale of outreach. To the extent that is occurring, ASAI India's outputs in this regard would thus be viewed as consistent with ASA Bangladesh's, indicating no mission drift is happening for breadth. The perspectives of management, growth rates and expansion targets for ASAI India were thus gathered, to provide the data needed for undertaking this analysis.

Based on my discussions with ASAI India management, breadth of outreach is indeed a key priority at present. "We are in full expansion mode", said one senior official. "By 2013 we want to be one of the top 5 MFIs in India [for size]" (personal communication, July 16, 2010). "Mass expansion is very important", stated another director. "The market in India is huge and densely populated…our managing director [the top official at ASAI India] is setting very ambitious targets [for growth]" (personal communication, July 15, 2010). A third said that ASAI India's aim by 2014 is to be in all states in India with 3500 branches and that there really is no limit to the level of growth they can attain in the whole country (personal communication, August 4, 2010).

However in something of a contrast with ASA Bangladesh, ASAI India saw the importance of wide breadth mainly in financial terms. "The key to the Indian market is volume, it is all about volume", said one senior ASAI manager. "We have fixed costs and our debt financing

is for set periods, so if we can collect from a lot of borrowers, we can repay it [the debt] faster" (personal communication, July 17, 2010). "Scale is very important for profitability", said another (personal communication, July 15, 2010). A third manager reported that there was a lot of profit available to be made and that breadth and profitability were very closely linked. He went on to state that productivity was very important and must be maximized, in this way ASAI India can earn more from having more clients (personal communication, August 4, 2010).

The number of clients being served, (figures provided by ASA Bangladesh and ASAI India) also indicate that ASAI India has focused strongly on expanding breadth. In its first year of operation (from July to December 2008) ASAI India accumulated 55,217 borrowers (ASAI, 2008, p. 14). By December 2009, the organization was up to 116,674 borrowers, an increase of 52.7% from the previous year (note that 2008's figures only consist of 6 months of actual lending) (ASA, 2009, p. 46). By the end of June 2010, ASA India reported having approximately 250,000 clients, indicating an increase of 53% over Dec 2009's figures. These comparable results for 2010 were achieved in only 6 months (personal communication, July 15, 2010).

Projected figures for ASAI India's growth were given according to the Indian financial year which runs April-March; accordingly direct comparison with previous actual client growth data is somewhat problematic. However in any case, the client targets of 846,750 borrowers by March 2011, 1,593,308 by March 2012, 2,246,852 by March 2013, 3,118,858 by 2014 and 4,884,437 by March 2015 (ASAI India, 2010, p. 16) clearly indicate a heavy focus on expansion of operations. ASAI India is expecting an average of 35% growth in clients per financial year over this entire time period (based on this author's calculations). Although tapering from the organization's recent actual growth, these forecasts are still quite high and indicate ASAI India is concentrating strongly on breadth of outreach.

7.5.4 Comparison: Breadth at ASA Bangladesh and ASAI India

In comparing both ASAI India and ASA Bangladesh, it is evident that ASAI India's real and expected growth in breadth is clearly superior to the recent performance of ASA Bangladesh. (Note that ASA Bangladesh did not have any forecast figures available for the next few years of operations). Although actual performance data for ASAI India is only for its first 2 years and thus may naturally be expected to be higher than the growth of a long-established organization like ASA Bangladesh, when taken together with ASAI India management's stated aims and the organization's projections, it is difficult to conclude that the institution is experiencing mission drift in regard to breadth of outreach. Breadth would be an area worth re-examining several years later to see if growth projections were actually born out, and also how ASA Bangladesh grew over this same period.

7.6 Length

As noted in section 7.5.3, profitability is one of the main motivating factors behind ASAI India's emphasis on breadth of outreach. Profitability is also often used as a proxy for length of outreach (which is defined as "the time frame of the supply of microfinance" (Schreiner, 2002, p. 10), since profitability indicates that the MFI has some ability to purchase resources on the market to perpetuate its own existence, meaning it can extend its length of operations (Schreiner, 2002). To the extent it remains profitable it can ostensibly extend its length indefinitely. Length is considered important if a society cares about the welfare of the poor not only now but also in the future (Schreiner, 2002, p. 10), which arguably most MFIs would. Indeed, the need for MFIs to be able to provide services in the future (and hence be sustainable) has become a hallmark of modern microfinance. Otero (2006) expresses this succinctly, stating, "If microfinance institutions want to make a real impact, they have to be permanent" (p. 6).

7.6.1 Length at ASA Bangladesh

It is perhaps unsurprising that a for-profit entity like ASAI India would be focused on profitability, since fundamentally this is its *raison d'etre*. However how is profitability viewed at ASA Bangladesh, since it is a non-profit organization? How is the organization actually performing in this respect, and how does ASAI India's length compare? To understand to what extent ASAI India's length of outreach is comparable with ASA Bangladesh's (and thus whether ASAI India is drifting from ASA Bangladesh for this aspect of outreach), it is first necessary to examine length data for ASA Bangladesh. This is done through an analysis of ASA Bangladesh's return on assets (ROA), return on equity (ROE), profit margin, and operational self-sufficiency (OSS), the latter being a key financial performance metric widely used in the microfinance sector. If OSS is greater than 100, an organization is considered operationally self-sufficient, (Acción International Website Glossary, n.d., n.p.) meaning it can cover both its operating expenses and the costs of raising its own finances. Formally, OSS is defined as: Financial Revenue / (Financial Expense + Net Impairment Loss + Operating Expense) (MIX Market, n.d.).

Using data from the MIX Market, ASA Bangladesh's financial performance is as follows, contextualized against Bangladesh country median data for each year:

Table 20: Length of Outreach Performance for ASA Bangladesh and Country Median Data

Year	ASA Bangladesh ROA	Bangladesh Country Median ROA	ASA Bangladesh ROE	Bangladesh Country Median ROE	ASA Bangladesh Profit Margin	Bangladesh Country Median Profit Margin	ASA Bangladesh OSS	Bangladesh Country Median OSS
2008	6.13%	0.81%	10.45%	5.16%	26.96%	4.08%	136.92%	104.97%
2009	8.01%	1.84%	13.52%	9.40%	37.29%	10.26%	159.46%	111.43%

(Source: Composite data set based on MIX Market ASA, n.d., n.p. figures. Note that only the years 2008 and 2009 were used as these are the only years ASAI India data was available, since ASAI India did not commence operations until July 2008)

The above figures indicate that ASA Bangladesh accords a high degree of priority to profitability, with the organization outperforming the country median in every category for each year. Although ASA Bangladesh's mission does not specifically mention profitability or sustainability, the importance of being a permanent financial entity and having strong financial performance is widely understood throughout the organization. "Without ASA, where would the poor go?" said one executive. "We want to help create jobs, there is always a need" (personal communication, March 8, 2009). Seconded another senior official:

> We saw we cannot sustain our operations with high costs, if we reduce our costs and become profitable then we can grow very fast and eliminate our dependency on donors. This was important because they put conditions on loans. Now, not only are we sustainable but our loan fund too is independent (personal communication, February 13, 2009).

Overall, these findings suggest ASA Bangladesh has very strong expectancy for length of outreach, which in turn indicates it will be able to continue meeting its aim of providing access to financial services for the poor in the future.

7.6.2 Length at ASAI India

To determine how ASAI India's length compares to the above findings, data on its ROA, ROE, profit margin and OSS were also gathered from the MIX Market. The figures are as follows, contextualized against the Indian country median for each category:

Table 21: Length of Outreach Performance for ASAI India and Country Median Data

Year	ASAI India ROA	India Country Median ROA	ASAI India ROE	India Country Median ROE	ASAI India Profit Margin	India Country Median Profit Margin	ASAI India OSS	India Country Median OSS
2008	N/A	1.89%	N/A	14.85%	48.34%	11.61%	193.58%	113.13%
2009	5.45%	1.86%	11.95%	13.01%	43.37%	11.27%	176.58%	112.10%

(Source: Composite data set based on MIX Market ASAI India, n.d., n.p. figures)

Although ROA and ROE were not available for 2008, the data assembled is still sufficient to provide insight and an overall picture of ASAI India's length of outreach. As is evident, from the figures available ASAI India has outperformed the country median in all categories for each year, with the exception of ROE in 2009. However the difference is only slightly more than one percentage point, indicating that ASAI is not severely underperforming in this area. When this is taken in conjunction with the overall high performance in all other categories for the time periods under examination, it is apparent that ASAI India has strong performance in regard to length of outreach compared to environment in which it is operating. Indeed, when the short time frame ASAI India has actually been lending is considered, coupled with the organization's rapid expansion (which naturally entail costs), these figures are considered to indicate strong likelihood of length into the future.

7.6.3 Comparative Assessment of Length at ASA Bangladesh and ASAI India

It is apparent from the length figures for both organizations that each is performing well given its country context. To gain additional insight into ASAI India's length of outreach, a direct comparison of its figures and ASA Bangladesh's is as follows:

Table 22: Comparative Analysis of Length of Outreach at ASA Bangladesh and ASAI India

Year	ASA Bangladesh ROA	ASAI India ROA	ASA Bangladesh ROE	ASAI India ROE	ASA Bangladesh Profit Margin	ASAI India Profit Margin	ASA Bangladesh OSS	AAI India OSS
2008	6.13%	N/A	10.45%	N/A	26.96%	48.34%	136.92%	193.58%
2009	8.01%	5.45%	13.52%	11.95%	37.29%	43.37%	159.46%	176.58%

(Source: Composite data set based on MIX Market ASA, n.d.; MIX Market ASAI India, n.d., n.p. figures)

Despite ASAI India's data gap for 2008 with regard to ROA and ROE, it is apparent that each organization outperforms the other in some respects, with ASAI India doing better on profit margin and OSS and ASA Bangladesh doing better on ROA and ROE (for 2009). At face value this could be taken as inconclusive, as it suggests each organization has some financial performance deficiencies and some strengths.

However given ASAI India's young age, it may not be surprising that the organization has not yet fully been able to deploy its assets, thus explaining the lower ROA. Moreover, given that ASAI India's ROE is only about 1.5% less than ASA Bangladesh's, this raises the question about whether such a difference is really meaningful, particularly given the afore-noted fact that ASAI India was only recently established. Hence, it may be unrealistic to assume a superior ROE for ASAI India in such a short time due to all the startup costs involved in establishing the organization. Indeed, ASAI India's projections call for ROE to rise significantly in the coming years, with 17.2% expected for the financial year 2010/2011, 27.3% for 2011/2012, 30.9% for 2012/2013, 33.0% for 2013/2014, and 34.7% for 2014/2015 (ASAI India, 2010, p. 16). As the Indian financial year is March/April, these figures do not compare exactly with the above calendar year data; however they are sufficiently indicative of dramatic expected increases in ROE as ASAI India's operations mature in the near future. (Projections for ASA Bangladesh

over the same time span were not available, either in calendar or financial years). Thus these ASAI projections, when taken together with the organization's recent strong performance vis-à-vis its country competition and generally sound performance against ASA Bangladesh over the same time period, make it hard to see how ASAI India could be logically thought to be experiencing mission drift for length. Therefore, it is assessed that ASAI India has not experienced drift in this aspect of outreach.

7.7 Additional Implications: Commercialization Fears Overblown?

The findings regarding ASA Bangladesh's high profitability also raise an interesting side point, for they demonstrate that an MFI need not be for-profit to emphasize strong financial performance. Much of the literature on commercialization has stressed that for-profit MFIs are overly focused on financial performance (with implied negative consequences, see Woller, 2007; Copestake, 2007a); the findings of this study suggest that to the extent a strong focus on financial performance can have negative consequences for clients (as the literature suggests), there is no reason to assume that this is limited to commercialized, for-profit MFIs. This implies that some aspects of concerns over the negative impact of commercialized microfinance may be overblown, for both for-profit and non-profit are evidently capable of focusing heavily on financial performance, not only the former. A further implication of this is that it is management priorities, not legal/ownership structure (and its related incentives) which dictate what areas of overall organizational performance are emphasized.

The above mentioned perspective on mission drift and the relationship between legal structure (non-profit or for-profit) and mission achievement has generally not received much attention in the literature, with one minor exception. In a commentary on whether

commercialization leads to mission drift, Getu (2007) argues that the commercialization process in and of itself does not necessarily lead to drift within an MFI. He concludes that:

> Being a commercial microfinance institution is no cause for mission drift as much as being an NGO is not a guarantee to its realization… In fact, an NGO MFI can potentially drift from its mission even as an NGO. Being an NGO is not a guarantee for mission preservation… (p. 169, 179).

Although logically correct, Getu (2007) does not actually offer any evidence to support his arguments on this issue. The findings of the present study thus affirm this stated view by Getu and provide validity to his arguments outlined therein. This is felt to be an advancement of knowledge on the topic of mission drift, for new findings have supported a previously advanced argument. These findings have also highlighted that Getu's position is one which has generally been overlooked elsewhere in the literature.

Additionally, the reverse corollary of this dissertation's findings is that if a non-profit MFI can emphasize profitability so strongly, why cannot a for-profit MFI emphasize social performance to the same degree? In essence it is the same concept, only reversed as per the differing ownership structures and assumed lack of corresponding performance focus by the organization. In aggregate, these findings all lead to the overall conclusion that commercialization pressures will not necessarily trump organizational decision-making and will not dictate the type of outputs an organization will produce, at least in regard to the three aspects of outreach so far investigated.

7.8 Overall Assessment of Social Well-Being and Introduction of Customer Value

As noted at the start of this chapter, collectively, depth, breadth, and length determine "social well-being", which is defined as "any increase in total social welfare over and above any

increase in customer value that results from the provision of financial services to the poor" (Woller, 2001, p. 19). From an examination of these three aspects of outreach thus far, it can be concluded that ASAI India is generally enhancing total social welfare in its society to the same general extent ASA Bangladesh is achieving in its country of operations. In strictly wider societal terms then, ASAI India is not showing signs of mission drift for the outputs examined.

However, the aforementioned issue of "customer value" (Woller, 2001, p. 18-19) must also be considered – if ASA Bangladesh's mission is also to "strengthen and support the economy" (ASA Website, n.d., n.p.) and ASAI India's mission involves efforts to "improve the quality of life" (M-CRIL, 2010, p. 1), then merely offering permanent services on a wide scale to relatively poor people is not enough. Such services must actually be beneficially used by clients to generate the strengthening, support, and improvements desired by each organization. This in turn implies that both MFI's products must be of some value to their clients. This perspective of customer value will be examined in the following chapter, centered on the aspects of scope, cost and worth.

7.9 Conclusion

This chapter examined the depth, breadth, and length of outreach of ASAI India and compared them with ASA Bangladesh's performance in these areas, to determine if the former is experiencing mission drift. Based on this comparison, it is concluded that these aspects of outreach for ASAI India generally do not differ from ASA Bangladesh's and accordingly, no mission drift is occurring.

The findings in this chapter also indicate that when comparing depth of outreach across MFIs, it is necessary to use a relative comparison. Such a comparison recognizes the overall poverty environment in which an institution operates, as opposed to a direct decontextualized

comparison between organizations. Differing organizational motivations for breadth (serving as many poor people as possible vs. making as much profit as possible) can also lead to the same output, which for both ASA Bangladesh and ASAI India is wide breadth of outreach.

Additionally, analysis of length of outreach requires consideration of the duration an MFI has been operating. The length findings further indicate that to the extent an organization's strong focus on financial performance is viewed as detrimental to its social mission fulfillment, there is no reason that such negative outcomes should be confined to only for-profit MFIs. This in turn suggests that some aspects of concerns in the literature over commercialization's harmful implications for clients may be overblown, as these outcomes could equally come from management's priorities and policies in a non-profit organization.

CHAPTER 8: COMPARING SCOPE, WORTH, AND COST – THE CREATION OF CUSTOMER VALUE AT ASA BANGLADESH AND ASAI INDIA

This chapter examines the customer value created by ASA Bangladesh and compares it with the value generated by ASAI India, to identify if ASAI India's mission is drifting in this area. Woller (2001) defines customer value as "the private (or "selfish") value customers derive from the consumption of financial services" (p. 18) and identifies scope, worth and cost as "integral elements of customer value" (p. 19). This "selfish" value contrasts with the social well-being generated by the provision of financial services which benefit all of a society in which an MFI operates, as discussed in Chapter 7. However this is not to suggest that social well-being and customer value are opposing concepts; in fact they are intertwined, for only through examining the interaction of both social well-being and customer value can an MFI achieve a full picture of its overall social value creation (Woller, 2001, p. 19). Examining the elements in isolation distorts the overall social value created by an organization and renders it difficult to obtain a clear awareness of how an MFI is truly meeting its social mission.

To understand the customer value generated for ASAI India's clients, this chapter first examines the scope of outreach of ASA Bangladesh and ASAI India, again using ASA Bangladesh as a baseline. Significant deviation in scope by ASAI India vis-à-vis ASA Bangladesh would indicate less customer value and thus weaker mission fulfillment in this regard. The analysis of scope is followed by an examination of worth in both organizations, using customer satisfaction with ASAI India and ASA Bangladesh's products and services as a proxy for measuring this aspect of outreach. If ASA India's operations generate low satisfaction and accompanying worth for their users compared to that achieved by ASA Bangladesh, this would be indicative of mission drift in the former, as the organization is also stated to exist for aiding

the poor, not just for perpetuating its own existence. This is then followed by a comparative examination of the costs of outreach in ASA Bangladesh and ASAI India, covering both direct and indirect costs. Significantly higher costs at ASAI India would indicate that its customers are paying more to obtain customer value than those in ASA Bangladesh, thus suggesting the for-profit incentive of ASAI India has led to weaker social value creation and hence a drifting of the organization's social mission.

As an aid to the reader, a summary table of the findings and conclusions regarding whether or not ASAI India is experiencing mission drift will be presented with respect to scope, worth and cost of outreach. This provides an overview of the analysis and discussion to ensue. Following this, the analysis of customer value will commence with an examination of the aspect of scope.

Table 23: Summary of Findings for ASAI India Mission Drift: Scope, Worth & Cost

Aspect of Outreach	Has ASAI India Drifted: Yes/No?
Scope	Yes
Worth	Inconclusive
Cost	No

(Source: Summary of author's field work findings, 2010)

8.1 Scope of Outreach

Scope, defined as "the number of types of financial contracts [products and services] supplied" (Schreiner, 2002, p. 11), is an important element of how an organization delivers customer value, since the greater the number of products or services offered, the more an MFI is able to contribute to its social mission fulfillment. This is due to the fact that, ostensibly, the larger the choice of options available to clients, the greater degree they will be able to have their financial needs met and use the products in beneficial combinations for climbing out of poverty

(Woller, 2001, p. 18), which is the stated social aim of most MFIs, including ASA Bangladesh and ASAI India.

8.1.1 Scope at ASA Bangladesh

ASA Bangladesh's products can be broadly classified under three categories: loans, savings and insurance. For basic loans, ASA has the following products: small loan for female clients, small business loan, hardcore poor loan, small entrepreneur lending, and agri-business loan. Special loan products consist of small loan for male clients, business development loan, short-term loan, scarcity loan, and education loan. Savings products consist of mandatory, voluntary, and long-term savings options. ASA also offers loan insurance for any product, mandatory mini-life insurance for small female loan clients, and voluntary mini-life insurance for the spouse of female clients. In total ASA Bangladesh has 10 loan products, 3 savings products, and 2 insurance products (see ASA Website – Program, n.d., n.p.).

8.1.2 Scope at ASAI India

Compared with ASA Bangladesh, ASAI India has only three products, all of which are loans. Two are products aimed exclusively at small female borrowers, one for a duration of 37 weeks and the other of 45 weeks. The rates of interest for these products are 11% and 12.5%, respectively (ASAI India, 2010, p. 9). As of the spring of 2010 the 37 week product has been discontinued; once its borrowers conclude their loans they will only be able to take the 45 week product if they choose to receive another loan. All new small female borrowers can only take the 45 week loan. The third product is a small business loan, aimed at larger entrepreneurs. No savings products are available at ASAI India due to its legal structure as a Non-Bank Finance Company (NBFC), which under Indian law are prohibited from mobilizing savings deposits, even

from its own borrowers. Offering insurance is also not permitted, according to senior ASAI India officials (personal communication, July 15, 2010).

8.2 Mission Drift at ASAI India: Interactions and Tradeoffs Between Aspects of Outreach

As is evident from the above data, it is clear that ASAI India has a much smaller scope of outreach than ASA Bangladesh. Although the immediate explanation may appear to be that since ASAI India is a newer organization a lesser scope is to be expected, my interviews with ASAI India management revealed that this reduced scope is more a function of the organization prioritizing other aspects of outreach over scope, namely breadth and length.

Specifically, ASAI India management stated that they had intentionally chosen to limit the scope of products available as offering more would damage the organization's rate of expansion. "It would hurt our expansion if we had more products because we would have to give more time on developing LOs [loan officers], improving their quality"", said one senior ASAI official (personal communication, July 16, 2010). He went on to add that "if we introduce other products, difficulties will come. LOs will make mistakes…now they make some mistakes but there are only three [products] so we can manage, but if there are eight products, we will have more problems". Another executive stated that "now is smooth sailing, if we have more products that would complicate everything, it's better to proceed as is" (personal communication, August 4, 2010).

Given the clear link ASAI India sees between breadth and profitability (length) and the overall importance ASAI India places on length in its own right (issues which were all discussed in Chapter 7), it is apparent that the organization has chosen to focus more on these aspects of outreach than on scope. This is thus considered evidence of mission drift, as the for-profit nature of ASAI India has caused the organization to move away from offering a range of products which

could contribute to client poverty reduction (as viewed and done by ASA Bangladesh) in favor of a greatly restricted range of offerings, done to further ASAI India's own financial well-being.

There is no physical reason why ASAI India could not have chosen instead to start off with a smaller breadth of outreach and focused on developing a broader scope of products for these clients, if the organization had so desired. Such a breadth of outreach by ASAI India could still be comparable with ASA Bangladesh's recent growth of breadth (around 20% per annum) and thus would not need to sacrifice any social well-being in this regard. Rather, resources which have presently been deployed to pursue wide breadth of outreach at ASAI India could simply have been focused in a more concentrated role. Instead, the pressure/desire to achieve high levels of breadth and accompanying profitability as rapidly as possible appear to have been so strong that they caused ASAI India to develop operations more directed to suiting its own financial aims, rather than the financial services needs of its clients.

Indeed, a number of current clients of ASAI India stated during focus group discussions that they wished to see a number of additional products such as education loans, housing loans, short-term loans, and festival loans. (For contextual information on these discussions, please see section 8.3.4 in this chapter). It should be noted that ASA's Bangladesh current clients did not express such desires to see any new products. It is acknowledged that some poor borrowers may not have a good idea about a potential range of products and thus find it hard to imagine new possibilities, particularly given the scope of products ASA Bangladesh currently offers. However even in broad or abstract terms, nothing emerged during the client focus groups on this matter. These findings reinforce the conclusion that ASAI India's present scope, even when discounted for being inherently more restricted than ASA Bangladesh's due to Indian legal prohibitions on deposit taking and the provision of insurance, are not delivering the same level of customer value

to its borrowers as are the products of ASA Bangladesh to its clients. Although perhaps in the future ASAI India may find it beneficial to expand its scope, given ASAI India's aforementioned views on India as an essentially limitless market for expansion (see section 7.5.3 in Chapter 7), such a widening of scope may not occur for a number of years, if ever. Thus in the meantime, it is concluded that ASAI India is experiencing mission drift in regard to this aspect of outreach.

When compared with findings elsewhere in the literature on mission drift with respect to scope, the present study's conclusions on this conceptual category contrast with those found by Hishigsuren (2004). In examining the scope of Activists for Social Alternatives (ASA, a different NGO MFI with the same name of the organization chosen for this present study) in Tamil Nadu, India, Hishigsuren found that the ASA she studied did not experience major mission drift for scope after the organization scaled up. In fact, the MFI in her study actually expanded the scope of its financial products on offer. However a concurrent reduction in the amount of non-financial services offered by this MFI took place alongside the expansion of the scope of financial products (Hishigsuren, 2004, p. 221).

The broad implication of this present study's findings in relation to Hishigsuren's (2004) conclusions is that scope need not be sacrificed during expansion, as Hishigsuren notes. This reinforces the aforementioned argument advanced by this author that ASAI India could have expanded its scope, had the organization so desired. However it should be also noted that Hishigsuren's ASA's decision to expand its range of financial products while reducing its non-financial services (such as rights-based training groups and other developmental activities) was done out of financial sustainability concerns. This illustrates that the organization she examined was nonetheless becoming increasingly concerned about financial matters, which even though it was an NGO, could have had implications for the organization's social performance down the

road. As Hishigsuren's study was done in 2004, it would be interesting to see the current scope of financial and non-financial products offered by the ASA she studied and view them in relation to the organization's profitability and breadth over the last six years. Such data (although unavailable to this author at the present) would be comparatively informative in further determining whether ASAI India's drift in scope of outreach could be viewed as justifiable, as ASAI India staff seemed to feel it was.

8.3 Worth and Cost: Background and Context for Data Collection

Much of the analysis on the aspects of worth and cost is derived from client focus group findings. As such, before examining these findings (and related conclusions), it is necessary to contextualize the data by describing in detail the methods used for obtaining this information, in particular client respondent profiles, sampling strategy used, data collection methods employed, and techniques used for analyzing the data obtained.

8.3.1 ASA Bangladesh Client Participant Profiles

To examine customer value with regard to worth and cost, focus group discussions where held with 33 present ASA clients and 27 former clients of ASA Bangladesh's small female loan product, a product which comprises 80% of the organization's portfolio and thus is at the core of its operations. For present clients the ages of the women ranged from 22 to 60, with most members falling between the ages of 25 to 45. For former clients the distribution was older; ages ranged from 32 to 55, with the majority of participants in their late 30's or early to mid 40's. The groups of present clients were comprised of roughly equal numbers of long-term and new borrowers. For the long-term borrowers, the length of time they had been with ASA varied from eight years to one year, with most clients having three to four years of borrowing history with the organization. New borrowers all had joined ASA Bangladesh within the last three months.

Former clients spent between ten years and one year with the organization, the majority of whom also reporting having been members for three to four years. Former clients had all dropped out within one year, the most recent being eight days prior to her participating in the focus group.

All clients and ex-clients reported self-employment of either themselves or their husband as their means of obtaining an income, mainly in the informal sector. Transportation (driving a rickshaw or car) and vending (running a small tea or sharee shop, weaving and selling vegetables or meat) were the two major broad types of occupation stated by the respondents. Some of these income generating activities were going on prior to the clients' involvement in ASA Bangladesh, others began the activities as a result of receiving their loan.

8.3.2 ASA India Client Participant Profiles

At ASAI India, 57 current clients and 36 former clients were interviewed, all borrowers of ASAI India's small female loan product. Of the former clients, 16 had been borrowers of the 37 week loan product, 14 had taken the 45 week product, and six had used both loans over the course of their ASAI India membership. As the 37 week product has been discontinued, 46 of the current clients were on the 45 week loan, with the remaining 11 current client participants in the final stages of repaying their 37 week product. The age range for current clients was between 18 and 49, with most falling between 30 and 40. For former clients, the distribution spanned from age 20 to 46, with between 30 and 40 again being the most common. Of the present clients, 19 were on their first loan with ASAI India, taken within the past three months, and 38 had received two or three loans. 12 former clients had taken only one loan, while the other 24 former took two or three. As with ASA Bangladesh, all former clients had all dropped out within the past year.

Many ASAI India clients also claimed to be self-employed, though in a few cases the borrower's husbands were said to be working either for the government or in shops or factories.

Buying and selling of food goods such as vegetables, milk or fish were a common form of self-employment, as was dealing in textiles or consumer goods such as stationery or electronics. Light manufacturing, such as the production of furniture, bamboo baskets or pillows were also frequently reported by clients as income generating activities they were engaged in.

8.3.3 ASA Bangladesh & ASAI India Client Sampling Strategy

As the same sampling strategy was employed for both ASA Bangladesh and ASAI India, they are briefly reviewed in tandem here (see section 4.8 in Chapter 4 for more details). Both current and ex-clients in each organization were chosen using a combination of random and purposive sampling. Initially six branches were selected at random in Dhaka and Kolkata. After branch selection in each country, as many new borrowers as possible (those who had joined within the last three months) were assembled in one location for administration of the Progress out of Poverty Index scorecard, or PPI (see section 4.7 in Chapter 4 for further details on the PPI). In each case, following completion of the PPI new borrowers were asked to voluntarily participate in a focus group discussion about their experiences at ASA Bangladesh or ASAI India. These new borrowers were then joined by as many current members as were able to be brought to the interview site, also on a voluntary basis. Once everyone was assembled, the focus group commenced.

The same six randomly chosen branches in Bangladesh and India were also the site of data collection for ex-clients. Again, as many former clients as could be identified from each organization were asked to go to a chosen location; they were then met by this author and his research assistant to conduct the discussion.

The size of all groups varied, from ten participants being the largest to two being the smallest in Bangladesh and twelve being the largest and two being the smallest in India. This was

due to the differing ability of clients to participate and the ability of my research assistant to arrange for suitable candidates for discussions, based on the criteria provided by this author. In total 14 focus groups were conducted in Bangladesh, seven for current clients and seven for former. In India 16 discussions were held in total, seven for current clients and nine for former clients. It should be noted that six individual interviews were also held with former clients in India, as they were unable to attend any of the group discussions.

8.3.4 ASA Bangladesh and ASAI India Discussion Context

Comparable contexts for the discussions and interviews were used in both Bangladesh and India; as such the related background for each is presented together here. All interviews were conducted indoors, at either the residence of a client or of a neighbour. It was felt that this sort of familiar, informal setting would be more appropriate than inviting the participants to the ASA Bangladesh or ASAI India branch, as they may feel less comfortable in such an environment. In Bangladesh, 12 of the focus groups were held in areas which could be described as quite urban, located in densely populated slums situated squarely within the city of Dhaka. Two groups were held in an area characterized as semi-urban, as they were near a branch on the outskirts of Dhaka and away from the large slum areas. In India, ten of the discussions were held in areas described by ASAI India staff as urban, with the remaining six held in semi-urban areas at the edge of Kolkata. Both these India urban and semi-urban areas were characterized as either slums or improved slums.

In each country the focus group discussions or individual interviews lasted approximately 45 minutes and were facilitated by my bilingual Bangladeshi research assistant. This assistant has had considerable training and experience in conducting fieldwork on microfinance for academics over the years. Prior to conducting our research in each country I also discussed with him in

depth the need to be aware of potential bias entering his translations, along with the importance of maintaining an active effort at all times to prevent any such distortions from occurring. Anonymity and confidentiality of all information disclosed during the discussions was assured to the participants and the voluntary nature of the discussion was again reiterated. In general no onlookers were permitted and all those not participating were asked to leave the discussion site.

After I was briefly introduced to the participants and the reasons for the focus group explained by my assistant, the discussions began, often while partaking in some shared food provided by the respondents. The procedure typically involved me posing a question in English to the group, my assistant translating it, encouraging discussion and information sharing on the issue by all participants, then summarizing their responses and reporting to me what was said. Examples of questions asked include "how do you feel about the size of your ASA/ASAI loan?", “how does your loan officer treat members of the group?” and “how do you feel about the interest charged by ASA on its loans?” Care was also taken to identify to what degree of unanimity respondents shared on each question, and dissenting or divergent views were probed. Detailed written notes were taken by this author to record the findings of each group and periodically conclusions were restated to the focus group, to ensure that their views were being accurately captured.

8.3.5 ASA Bangladesh & ASAI India Methods of Data Analysis

As the analysis methods used for both ASA Bangladesh and ASAI India client data were the same, they have been consolidated and presented as one here. After each focus group or individual interview was completed, field notes were immediately written up which described the context and any additional thoughts I had on that particular session. As soon as possible after leaving the field, all written field notes were typed and stored on a computer. These notes were

then subsequently and repeatedly analyzed using NVivo7, a qualitative data analysis program used for sorting, indexing and categorizing data. Such a program does not conduct analysis for the researcher, but rather is merely a useful way of organizing transcripts and data sets. The objective of the analysis performed with NVivo7 was to code the data thematically, based on the nature of the questions posed and the responses that followed. Examples of codes used include "reasons for drop-out" and "opinions on direct costs". After all the data had been coded, it was reviewed to identify themes and patterns (Miles & Huberman, 1994, p. 69) which then formed the basis for the conclusions drawn. (See section 4.9 in Chapter 4 for additional information on the data handling and analysis methods used in this study).

8.4 Worth of Outreach: Customer Satisfaction as Proxy

Having reviewed the background and context for the data gathered from clients, the analysis will now focus on how clients perceived the worth and cost of ASA Bangladesh and ASAI India. Worth of outreach is defined by Schreiner (2002) as a client's willingness to pay for a product or services. Examining worth directly is problematic as it "depends on the subjective gain that a client gets from a financial contract" (Schreiner, 2002, p. 4); however Woller (2001) has identified indices of customer satisfaction as "useful and relatively simple indicators of worth" (p. 21). Using customer satisfaction as a proxy for worth has also been adopted in other studies; in her 2004 investigation of mission drift in India, Hishigsuren (2004) uses quality of outreach, defined as "the level of satisfaction with the services and products" (p. 7) as one of three dimensions of mission drift an MFI can experience. Her study also used the Schreiner (2002) framework as its theoretical basis. Accordingly, client satisfaction is adopted as an indicator of worth for this study.

It should be noted that although cost is a separate aspect of outreach in the Schreiner (2002) framework, it seems difficult to disentangle some elements of this aspect from notions of customer satisfaction, given that the price of something invariably influences a consumer's assessment of whether a good or service is of worth or not. Indeed, given that Schreiner (2002) defines worth as a client's "willingness to pay" (p. 3) in the first place, it seems appropriate to bundle direct financial costs born by clients into the assessment of client worth for each organization. Transaction costs (indirect cash expenses and non-financial opportunity costs, the other elements of the aspect of cost, see Schreiner, 2002, p. 4) are presented as additional contextual factors for further assessing the level of satisfaction clients have with ASA Bangladesh and ASAI India products and services. Thus although all elements of the cost aspect of outreach (Schreiner, 2002) are examined in this present study, due to the choice of customer satisfaction as the proxy for worth, it is necessary to reorganize the place of costs in the overall analytical framework and approach them in a more holistic and integrated manner. This is opposed to using a strictly mechanical approach, one which would have seen cost treated entirely as its own category as a stand-alone aspect of outreach.

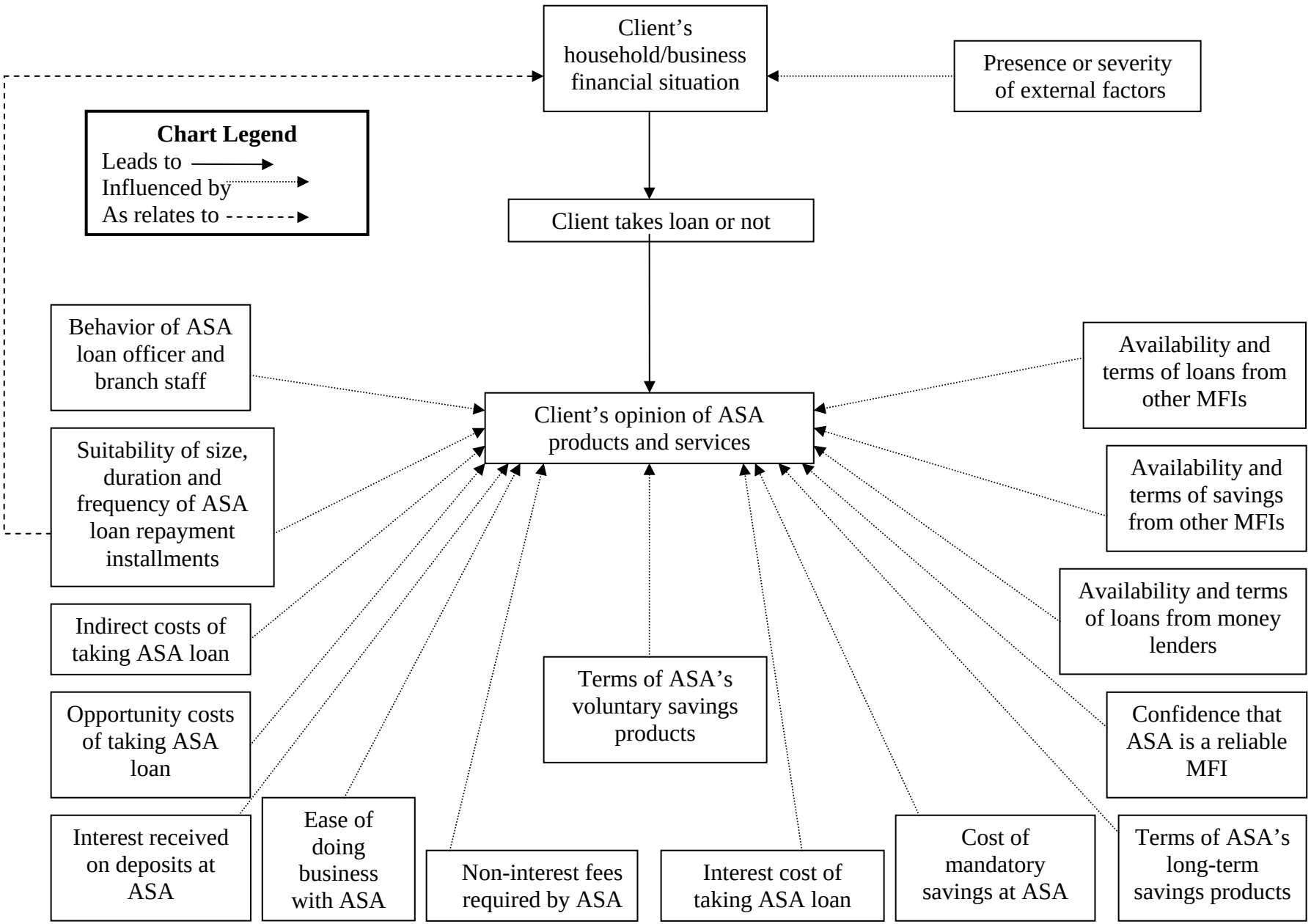
8.4.1 Worth at ASA Bangladesh: Overview of Findings & Context Chart

After analyzing all data collected from the focus groups for ASA Bangladesh, it became apparent that client and ex-client satisfaction with the quality of ASA's service was high, but there was mixed views with respect to product satisfaction. In particular, loan sizes were often insufficient for meeting current and ex-client needs and duration and repayment schedules were problematic for matching ex-borrower cash flows. Before analyzing these findings in depth, it is useful to first locate them within the requisite context. One way by which to do this is through use of a context chart.

A context chart is defined as a network which maps the relations between roles, groups, phenomenon and organizations which make up the context of individual behavior (Miles & Huberman, 1994, p. 102). The aim is not to exhaustively capture every element of the environment, as such a display would overload the user with information, but rather to create an illustration which gives "a clear, relatively simplified version of the immediate social context" (Miles & Huberman, 1994, p. 103). This then serves as an aid for understanding the meaning of behavior, opinions, and choices made by the individuals under study.

The following context chart was created through a process of deductive and inductive analysis. Several of the key influencing factors are taken directly from the Schreiner (2002) framework for analyzing worth and cost, while others emerged from the data collected. Combined, these elements enable a better understanding of how and why clients and ex-clients hold the views they do with regard to ASA products and services, and serve as a point of referral for the subsequent analysis.

Figure 5: Context Chart for ASA Bangladesh Customer Satisfaction



8.4.1.1 Service Satisfaction with ASA Bangladesh

The primary determinant of satisfaction with ASA Bangladesh services is loan officer and branch manager behavior. A number of questions were posed to the focus groups on these matters; the findings here are presented thematically in the following partially-ordered matrix (Miles & Huberman, 1994, p. 127), along with excerpts from my field notes to support these positions. A matrix is used to depict these findings as such an approach is considered one of the major formats for displaying qualitative data (Miles & Huberman, 1994, p. 106). As there was overwhelmingly no difference between ASA's current and ex-client views on these elements, views from both groups of respondents are aggregated in this display.

Table 24: ASA Bangladesh Current and Ex-Client Service Satisfaction Findings

Element of Service Satisfaction	How Did Clients and Ex-Clients View This Element?	Field Note Excerpts to Support This View
Polite and professional behavior by branch managers	Satisfactory	• They treated us well, they welcome us at the branch[5]
Polite and professional behavior by loan officers	Satisfactory	• Our relationship with them is very good, they are well behaved[6] • We are like brothers and sisters, we never have problems, they never behave roughly when they visit[7] • Loan officers have a lot of patience, if borrowers are late, it is ok[8]
Bias or favoritism shown by loan officers to certain group members	No incidents reported	• Everyone was treated equally, there was no conflict[9]
Loan officers and branch	Satisfactory	• They are easy to contact,

[5] Ex-client focus group, Mohammadpur branch, February 2009.
[6] Ex-client focus group, Gulshan branch, March 2009.
[7] Client focus group, Raz Fulbaria branch, March, 2009.
[8] Client focus group, Mirpur branch, February 2009.
[9] Ex-client focus group, Gabtoli branch, February 2009.

managers are easily accessible		many clients have the loan officer's mobile phone number[10] • They see the loan officer 1 hour a week. They feel good about this, there arises no hue and cry, the borrowers can leave in a short time[11]
Loan applications are processed quickly	Satisfactory	• The application took one week, as promised[12]
Loan officers are punctual for group meetings	Satisfactory	• The loan officers were regular and on time[13]
Confidence that ASA is a safe place to keep money	Satisfactory	• ASA is a safe place to save, compared to others. They knew some other women who joined other NGOs and lost money[14]

(Source: Author's fieldwork, 2009)

As is evident, there was a high level of satisfaction among all respondents in regard to the service quality provided by ASA Bangladesh. Clients and ex-clients were unanimous in their agreement on all points with the exception of loan applications being processed quickly. One of the ex-clients indicated she quit ASA due to delays in the loan officer processing her new application for a loan, for reasons which were unknown to her. However as the other 59 clients who participated in the focus groups indicated they experienced no delays, this ex-client's case is not taken to reflect a pattern of poor service in this area of service. It is also noteworthy that despite the high satisfaction reported by ex-clients, they nonetheless chose to leave ASA. The implication here is that providing quality service, although perhaps necessary, is not sufficient for

[10]Client focus group, Mohammadpur branch, February 2009.
[11] Client focus group, Mohammadpur branch, February 2009.
[12] Ex-client focus group, Dohar branch, February, 2009.
[13] Client focus group, Raz Fulbaria branch, March 2009.
[14] Client focus group, Dohar branch, February, 2009.

an MFI to generate worth for its clients. The answer for client departure thus lies in either product satisfaction or external factors.

8.4.1.2 Product Satisfaction with ASA Bangladesh

To explore client satisfaction with ASA Bangladesh's products, a number of questions on this matter were posed to clients and ex-clients during the focus groups, for example "how do you feel about the terms and conditions of ASA loans?" and "how do you feel about the voluntary savings product?" Queries had their origins mainly in the conceptual framework of Schreiner (2002) but also included a number of open questions, such as "is there anything you like or dislike about ASA's product that I haven't asked about?", to allow for the possibility that something may have been overlooked which was nonetheless significant. A partially-ordered matrix (Miles & Huberman, 1994, p. 106, p. 127) is again used to display the data collected. As client and ex-client opinions were not unanimous in regards to product satisfaction, their views are disaggregated and separately portrayed for each group, although still within the same table:

Table 25: ASA Bangladesh Customer Product Satisfaction Findings

Element of Product Satisfaction	How Did Clients and Ex-Clients View This Element?	Field Note Excerpts to Support This View
LOANS		
Number and Frequency of Loan Installments		
Current clients:	Satisfactory	• It is good, shorter is better because we can get new loans more quickly[15] • The terms are fine, it is the same elsewhere[16]
Ex-clients:	Unsatisfactory	• They prefer monthly installments that are larger. One's husband gets paid

[15] Client focus group, Gulshan branch, March, 2009.
[16] Client focus group, Mirpur branch, February 2009.

		monthly and those who run shops prefer monthly, since many customers buy on credit and settle [the bill] monthly[17] • ASA wanted weekly repayment but her son said monthly is better, so she left[18] • Loan duration was the problem – they left because of it[19]
Size of Loan		
Current clients:	Mixed	• The loan is useful, but they want bigger sizes. They require different size loans because of different businesses[20] • They are making profits but could make more if they had more money[21]
Ex-clients:	Unsatisfactory	• She says she cannot run a business well on ten or fifteen thousand taka[22] • The four [clients] left because branch staff couldn't fulfill their requirements...they wanted bigger loans but couldn't get them. They wanted twenty, thirty, twelve and twenty thousand taka. This was almost double their previous loans[23]

[17] Ex-client focus group, Gulshan branch, March 2009.
[18] Ex-client focus group, Gabtoli branch, February 2009.
[19] Ex-client focus group, Raz Fulbaria branch, March 2009.
[20] Client focus group, Mirpur branch, February 2009.
[21] Client focus group, Mohammadpur branch, February 2009.
[22] Ex-client focus group, Raz Fulbaria branch, March 2009.
[23] Ex-client focus group, Gabtoli branch, February 2009.

		• Loan officers wouldn't consider requests for larger loans[24]
Ease of Receiving a Loan		
Current clients:	Satisfactory	• There is no botheration in getting loan from ASA. They can do transactions in a short time; it's easy to make transactions. Staff and procedures are fast, this isn't possible elsewhere[25]
Ex-clients:	Satisfactory	• When they needed money they got it, there was no problem[26]
Interest Paid on Loan		
Current clients:	Satisfactory	• It is the same as other organizations, it is ok[27] • It is good, better than what moneylenders charge[28]
Ex-clients:	Satisfactory	• Paying interest wasn't a problem, it came from her husband's income as a rickshaw driver[29]
Non-Interest Fees		
Current clients:	Satisfactory	• An extra 10 taka per 1000 received in loan is paid for insurance, this is fine[30] • 70 taka admission fee, they could pay it without burden[31]
Ex-clients:	Satisfactory	• Paying other fees was not a problem[32]
Mandatory Savings Requirement to Obtain Loan		

[24] Ex-client focus group, Mohammadpur branch, February 2009.
[25] Client focus group, Mohammadpur branch, February, 2009.
[26] Ex-client focus group, Dohar branch, February 2009.
[27] Client focus group, Mohammadpur branch, February 2009.
[28] Client focus group, Gabtoli branch, February 2009.
[29] Ex-client focus group, Gabtoli branch, February 2009.
[30] Client focus group, Raz Fulbaria branch, March 2009.
[31] Client focus group, Gulshan branch, March 2009.
[32] Ex-client focus group, Mirpur branch, February 2009.

Current clients:	Satisfactory	• They saved 30-40 taka a week, it is the same elsewhere[33]
Ex-clients:	Satisfactory	• It was ok, they could save without difficulty[34]
SAVINGS		
Product Terms for Voluntary Savings		
Current clients:	Satisfactory	• They can save and withdraw whenever they like[35] • ASA is easier to withdraw savings; they can do it at the group meeting, with Grameen they have to go to the branch office[36]
Ex-clients:	Satisfactory	• They could withdraw their savings without delay, this was good[37]
Product Terms for Long-Term Savings		
Current clients:	Satisfactory	• They are satisfied with [the terms][38]
Ex-clients:	Mixed	• They have known about ASA's long-term savings, it's good if you have the money[39] • The advantage of Grameen Bank is they can open a pension scheme, there is no pension account at ASA[40]
Interest Earned on Deposits held at ASA		

[33] Client focus group, Dohar branch, February 2009.
[34] Client focus group, Gulshan branch, March 2009.
[35] Client focus group, Mirpur branch, February 2009.
[36] Client focus group, Dohar branch, February 2009.
[37] Ex-client focus group, Mohammadpur branch, February 2009.
[38] Client focus group, Gabtoli branch, February, 2009.
[39] Ex-client focus group, Mirpur branch, February 2009.
[40] Ex-client focus group, Dohar branch, February 2009.

Current clients:	Satisfactory	• The extra [money] is good, they like receiving it[41]
Ex-clients:	Satisfactory	• They had no complaints about the interest[42]

(Source: Author's fieldwork, 2009)

The most significant differences in perspectives of the two groups at ASA Bangladesh are in regard to i) loan terms and conditions and ii) the actual size of the loan. Although none of the current clients expressed an unsatisfactory view of the loan terms, this was not the case for ex-clients, who frequently noted this as a source of displeasure for them, causing them to leave ASA Bangladesh. The small weekly requirements did not match recipient cash flows well and were a problem to manage on the basis ASA required. Even though monthly installments would be larger, the clients felt this would be a more suitable way to repay. As no favorable views of loan terms and conditions were reported by any ex-clients, a judgment of unsatisfactory is made for this aspect of product satisfaction.

For loan size, although all current clients indicated they were pleased to be getting ASA loans, it became apparent that the sizes were generally still too small for their needs. A judgment of mixed satisfaction was rendered as no current clients indicated outright dissatisfaction or that they were planning to drop out from ASA, but nonetheless all noted that more flexible loan sizes and larger amounts would be more beneficial for them. (It is acknowledged this is judgment is somewhat arbitrary, however it is felt that this conclusion is logical given the data obtained and it is difficult to see how a differing judgment of unsatisfactory or satisfactory could be justified.) However among ex-clients, loan size was frequently the deciding factor in causing them to withdraw from ASA, with several leaving to join other MFIs in hopes of receiving larger loans

[41] Client focus group, Raz Fulbaria branch, March 2009.
[42] Ex-client focus group, Mirpur branch, February, 2009.

there. Overall, out of the 27 ex-clients who participated in the focus group discussions, 18 indicated they left either due to loan terms and conditions or the size of the loan, while nine stated they left due to external reasons, such as health problems, trouble with their business, or because they were returning to their home village.

8.4.2 Implications: The Link Between Standardization, Sustainability and Decreased Worth for Clients

There are a number of implications of these findings for ASA Bangladesh's social performance in the aspect of worth. The main reason why clients have not been able to obtain loans of varying duration or larger sizes and are thus dissatisfied is due to the nature of ASA's operational model, which is built around a highly standardized and structured approach. All clients receive loans of the same duration and all repayments are collected on a weekly basis, the ASA approach does not permit deviation from this policy. Similarly, there are defined limits set by ASA headquarters for the amount a client can receive on each loan cycle, these limits can only be increased up to 1000 taka (a procedure known as "jumping loans", see ASA, 2001, p. 28) and for up to a maximum of 50% of members in one area (ASA, 2001, p. 28). Only an Area Manager can override these limits, the branch staff does not have this authority.

Combined, these two elements of the ASA system have been quite beneficial for the organization, for standardizing repayment practices for all clients across all branches results in improved efficiency and manageability for the institution, which enables it to reduce costs (Kamal, 2006, p. 8) and further institutional sustainability. In describing how ASA has been able to become profitable, Ahmmed (2003, p. 55) singles out the role ASA's standardized loans have played, stating that "repeat loans are offered with standard increments and the duration is the

same" and that "all loans have a repayment period of one year and this, along with the standard loan amounts, simplifies the transaction and record-keeping process".

Although such emphasis on efficiency and cost-effectiveness tie in closely with ASA's desire to be sustainable, from the client's perspective this system is less satisfactory, for it generally precludes their ability to receive more flexible terms or custom-sized loans which may be more optimal for their businesses. This is particularly poignant as ASA Bangladesh staff repeatedly emphasized that its credit is primarily intended for income generating activities, yet the amounts borrowers wanted greatly exceeds what ASA was willing to give them. To illustrate one such example from an ex-client, I was informed that, "She wanted 30,000 but the [branch] manager would only sanction 15,000" (personal communication, February, 2009). In a different group while discussing the reasons clients left, I was told that "two of the clients who dropped out took loans elsewhere, at SSS and Grameen Bank. These loans are much bigger than ASA's, 40,000 and 50,000 [at SSS and Grameen Bank]" (personal communication, March 2009). Even among current clients, it should be noted that many focus group participants wanted larger loans from ASA.

These findings thus suggests a mismatch between ASA Bangladesh aims and actions; on the one hand the organization wants to extend credit for micro-enterprise development to the moderate-upper poor, yet on the other hand its standardized operations and cost-effective culture prevent it from being able to do so in a way that truly meets these clients' needs, thus causing them to drop out. This therefore is considered a sign of weak social performance, for as the most profitable MFI in Bangladesh (based on comparative analysis of MIX Market data, see MIX Market ASA, n.d., n.p.), ASA is not short of additional funds to on-lend to clients if it so desired.

ASA's desire to remain sustainable seems to be outweighing its desire to expand credit to the poor. Hence it appears that while ASA's standardized and efficient way of doing business have evidently contributed to meeting the organization's mission of achieving scale, they have also served to somewhat hinder its aim of enterprise creation. In this sense, ASA Bangladesh's approach both enables and constrains its worth of outreach to clients, reflecting a trade-off between promoting access, maintaining institutional sustainability and delivering customer satisfaction.

Findings for the other areas of product satisfaction did not significantly differ between current and ex-clients, indicating that to the extent satisfaction with ASA Bangladesh's products reflect a degree of social performance, ASA has done a suitable job of meeting client needs in these respects. The one exception is with respect to long-term savings product terms. However, additional research has indicated that ASA's long-term savings product is highly similar in nature to Grameen Bank's pension scheme; therefore lack of client awareness of ASA's products may be the key reason why some clients held mixed views in this area.

8.4.3 Additional Contextual Factors: Indirect Cash Costs and Non-Cash Opportunity Costs at ASA Bangladesh

The conclusion that client satisfaction with ASA Bangladesh's loan terms and size is the main driver of drop-out is further reinforced by additional information on the cost of doing business with the organization. To identify if there were any other factors which may be contributing to decreased client satisfaction with ASA Bangladesh, focus group participants were asked their opinions on transaction costs associated with the institution. Indirect financial costs and opportunity costs were examined as the two main areas of cost in this regard, both of which were derived from the cost aspect of the Schreiner (2002) framework. Findings here are again

presented in a matrix (Miles & Huberman, 1994, p. 106, p. 127) and are not disaggregated by current and ex-client, as they were consistent among both groups. Note that for the finding of mixed satisfaction for the group meeting, roughly equal numbers of current and ex-clients expressed diverging views about their satisfaction with this aspect of ASA's model.

Table 26: Indirect Cash Costs and Non-Cash Opportunity Costs for Customers of ASA Bangladesh Products

Indirect Cash Costs	How Did Clients and Ex-Clients View This Element?	Field Note Excerpts to Support This View
Cost of acquiring any supporting documents or materials needed for joining ASA	Satisfactory	• They need an ID card, they all had it before applying for the loan[43] • 2 passport photos are needed of the husband and wife. They cost around 40 or 60 taka, this is fine[44]
Transportation costs to reach branch (if necessary)	Satisfactory	• The branch is very close, 2-3 minutes by foot[45] • A few [borrowers] said they go by rickshaw but this is rare. It costs between 10-24 taka for this but it is ok[46]
Non-Cash Opportunity Costs	**How Did Clients and Ex-Clients View This Element?**	**Field Note Excerpts to Support This View**
Time spent to join ASA	Satisfactory	• It takes just 30-40 minutes to fill out the application and the loan officer helped[47]
Time required to make savings deposit	Satisfactory	• It was easy, they just do it at the meeting[48]
Loan repayment process (group meeting requirement)	Mixed	• Loans without the meeting would be better[49]

[43] Client focus group, Mirpur branch, February, 2009.
[44] Client focus group, Gulshan branch, March 2009.
[45] Client focus group, Mirpur branch, February, 2009.
[46] Ex-client focus group, Mohammadpur branch, February 2009.
[47] Client focus group, Dohar branch, February 2009.
[48] Client focus group, Gabtoli branch, February 2009.
[49] Client focus group, Dohar branch, February 2009.

		• They prefer the meeting than individual loans. It's a place where they can share experience and learn from each other[50]

(Source: Author's fieldwork, 2009)

As is evident, clients expressed satisfaction with all indirect costs associated with ASA Bangladesh, reporting them to be quite low and manageable. No difficulties in paying these costs were reported and even in the cases where borrowers had to travel by rickshaw to reach the branch, clients reported that as these trips were infrequent and the distance was still not so far, it was not a major imposition for them.

For opportunity costs, although unanimous satisfaction was reported with both the time spent to join ASA and the time required for making savings deposits, the mixed views on the group repayment processes are more difficult to interpret, since there were divergent views among both current and ex-clients on this matter. Evidently having all borrowers assemble at the same time for regular repayment minimizes transaction costs for ASA and thus is a clear cost-savings mechanism for the organization. However as no client dropped out due to this meeting requirement, this aspect of ASA Bangladesh's standardized approach does not appear to be significantly impacting its social performance in a negative way. The distance current and ex-clients had to travel to attend the meetings was short; many reported living only a few minutes walk away and none reported that they had to travel by rickshaw to reach the meeting site.

It was difficult for participants to estimate what the opportunity cost of this time was for them; however several stated that they would earn ten to twenty taka per hour of weaving, which they may be doing if not at the meeting. Demand for such work was reported to vary and

[50] Ex-client focus group, Raz Fulbaria branch, March 2009.

participants noted they also have household duties and childrearing responsibilities; therefore it cannot be concluded that any time not spent at the ASA meeting would automatically be directed towards an activity which would generate further income.

Overall, it is felt that client views on the indirect and opportunity costs provide additional support for the earlier conclusions, as they do not indicate any additional areas where ASA Bangladesh's approach may be delivering low client satisfaction. There is no clear negative link between any findings here and the organization's intentions and actions. This suggests that ASA is able to manage costs for clients in these areas reasonably well and that, aside from the group meeting requirement, indirect and transaction costs were not significant detriments to client satisfaction with ASA Bangladesh and thus do not generally decrease the worth of the organization's services for its users.

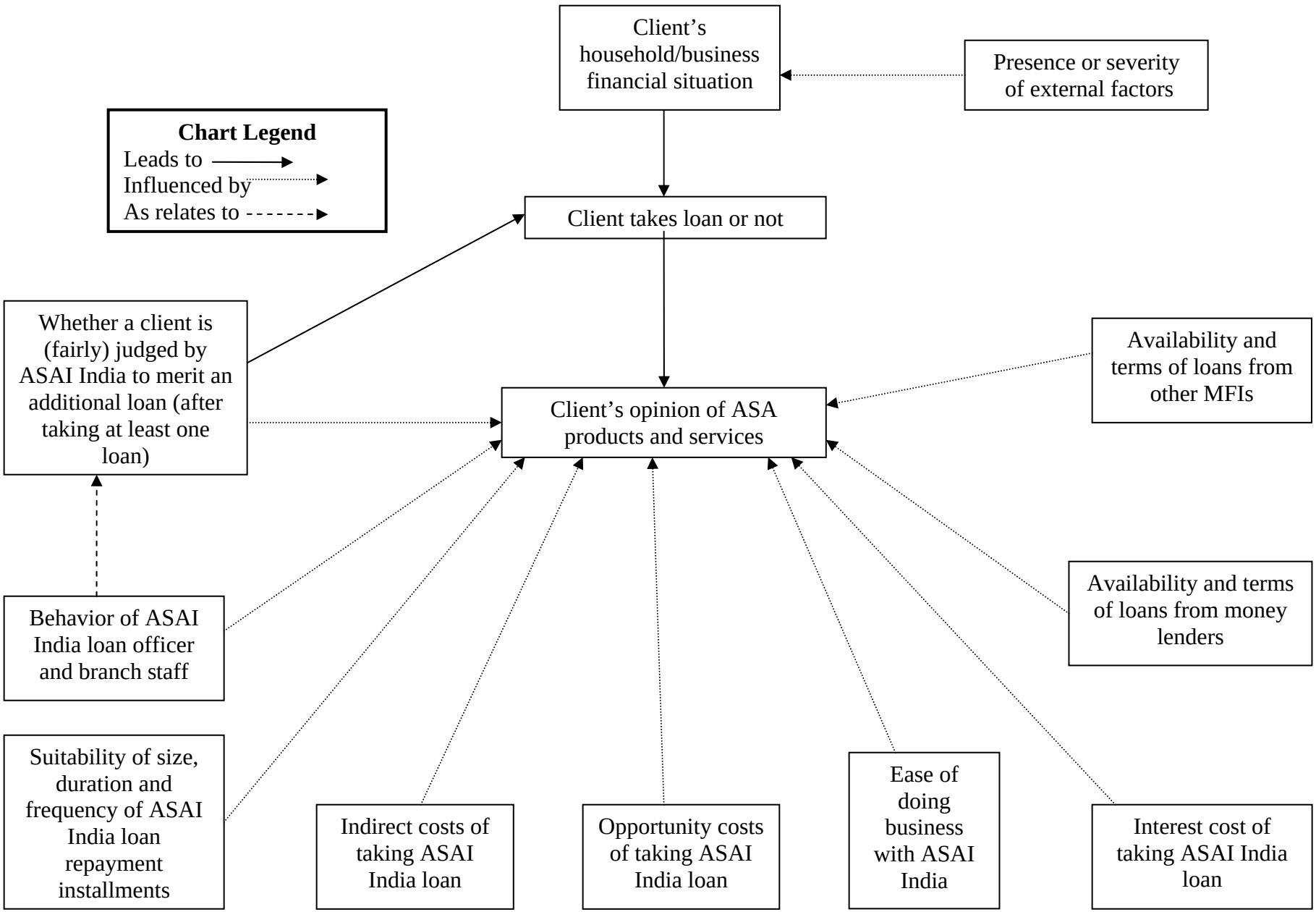
8.4.4 Worth at ASAI India: Overview of Findings & Context Chart

Having completed an examination of worth and transaction costs for current and ex-clients at ASA Bangladesh, the focus will now shift to ASAI India, replicating the methods used in the ASA Bangladesh case. Upon completion of the analysis for all data gathered from current and ex-clients of ASAI India, it was apparent that although product terms and conditions were generally deemed satisfactory by respondents from both client and ex-clients, views between the two groups differed substantially with regard to service satisfaction. In particular, many ex-clients (15) felt that they had been unfairly denied a new loan by ASAI India over minor issues, such as occasionally arriving late for a group meeting or missing the meeting altogether, even though the member sent her weekly installment with a relative or another borrower.

Before delving further into the aspect of worth for ASAI India, the overall focus group and individual interview findings will first be situated in a context chart (Miles & Huberman,

1994, p. 102), as was done for ASA Bangladesh. This is presented as an aid to the reader, to enable a better realization of the environment in which the views and opinions held by respondents are situated (Miles & Huberman, 1994, p. 102), keeping in mind the need for some simplification to avoid overloading the data display and reader (Miles & Huberman, 1994, p. 102). As with the case of the ASA Bangladesh context chart, the ASAI India chart combines both deductive elements from the Schreiner (2002) framework and inductive conceptual categories which emerged from the ASAI India data.

Figure 6: Context Chart for ASAI India Customer Satisfaction



8.4.4.1 Service Satisfaction with ASAI India

To explore customer satisfaction among current and ex-clients at ASAI India, branch staff behavior was used as the key determiner for this element of the worth aspect of outreach, as was done for ASA Bangladesh. The findings are displayed in partially-ordered matrices (Miles & Huberman, 1994, p. 127); however due to significant differences between current and ex-clients of ASAI India with respect to service satisfaction, the data is disaggregated by respondent group, with current client satisfaction findings displayed first in their own table. This decision was taken for ease of viewing for the reader, to avoid creating an excessively large data display which may appear somewhat unwieldy. It should also be noted that as ASAI India cannot not take savings under Indian law, no questions about whether the organization was a safe place to keep money (as were asked to ASA Bangladesh clients) were posed to ASAI India respondents.

Table 27: ASAI India Current Customer Service Satisfaction Findings

Element of Service Satisfaction	How Did Clients View This Element?	Field Note Excerpts to Support This View
Polite and professional behavior by branch managers	Satisfactory	• When they dealt with the branch manager he was always courteous[51] • The BM is well behaved[52]
Polite and professional behavior by loan officers	Satisfactory	• They have good relations, everyone is happy[53] • LO behavior is good[54]
Bias or favoritism shown by loan officers to certain group members	No incidents reported	• The LOs treat everyone well according to the rules[55]
Loan officers and branch managers are easily accessible	Satisfactory	• The group chairperson has the phone number of the branch manager and LO,

[51] Client focus group, Kestopur branch, July 23, 2010.
[52] Client focus group, Bongaon branch, July 28, 2010.
[53] Client focus group, Belighata branch, July 24, 2010.
[54] Client focus group, Habra branch, July 29, 2010.
[55] Client focus group, Kestopur branch, July 23, 2010.

		so the members can easily call them[56] • The branch is a five minute walk, it is easy to go if they need to see them[57]
Loan applications are processed quickly	Satisfactory	• It took only one week to get the loan, they are happy about this[58]
Loan officers are punctual for group meetings	Satisfactory	• There are no problems, the LOs attend in the nick of time[59]

(Source: Author's field work, 2010)

As is evident, no issues were reported by current ASAI India clients on service satisfaction; client respondents unanimously indicated they were quite pleased with the level of service they had received to date. These findings mirror those of ASA Bangladesh, whose current clients also reported no problems with the service they had been receiving.

However in contrast to ASA Bangladesh, ASAI India's ex-clients had significant complaints when it came to having applications for additional loans evaluated fairly. This element of worth is considered a part of customer satisfaction and emerged inductively from the ASAI India ex-client focus groups and individual interviews. This problem was not mentioned by ASA Bangladesh clients, nor was it an element of the Schreiner (2002) framework, hence its absence in the ASA Bangladesh data display matrix. ASAI India ex-client service satisfaction findings are as follows:

[56] Client focus group, Barashat branch, July 26, 2010.
[57] Client focus group, Sealdah branch, July 30, 2010.
[58] Client focus group, Barashat branch, July 26, 2010.
[59] Client focus group, Kestopur branch, July 23, 2010.

Table 28: ASAI India Ex-Client Service Satisfaction Findings

Element of Service Satisfaction	How Did Ex-Clients View This Element?	Field Note Excerpts to Support This View
Applications for additional loans were evaluated fairly	Unsatisfactory	• She missed a few meetings but her relative attended and paid all installments on time, but she was still denied another loan[60] • Another borrower of the same income got her next loan request but she [the respondent] did not, so she was angry[61] • She never missed an installment but was five minutes late a few times for meetings; the LO [loan officer] later denied her request for a new loan and said she was not regular in repayment[62] • LOs couldn't understand clients needs well, they didn't consult well with clients[63]
Polite and professional behavior by branch managers	Satisfactory	• There were no problems[64] • They only went to the branch for loan disbursal, the BM was always polite[65]
Polite and professional behavior by loan officers	Mixed	• Sometimes he [the LO] shouts at late comers, but not at them[66] • Sometimes the LO got angry if people make delays but she was regular

[60] Ex-client focus group, Habra branch, July 29, 2010.
[61] Ex-client individual interview, Belighata branch, 2010.
[62] Ex-client focus group, Sealdah branch, July 30, 2010.
[63] Ex-client focus group, Barashat branch, July 26, 2010.
[64] Ex-client focus group, Bongaon branch, July 28, 2010.
[65] Ex-client focus group, Belighata branch, July 24, 2010.
[66] Ex-client focus group, Bongaon branch, July 28, 2010.

		for most payments so it was not so common[67] • The LOs were fine, no problems[68] • He [the LO] didn't behave roughly[69]
Bias or favoritism shown by loan officers to certain group members	No incidents reported	• No bias, they were treated well[70]
Loan officers and branch managers are easily accessible	Satisfactory	• The branch is near the market, it was easy to walk there[71] • They all had the LOs mobile number[72]
Loan applications are processed quickly	Satisfactory	• The LOs disbursed loans nicely and according to the rules[73]
Loan officers are punctual for group meetings	Satisfactory	• The LOs came even a bit earlier than the borrowers[74] • He [the LO] always arrived without delay[75]

(Source: Author's field work, 2010)

As is evident, there is a marked difference between the views of current and ex-clients at ASAI India on customer service satisfaction. The primarily complaint raised by ex-clients was that loan officers (LOs) were excessively rigid and unreasonable in requiring punctual group meeting attendance and immediate repayment therein as a requirement for receiving another loan, following complete repayment of the previous one. Impolite or unprofessional behavior, to the extent it was reported by ex-clients, was always in relation to meeting attendance issues. There is

[67] Ex-client focus group, Habra branch, July 29, 2010.
[68] Ex-client focus group, Bongaon branch, July 28, 2010.
[69] Ex-client individual interview, Kestopur branch, July 23, 2010.
[70] Ex-client focus group, Sealdah branch, July 30, 2010.
[71] Ex-client individual interview, Belighata branch, July 24, 2010.
[72] Ex-client focus group, Sealdah branch, July 30, 2010.
[73] Ex-client focus group, Barashat branch, July 26, 2010.
[74] Ex-client individual interview, Kestopur branch, July 23, 2010.
[75] Ex-client focus group, Habra branch, July 29, 2010.

thus a link between the elements of “polite and professional behavior by loan officers” and “applications for additional loans were evaluated fairly”, as depicted in table 28.

Although some ex-clients acknowledged being late or missing some meetings, all claimed that they did make their required installments on the day they were due, either by their own accord or through the assistance of a relative or another group member. In the event the repayment was made after the meeting was concluded, clients reported the delay was usually no more than an hour or two. Delays or absences in these cases were reportedly due to reasons such as a borrower’s child being ill or being required to attend to morning household chores, which clients felt were largely unavoidable.

Overall, of the 36 ex-clients interviewed, 15 were denied new loans either due to either i) arriving late to group meetings, ii) missing group meetings, or iii) having slightly late repayments. 14 left due to external factors such as their husband requiring them to do so, lack of a need for funds now, difficulty in simultaneously managing their ASAI India loan and another loan from a different MFI, or personal problems which rendered them unable to work. Two were expelled from ASAI India for lying on their loan application or behaving abusively towards loan officers and another two left for unspecified reasons. Three ex-clients left due to the loan size being insufficient, a matter discussed in section 8.4.6 in this chapter on ASAI India clients’ product satisfaction.

8.4.5 Implications for Worth at ASAI India: The Connection Between Prompt Repayment, Strict Attendance and Organizational Profitability

The main reason why ASAI India has been so strict in its attendance and prompt repayment requirements relates to the perceived importance of these matters for organizational

profitability. Field staff indicated that they felt these requirements were essential in order to maintain high levels of client repayment, which is naturally a precursor to ASAI India earning profits and remaining a viable financial institution. “It is necessary for 100% attendance”, said one group of loan officers (personal communication, July 30, 2010). “There is very much so a relationship between attendance and repayment, it is obvious.” Even when asked if a client was sending all installments but missing meetings, this group of LOs indicated they would not be happy and would probably not consider sanctioning that client a new loan. Late client arrival or repayment, even by a few minutes, was viewed in a similarly negative light. Stated another group of LOs, “clients must arrive on time for every meeting. We cannot tolerate lateness, it will hurt the discipline of the whole group. They [the clients] must repay promptly as scheduled” (personal communication, July 29, 2010). In fact, ASAI India has an unofficial practice of requiring group leaders to ensure full immediate repayment, despite the fact that officially, no group guarantees exist. “If people don’t attend, the group leader must manage it, she needs to know their whereabouts and situation. This is something done in all branches, it was decided by our superiors, the district manager, regional manager, etc.” said one group of loan officers. “It is not [formal written] policy; it is just something we introduced. It is organization-wide” (personal communication, July 30, 2010).

Senior management at the ASAI India central office shared the views of field staff on the need for prompt attendance and repayment. “There is a clear link between attendance and repayment. Attendance is very important, it helps to judge how loans are used. If they [clients] send money through others, soon they will stop attending and repaying”, said one senior manager (personal communication, August 4, 2010). “Absent-prone behavior [of clients] is infectious, others will start not attending as well”, he added. “If the LOs say there is 85% attendance, this is

not acceptable", reported another executive (personal communication, July 30, 2010). "The staff need constant contact with the borrowers. The relationship on which microfinance works will be affected [if the borrowers are not punctual] and the repayment rate will go down". When asked if clients could occasionally send their installments through other group members or relatives, this executive stated "no, we don't encourage this, they [the clients] must come" (personal communication, July 30, 2010).

Although ASAI India staff claimed that a client with 100% repayment but with missed meetings or late attendance may still be considered for a new loan if their reasons are justifiable, based on what ex-clients said in this regard, it is apparent that what is considered reasonable by ASAI India staff and its ex-borrowers are quite different. Borrower illness or childcare responsibilities, despite being viewed as reasonable by ex-clients, were evidently not considered so by ASAI India, despite some claims by senior officials to the contrary. Reported one director:

> It depends on the feedback we get, if the meeting is held during the busy time in the morning we might give some relaxation [on issuing a subsequent loan], but we must consider our money too though. The borrowers have to be able to manage. A habit should be developed that borrowers attend, even if they can't repay, this is the crux of the matter (personal communication, July 30, 2010).

Given the clear importance ASAI India ascribes to being a profitable organization (as discussed in the sections on breadth and length of outreach, 7.5.3 and 7.6.2 in Chapter 7), the perceived connection by staff between prompt borrower attendance and repayment with this financial goal and ex-client views that these attendance and repayment requirements were excessive, it would appear that ASAI India's desire to be profitable may be negatively influencing its practices with regard to how attendance and repayment influence the provision of

additional loans to repeat borrowers. Although obviously risk management of the loan portfolio and organizational profitability are important, overly conservative and demanding requirements on borrowers may result in loans being denied to otherwise generally suitable borrowers, based only on minor incidents which, in the clients' eyes, did not indicate that they were actually unfit for additional borrowing. In fact several ex-clients who were denied new loans expressed puzzlement and confusion over why they were turned down and subsequently were approved for financial services elsewhere, primarily from Bandhan, ASAI India's main competitor in West Bengal.

Combined, these findings all suggest that ASAI India's level of worth with respect to customer service satisfaction is hindered due to the organization's desire to be profitable, thus indicating deficient social performance in this element of the worth aspect of outreach. As with ASA Bangladesh, it is apparent that a trade-off in creating organizational outputs has taken place, with ASAI India emphasizing length of outreach (particularly in the short-term) over worth of outreach. Beyond the merits of length for its own means, strong length could lend itself to improved breadth of outreach due to an assurance of capital for expanded lending. However at the same time, delivering high worth to existing clients can likely to contribute to repeat business and customer loyalty, both of which can enhance length in the long-run. It seems that the time horizon applied by an organization can have an influencing affect on how certain aspects of outreach get emphasized; in the case of ASAI India, management is apparently employing a horizon sufficiently short that it ranks worth among the lower aspects of outreach to focus on, in particular subordinating it to length and breadth. What long-term outcomes this strategy will bear for the organization are unclear and are worth examining in the future.

8.4.6 Product Satisfaction at ASAI India

To determine if satisfaction with the terms and conditions of ASAI India's existing products played a further role in any client perspectives on the organization's worth, data on these elements was also collected. Note again that as ASAI India cannot offer savings by law, no data is presented on ASAI India client satisfaction with savings products. Current and ex-client findings are depicted in the following matrix, disaggregated by group but consolidated in the same display:

Table 29: ASAI India Client and Ex-Client Product Satisfaction Findings

Element of Product Satisfaction	How Did Clients and Ex-Clients View This Element?	Field Note Excerpts to Support This View
LOANS		
Number and Frequency of Loan Installments		
Current clients:	Mixed	• They pay 45 installments. The duration is perfect, if it were lesser the size would be bigger and harder to pay[76] • They don't like the idea of 37 installments that much, they are glad their next loan will be 45[77]
Ex-clients:	Mixed	• Duration was ok, it was not a burden, not the reason they dropped out[78] • 45 weeks was better than 37 but this didn't cause her to quit[79]
Size of Loan		
Current clients:	Satisfactory	• They are happy and got according to their needs[80] • They expected more than their received amount but

[76] Client focus group, Barashat branch, July 26, 2010.
[77] Client focus group, Kestopur branch, July 23, 2010.
[78] Ex-client focus group, Bongaon branch, July 28, 2010.
[79] Ex-client individual interview, Belighata branch, July 24, 2010.
[80] Client focus group, Habra branch, July 29, 2010.

		management assured they will receive more next time[81] • She didn't request a specific amount, she gladly took what they gave her[82]
Ex-clients:	Mixed	• She expected 15,000 rupees for her second loan but only got 11,000, this wasn't why she dropped out though[83] • Loan size didn't influence their choice to dropout[84] • She left because the loan was too small[85]
Ease of Receiving a Loan		
Current clients:	Satisfactory	• They could complete the enrollment smoothly and staff helped[86] • It only takes 30 minutes to 1 hour to disburse the loan, depending how busy the branch is, this is fine[87]
Ex-clients:	Satisfactory	• She got her loan a week after she joined, this is the rule, she had no complaints[88]
Interest Paid on Loan		
Current clients:	Satisfactory	• The interest [at ASAI India] is similar to other MFIs. Of course lower is better but they can manage without difficulty[89]
Ex-clients:	Satisfactory	• They had no difficulty repaying the installments,

[81] Client focus group, Kestopur branch, July 23, 2010.
[82] Client focus group, Belighata branch, July 24, 2010.
[83] Ex-client focus group, Barashat branch, 2010.
[84] Ex-client focus group, Kestopur branch, July 23, 2010.
[85] Ex-client individual interview, Sealdah branch, July 30, 2010.
[86] Client focus group, Kestopur branch, July 23, 2010.
[87] Client focus group, Sealdah branch, July 30, 2010.
[88] Ex-client focus group, Belighata branch, July 24, 2010.
[89] Client focus group, Sealdah branch, July 30, 2010.

		the loan was useful for their businesses and made them profits[90]
Non-Interest Fees		
Current clients:	Satisfactory	• No admission fees are charged[91]
Ex-clients:	Satisfactory	• They didn't pay any additional fees for enrolling[92]
Margin Money (Mandatory % of Disbursed Amount Deducted From Loan)		
Current clients:	Satisfactory	• It is 5%, this is good, better than SKS[93]
Ex-clients:	Satisfactory	• It was reasonable, they did not mind[94]

(Source: Author's field work, 2010)

With respect to the number of installments and frequency of repayments, a judgment of mixed was rendered for both current and ex-clients, mainly due to reported experiences with the 37 week loan product. Only 2 of the 11 current clients who were taking the 37 week product indicated they preferred it over the 45 week one and of the 22 former clients who had used the 37 week product, only 3 stated it was preferable to the 45 week one. No clients who were only taking the 45 week product stated that, had they been given the choice, they would have opted for the 37 week one. This illustrates that the overwhelmingly majority of current and ex-clients do and did not care for the 37 week loan.

However a judgment of unsatisfactory was not made for this element of product satisfaction for either group of current or ex-client respondents as i) both current and former

[90] Ex-client focus group, Kestopur branch, July 23, 2010.
[91] Client focus group, Kestopur branch, July 23, 2010.
[92] Ex-client focus group, Bongaon branch, July 28, 2010.
[93] Client focus group, Habra branch, July 29, 2010.
[94] Ex-client focus group, Barashat branch, July 26, 2010.

clients were still pleased that they were able to get benefits from the 37 week loan, ii) the 37 week product has been discontinued and replaced with only the 45 week product, which was viewed very satisfactorily among current clients, iii) the number of respondents who were receiving the 37 week loan presently is low, and most importantly, iv) no ex-clients reported dropping out due to the number and frequency of installments of the 37 week product. This indicates that although this loan was displeasing to borrowers in regard to the element of product satisfaction, it was not significantly negative to affect customer involvement with ASAI India. Aside from reporting they did not like it, no other major issues were raised about the 37 week product, which was only offered for approximately 6 months and comprises only 14% of ASAI India's loan portfolio (see ASAI India, 2010, p. 17). Given the nearly unanimous positive views on the 45 week product, it is expected that future views among current clients would be strongly satisfactory on the number and frequency of loan installments element of worth, once the 37 product has been completely phased out.

The size of loans received by current and ex-clients were also deemed as mixed for similar reasons as to those given for number and size of installments. Although several respondents indicated that they had hoped for more money, a fair number were also satisfied with what they received. Only 3 ex-clients out of 36 reported leaving ASAI India due to insufficient loan size. Based on the somewhat ambiguous nature of these findings, it is difficult to see how a strong finding of either satisfactory or unsatisfactory could be rendered, resulting in the judgment of mixed satisfaction for both current and ex-clients.

For all other aspects of product satisfaction, both current and ex-clients were all in agreement that they were satisfied with these elements of worth. No issues or problems were

reported and respondents felt that all requirements were reasonable and hence they were satisfied with these attributes of ASAI India's loans.

8.4.7 Additional Contextual Factors: Indirect Cash Costs and Non-Cash Opportunity Costs at ASAI India

Although some minor product satisfaction issues were identified (particularly with regard to the 37 week loan product and loan size), it is thus apparent that the main driver of customer satisfaction for ASAI India clients is service satisfaction, particularly with respect to attendance and repayment requirements. This conclusion is further reinforced by the contextual factors of transaction costs, defined as indirect cash and non-financial opportunity costs, which are the remaining elements of the cost aspect of outreach as per Schreiner's (2002) framework. The following partially ordered display matrix illustrates client views on these transaction costs; as there was no difference between current and ex-clients in this matter, findings for both are displayed in aggregate. No reference is made in the data to opportunity costs for savings transactions, due to ASAI India's prohibition under Indian law on savings mobilization.

Table 30: Indirect Cash and Non-Cash Opportunity Costs for Customers of ASAI India Products

Indirect Cash Costs	How Did Clients and Ex-Clients View This Element?	Field Note Excerpts to Support This View
Cost of acquiring any supporting documents or materials needed for joining ASAI India	Satisfactory	• It was 25 rupees for the joint photo, 5 rupees for the copy of the voter ID card or ration card, this was fine[95] • They needed the signature

[95] Client focus group, Kestopur branch, July 23, 2010.

		of the house owner because they are tenants, but this didn't cost any money and was easy to get[96]
Transportation costs to reach branch (if necessary)	Satisfactory	• It is 25 rupees roundtrip to the branch, they are happy to pay this because they can get the loan[97] • It is 30 minutes walk to the branch so they didn't take a rickshaw, no problem, they only go there for taking the loan[98]
Non-Cash Opportunity Costs	**How Did Clients and Ex-Clients View This Element?**	**Field Note Excerpts to Support This View**
Time spent to join ASAI India	Satisfactory	• Filling up the paperwork took 30 minutes, the staff helped, this was fine[99]
Loan repayment process (group meeting requirement)	Satisfactory	• They are in favor of the meeting, they can talk and see people[100] • It was a 2-3 minute walk to attend, this was no trouble for them[101] • Individual loans are not sensible, there is no time for the LO to do that[102]

(Source: Author's field work, 2010)

As is apparent from these findings, there was unanimous satisfaction among current and ex-clients on the transaction costs of doing business with ASAI India. Documentation costs were felt to be low and reasonable and travel costs for reaching the branch, to the extent they were required (generally one trip per loan cycle), were satisfactory. Loan application completion

[96] Ex-client focus group, Barashat branch, July 26, 2010.
[97] Client focus group, Habra branch, July 29, 2010.
[98] Ex-client focus group, Bongaon branch, July 28, 2010.
[99] Ex-client focus group, Kestopur branch, July 23, 2010.
[100] Client focus group, Bongaon branch, July 28, 2010.
[101] Ex-borrower individual interview, Belighata branch, July 24, 2010.
[102] Client focus group, Sealdah branch, July 30, 2010.

procedures were quick and staff frequently aided clients in filling out the documents. Perhaps the most surprising aspect of the findings for transaction costs is the preference of clients and ex-clients for the group loan model. Respondents frequently reported that an individual system would be more problematic as it would present an unreasonable demand on the LO or that clients are often out in the city, making it very difficult for the officer to undertake loan installment collection effectively. Opportunity costs in terms of lost client income due to attending meetings were difficult for respondents to quantify but were felt in all cases to be insignificant and not an issue, for both clients and ex-clients.

Even among those ex-clients who were denied subsequent loans, the group system was not blamed as the reason for this denial. “We knew the time of the group meeting so we could work around it”, said one focus group of ex-clients (personal communication, July 26, 2010). But sometimes, little things would occur beyond our control, we had to be a bit late. It is the nature of life”. Another ex-client, as reported by my assistant, stated that:

> She was ok with the group meeting [requirement] and nothing was said about her attendance until she applied for a 3rd loan. ASA staff inquired seriously so they seemed willing to give a new loan, but suddenly said no. The LO said we are worried about your attendance, the loan was denied and the client was forced to leave. She didn’t want to quit (personal communication, July 30, 2010).

The client went on to add that ASAI India didn’t even call to inform her of this decision, although that was what had been agreed previously, and that if she were offered a loan now, she would reject it as she was fed up with the organization. She subsequently went to Bandhan and they gave her a loan without any difficulties.

Combined, the findings from the non-cash and indirect opportunity costs respondent discussions reveal that there were no major problems in this area for ASAI India customers, both past and present. This data further reflects the finding that service quality in and of itself, rather than rules, terms and requirements for obtaining loans is the main driver of overall customer satisfaction at ASAI India. It is thus service quality which determines to what extent the organization's financial services are of worth for its borrowers.

8.5 Tying It All Together: Comparative Analysis of Customer Satisfaction at ASA Bangladesh and ASAI India

Having comprehensively displayed all data for worth and cost at ASA Bangladesh and ASAI India, the question now is: has ASAI India drifted from these aspects of customer value created by ASA Bangladesh as part of that organization's social mission fulfillment efforts? In other words, is ASAI India's mission drifting in regard to the worth and cost aspects of outreach?

To determine this, a side-by-side condensed summary table of each main element of worth and cost will be presented for both ASA Bangladesh and ASAI India, to more clearly render where the conclusions in this section are drawn from. This is done as an aid to the reader, given the large volume of qualitative data previously displayed and analyzed.

Table 31: Comparative Summary of Worth and Cost at ASA Bangladesh and ASAI India

Element of Worth/Cost	ASA Bangladesh Current Client	ASAI India Current Client	ASA Bangladesh Ex-Client	ASAI India Ex-Client	Drift Yes/No?
Service Satisfaction	Satisfactory	Satisfactory	Satisfactory	Partially unsatisfactory	Yes
Product Service	Satisfactory	Satisfactory	Partially unsatisfactory	Satisfactory	No*

Satisfaction					
Indirect Cash Costs	Satisfactory	Satisfactory	Satisfactory	Satisfactory	No
Non-cash Opportunity Costs	Satisfactory	Satisfactory	Satisfactory	Satisfactory	No

(Source: Author's analysis based on field work, 2009; 2010)
*ASAI India has superior performance here than ASA Bangladesh, given that few clients dropped out due to product-related problems

In analyzing the overall results, a complex picture of customer value creation by both organizations has emerged, one which does not lend itself neatly to a simple "drift or not" conclusion regarding ASAI India's outputs here. It is apparent from the data that ASAI India is deficient in terms of delivering good customer service due to its profitability focus, as this has caused many of the organization's ex-clients to leave. However ASAI India actually outperforms ASA Bangladesh on product satisfaction, with very few ASAI India clients quitting for reasons here. This contrasts with ASA Bangladesh, which saw significant client exit due to product-related issues. These issues also have a clear link to ASA Bangladesh's organizational preferences for financial sustainability. Does ASAI India having better customer product satisfaction counterbalance its sub-par service satisfaction? Should ASA Bangladesh be the one to be concerned, as it is being outperformed by its for-profit counterpart with respect to product satisfaction? It is difficult to say without a fair degree of arbitrariness and thus no strong conclusion about ASAI India's mission drifting or not can be drawn here. Evidently, both non-profit and for-profit operations can deliver limited worth to clients.

The main takeaway from these findings is that regardless of legal structure (whether for-profit or not), decisions taken and policies implemented by management can result in lower levels of client worth, but there is nothing here which *automatically* links decreased client worth with

the need to provide financial returns for *profit-seeking* owners or senior managers. Rather in any case, the desire to minimize costs and maximize returns, irrespective of ownership structure, can affect client worth in adverse ways. Personal financial incentives do not necessarily lead to organizational drift.

Thus while the findings from both ASA Bangladesh and ASAI India may confirm some concerns in the literature in regard to commercialization and its negative outcomes for social mission fulfillment, the extent to which they do so depends on how "commercialization" is defined. Although some early proponents of commercialization did not restrict the definition to just for-profit operations (Christen & Drake, 2002), there has been an increasing tendency in recent times to view commercialization mainly in for-profit terms (CSFI, 2008; CSFI, 2009). If a broad, "to manage on a business basis" (Christen & Drake, 2002, p. 4) type of definition for commercialization is used then perhaps both ASA Bangladesh and ASAI India are experiencing drift (or at least poor social performance management), but then why has the most vocal criticism of commercialization been so often narrowly restricted to for-profit entities (Rosenberg, 2007; CSFI, 2008, p.24; CSFI, 2009, p.33; Bateman, 2010), particularly as in the spectacular IPOs and backlashes of Compartamos and SKS? Indeed, as Latortue (2010) of CGAP notes, "in recent years and in some quarters the term "commercialization" has been used to denote greed, excessive profit, and uncontrolled growth—with all the negative consequences that entails for poor clients" (CGAP Microfinance Blog, 2010, n.p.). Given the findings of this study, isn't ASA Bangladesh as equally guilty of delivering low worth as ASAI India for poor clients? It seems for-profit organizations may be being unfairly demonized in the recent literature when non-profit outfits are just as capable as instituting policies which decrease worth to their customers. More

balance and perspective are called for in the literature in this regard; views are needed which inherently do not link deficient social performance with profit-seeking organizations.

8.6 A Note on Financial Costs

In fact it should be noted that direct financial costs at ASAI India are actually lower than those at ASA Bangladesh. ASAI India charges 11% on its 37 week loan and 12.5% on its 45 week loan (ASAI India, 2010, p. 9), whereas ASA Bangladesh charges 15% on its 46 week loan (personal communication, August 7, 2010). Both organizations use a flat rate of interest, as opposed to a declining balance. Given that the 37 week product is in the final stages of being phased out, soon the main product of ASA Bangladesh and ASAI India will be their 45 and 46 week loans, which are quite similar in duration. Thus it is clear that ASAI India is actually charging its borrowers less, despite having the strong financial incentive to charge high amounts to satisfy its rate of return requirements for shareholders and service its short-term debt. Although there are minor variations in indirect financial costs between the organizations, they are not significant and do not contribute in any meaningful way to client financial costs when they are transacting with either MFI.

Surprisingly, the reasons given for why non-profit ASA Bangladesh charges higher interest than for-profit ASAI India relates to the commercialized attributes of the Indian market and the non-commercialized nature of the market in Bangladesh. ASAI India senior management explained that all large for-profit MFIs charge around 12-13% interest in India since this is the going market rate; thus competitive pressures force each organization to match the others (personal communication, July 17, 2010). As all MFIs have a logical financial incentive to capture a large market share/client volume, evidently the organizations are competing primarily on a cost-basis to achieve this aim. In this sense the market mechanism is functioning as it

should: initial high returns attract entrants which compete using a variety of measures, cost naturally being one of the main strategies, which in turn results in better choice and cost savings for customers. The commercialized nature of the Indian market has also meant there is a proliferation in commercial sources of funding. These providers offer a large pool of affordable capital to MFIs which wish to take on debt for expanding their operations. The incentive to these capital providers is also financial returns (or blended returns, meaning a mix of financial and social returns, as in the case of Oikocredit, see Oikocredit Website, n.d., n.p.), since microfinance has been generally demonstrated to be a sound investment decision, from a financial provider's perspective.

By contrast, the Bangladesh market is rather under-commercialized and is largely bereft of commercial capital providers for MFIs. Staff with extensive experience in both ASA Bangladesh and ASAI India explained that not only are commercial funds more costly in Bangladesh, but that they are less available overall (personal communication, August 9, 2010). According to these respondents, most Bangladesh microfinance funding is supplied by donors, either external international agencies or the Palli Karma-Sahayak Foundation (PKSF), a Bangladesh government-created apex funding body which provides soft loans to Bangladeshi MFIs (personal communication, August 9, 2010). ASA Bangladesh senior management further stated that donors often put excessive conditions on providing funding, which hindered their ability to operate as they saw fit. As such, their 15% interest rate was deemed necessary, to ensure ASA Bangladesh has an adequate reserve equity base and accompanying low external dependency (personal communication, August 8, 2010).

This leads to the somewhat paradoxical finding that a commercialized microfinance sector can actually lead to greater cost-savings benefits for clients than non-commercialized

environments. The profit incentive forces efficiency improvements in credit delivery among organizations, while the supply of funding is large and accessible (due to perceived returns available there), negating the need for high capital reserves in organizations which would be held to buffer shocks or fuel condition-free expansion. The beneficial effects of a commercialized microfinance sector as described here echo the previously discussed favorable impacts commercialized investors can have on organizations undertaking SPM ratings (see sections 6.4.2, 6.4.3, and 6.7 in Chapter 6 for details on the link between social performance management and strategic planning). Such positive views of commercialized microfinance (as espoused in this study) may be somewhat at odds with critics of the commercialization trend; thus the literature could warrant from additional empirical exploration of the actual impacts commercialization can have for clients.

8.7 Conclusion

This chapter has analyzed the creation of customer value by ASA Bangladesh and ASAI India, to determine if the latter has experienced any mission drift in its performance regarding these outputs. The findings indicated that ASAI India is experiencing drift in scope of outreach, which is attributed primarily to the organization's push for length and breadth. Client level data on worth revealed a mixed picture, with both ASA Bangladesh and ASAI India having constrained levels of worth creation, rendering an inconclusive determination of whether ASAI India is drifting or not in this aspect of outreach. These findings further suggest that an organization need not be for-profit to deliver limited worth and that to the extent for-profit microfinance is viewed as more likely to do this than non-profit entities, such fears may be misplaced. Indirect cash costs and non-cash opportunity cash costs were low for both organizations and direct cash costs (interest rates) were actually lower for ASAI India than at

ASA Bangladesh. This illustrates circumstances can exist in which a commercialized sector context and operations can actually deliver cost savings to clients, vis-à-vis a predominantly non-profit environment.

CHAPTER 9: CONCLUSION

This chapter provides a concluding overview of this dissertation. The methodology employed and main findings of this study are briefly reviewed and the conclusions derived from these findings are related back to previous literature on the research topic. Following this, general

recommendations for further study, for microfinance policymakers, and for industry practitioners are outlined.

9.1 Summary of Methodology and Main Findings

This study employed a modified social performance management (SPM) framework within a multiple-case study design, to examine whether ASA International (ASAI) India, a for-profit microfinance institution (MFI), had experienced mission drift in relation to its non-profit counterpart, ASA Bangladesh. Using mainly qualitative but some quantitative methods, the research approach first established the level of social performance of ASA Bangladesh as a baseline and then conducted a comparative assessment of the social performance of ASAI India. The objectives of this comparison were i) to identify to what extent any performance deviation had occurred by ASAI India from the ASA Bangladesh baseline and ii) if any such deviation was found, was it attributable to ASAI India's for-profit legal structure.

Given that social performance is defined as "the effective translation of a microfinance institution's (MFI's) mission into practice in line with commonly accepted social values" (Imp-Act Consortium Website, n.d., n.p.) it was felt that the research framework used was conceptually suitable for examining mission drift. In devising and operationalizing this study's analytical framework, the Social Performance Assessment (SPA) Tool (Woller, 2006), the Social Audit Tool (SAT) (Woller, 2008), the Progress out of Poverty Index (PPI) (Schreiner, 2007), and Schreiner's (2002) aspects of outreach framework were all employed. These tools and approaches were chosen due to their correspondence with the various linear casual stages of social performance management, as articulated by many active in the field of social performance management (see for example, the Microfinance Centre Website [MFC], n.d., n.p., Figure 1,

Chapter 1). A summary of the findings obtained through the overall framework employed in this dissertation is as follows:

Table 32: Comparison of Social Performance at ASAI India with ASA Bangladesh

Aspect of Social Performance	Has ASAI India Drifted: Yes/No?
Intents and Aims for Social Mission	Yes
Internal Process/Activity	
Hiring and Training	No
Incentives	No
Monitoring Systems	No
Strategic Planning	No*
Corporate Social Responsibility (CSR)	Yes
Staff Policies	No
Client Targeting Policies	No
Aspects of Outreach: Social Well-being	
Depth	No
Breadth	No
Length	No
Aspects of Outreach: Customer Value	
Scope	Yes
Worth	Inconclusive
Cost	No
Overall Assessment	**No**

*ASAI India is actually showing stronger social performance here than ASA Bangladesh.
(Source: Author's analysis)

Overall the findings indicate that while ASAI India has shown drift in some areas, on the whole the organization is not experiencing significant mission drift. For the most part, ASAI India's status as a for-profit entity is not causing it to pursue its social mission in a substantially different manner than ASA Bangladesh. Although there was a lower level of awareness of social mission within ASAI India, particularly at the senior management level, this did not have a notable impact on the organization's operations. The aspect of Corporate Social Responsibility (CSR) demonstrated one of the few occurrences of mission drift by ASAI India, for any CSR activities undertaken by the company would be only for its own borrowers, compared to the

society-wide activities pursued by ASA Bangladesh in this regard. Notably, no drift for depth of outreach was found; this study also identified the importance of country context and relative poverty comparisons for any inter-country examination of depth. Drift with respect to scope of outreach by ASAI India was evident; this was occurring due to the organization's preference for breadth and length of outreach, indicating that complex trade-offs can occur when an MFI is determining which aspects of outreach to focus on. However, direct inter-organization comparisons of breadth and length of outreach did not reveal any drift by ASAI India.

The inconclusive findings for worth illustrate a crucial theme which emerged from this study, namely that an organization need not be for-profit to generate low levels of social performance or have a minimal focus on social performance management. It is apparent that both for and non-profit entities can deliver weak or minimal social performance and that overall, it is the policies and preferences of management which guide an MFI's social performance, *not* its legal structure of for or non-profit.

9.2 Relation to Previous Research and Recommendations for Future Study

This study's findings are somewhat at odds with arguments made in the literature which typically portray for-profit microfinance in a negative light, with assumptions about mission drift often directly linked to organizations' legal for-profit forms (see Woller, 2007, p. 16; Copestake 2007a, p.21; CSFI, 2008, p. 24; CSFI, 2009, p.33; as discussed in section 2.3, Chapter 2). In fact in the present study, for-profit ASAI India actually charged a lower rate of interest than non-profit ASA Bangladesh, an occurrence that would not be predicted based on the nature of much of the literature's arguments on commercialization. Strategic planning for social performance was also stronger at ASAI India than ASA Bangladesh, a finding which is attributed to the commercialized country context in which ASAI India operates. Again this is contrary to

expectations, given the existing arguments in the literature on the issues of mission drift and commercialization.

From an empirical perspective however, this study's findings echo the majority of previous work conducted on examining mission drift, even Hishigsuren's (2004) study, which was not done from the perspective of commercialization. To date the bulk of empirical evidence available suggests mission drift is not a widespread occurrence in the microfinance sector, revealing a rather curious gap between the rhetoric and actual facts on this issue. Additional research into how different forms of for-profit microfinance (for example, whether an MFI is entirely financed by social investors or not) and how different time horizons for financial returns affect social performance may be beneficial, to greater advance knowledge in this field.

Further micro-level case study data may also be insightful, given the dominance of macro level studies in the literature on mission drift to date (see Cull, Demirgüç-Kunt & Morduch, 2006; Frank, 2008; and Mersland & Strøm, 2010, as discussed previously in section 2.16, Chapter 2). A comparison of ASA Bangladesh, ASAI India and another ASAI country operation (such as Cambodia or the Philippines) could be informative, as this would illustrate to what extent the phenomenon documented in this dissertation are present in other ASA-related operations and thus provide additional refinement and clarification of the theory of mission drift. Lastly, incorporating impact into any comparative social mission assessment, if possible, would complete the SPM logical chain (see Figure 4, section 4.2, Chapter 4) and provide a full, inclusive picture of the social performance of the MFIs under inquiry. This would enable even more detailed conclusions to be drawn regarding social mission fulfillment or mission drift by commercialized microfinance institutions, vis-à-vis their non-profit counterparts.

9.3 Recommendations for Policymakers

The findings from this research, while too circumscribed to allow for wide-ranging recommendations, do nonetheless provide insights which may be beneficial for microfinance policymakers to consider, particularly in Bangladesh, as the microfinance sector there remains rather uncommercialized. This study's findings suggest that the commercialization process can result in a significant expansion of breadth of outreach while simultaneously delivering cost savings to the clients being served. Given that worth appears to be no more likely to be affected by commercialized microfinance providers than non-commercialized ones, to the extent that breadth and cost savings are viewed by policymakers as beneficial, a move towards greater commercialization is thought to be a positive step. Specific measures which could be taken must be rooted in a deep understanding of the context and are beyond the scope of this study, however broadly speaking it appears that potential benefits of commercialization to the microfinance sector in Bangladesh may be going unrealized.

For Indian microfinance policymakers, the absence of this study's ability to compare worth and scope for savings products at ASAI India serves to illustrate the restrictions in place on the mobilization of savings by Indian Non-Bank Finance Companies (NBFCs), even for deposits from their own clients. It is acknowledged that there are risks involved in deposit taking which in turn require greater oversight and managerial capacity on the part of MFIs. However given the favorable views expressed by ASA Bangladesh clients on their ability to save safely with that organization, when coupled with the widely held notion among microfinance researchers that clients in general highly value access to savings (see Rutherford, 2000), it seems difficult to make a case against savings mobilization by Indian NBFCs. Such ability to mobilize savings would further enable MFIs in the country to extend their social mission fulfillment, to the extent organizations chose to do so.

9.4 Recommendations for Practitioners

The constrained worth of both ASA Bangladesh and ASAI India's operations also suggest that MFIs may wish to take additional steps to know their clients and what they value. Product mismatch problems in Bangladesh and service issues in India suggest that senior management in both organizations do not have a full picture of the reality on the ground from the client's perspective. While standardization and strict repayment evidently can yield organizational financial performance advantages, there are potential long-term negative implications to not listening to what the customer wants. Failing to actively work to retain clients and tailor products and services to their needs could be potentially detrimental to institutional financial sustainability down the road, or at the very least hinder the official stated social aims of an organization.

The findings from ASAI India also indicate that social investors (such as Oikocredit) do indeed require evidence of an organization actively working to develop and implement social performance management plans. Whether these plans have merit in and of themselves is beyond the scope of this study, however MFIs operating in a commercialized context which permits foreign social investors to import funds may wish to take note of this fact. It may be advantageous for MFIs in a context such as India to proactively take steps towards managing for social performance if they wish to seek social investor financing, if for no other reason than to try and preemptively satisfy funder requirements. Such steps may result in more favorable assessments by social investors and accordingly, potentially larger loans. Additionally, to the extent that notions of social performance and social mission fulfillment are considered important, additional social returns can be realized by MFIs through acting in this manner.

References

ABP Website. (n.d.). *ESG start*. Retrieved April 26, 2008, from http://www.abp.nl/abp/abp/investments/investments/esg/default.asp

Acción International Website, Acción's history: Microlending begins. (n.d.). Retrieved June 29, 2008, from http://www.accion.org/NETCOMMUNITY/Page.aspx?pid=797&srcid=506

Acción International Website, Glossary. (n.d.). Retrieved September 23, 2010, from http://www.accion.org/Page.aspx?pid=257#o

Afwan, I., & Charitonenko, S. (2003). *Commercialization of microfinance - Indonesia*. Asian Development Bank.

Ahmmed, M. (2003). *Fighting poverty with innovative business strategy. A case study on ASA.* Dhaka, Bangladesh: ASA.

Arichi, H. (2007). *Microfinance at IFC*. Japan Microfinance Symposium. Retrieved July 1, 2008, from http://www.adbi.org/files/arichi_microfinace.pdf

Armendáriz, B., & Szafarz, A. (2009). *On mission drift in microfinance institutions*. Université Libre de Bruxelles, Solvay Brussels School of Economics and Management, Centre Emile Bernheim (CEB). Retrieved June 6, 2010, from http://ideas.repec.org/p/sol/wpaper/09-015.html

ASA. (2001). *ASA manual. (6th Ed.).* Dhaka, Bangladesh: ASA.

ASA. (2002). *Addressing poverty*. Dhaka, Bangladesh: ASA.

ASA (2008). *ASA at a glance: As of June 2008*. Dhaka, Bangladesh: ASA.

ASA. (2009). *Annual report 2009*. Dhaka, Bangladesh: ASA.

ASA International [ASAI]. (2008). *Annual report 2008*. Dhaka, Bangladesh: ASA.

ASA International [ASAI]. (2009). *Annual report 2009*. Dhaka, Bangladesh: ASA.

ASAI India. (2010). *No title*. Kolkata, India: ASAI India.

ASA International [ASAI] Website. (n.d.). *Overview*. Retrieved October 3, 2010, from http://www.asa-international.com/over_view_of_asa_International.htm

ASA Website. (n.d.). *Evolution.* Retrieved September 24, 2010, from http://www.asa.org.bd/about_evolution.html

ASA Website. (n.d.). *Program*. Retrieved September 23, 2010, from http://www.asa.org.bd/program.html

ASA Website. (n.d). *Vision-Mission-Objective.* Retrieved January 8, 2010, from http://www.asa.org.bd/about_mission.html

Asian Development Bank. (2000.). *Microfinance development strategy*. Retrieved May 08, 2008, from http://www.adb.org/Documents/Policies/Microfinance/microfinance0100.asp

Afwan, I., & Charitonenko, S. (2003). *Commercialization of microfinance - Indonesia*. Asian Development Bank.

Banerjee, A., Duflo, E., Glennerster, R., & Kinnan, C. (2009). *The miracle of microfinance? Evidence from a randomized evaluation*. Jameel Poverty Action Lab. Retrieved October 22, 2010, from http://www.povertyactionlab.org/sites/default/files/publications/The%20Miracle%20of%20Microfinance.pdf

Banking With The Poor Network [BWTP]. (2009). *Microfinance industry report: Bangladesh.* Retrieved November 12, 2010, from http://www.bwtp.org/files/MF_Industry_Report_Bangladesh_ELECTRONIC.pdf

Barr, M. (2005). *Microfinance and financial development. The John M Olin center for law & economics working paper series, paper no. 46*. University of Michigan Law School.

Bateman, M. (2010). *Commercialised microfinance: A Wall Street-style calamity for the poor?* Retrieved September 23, 2010, from http://blogs.odi.org.uk/blogs/main/archive/2010/08/17/microfinance_SKS.aspx

Baydas, M., Graham, D., & Valenzuela, L. (1997). *Commercial banks in microfinance: New actors in the microfinance world.* Retrieved June 22, 2008, from http://microlinks.org/file_download.php/commercial_banks_in_MF.pdf?URL_ID=7436&filename=11202874581commercial_banks_in_MF.pdf&filetype=application%2Fpdf&filesize=109898&name=commercial_banks_in_MF.pdf&location=user-S/

Benson, R. (2008). *Microcapital story: In Bangladesh, rising food prices affecting loan repayments in microfinance programs.* Retrieved November 12, 2010, from http://www.microcapital.org/microcapital-story-in-bangladesh-rising-food-prices-affecting-loan-repayments-in-microfinance-programs/

Bystrom, H. (2007). Structured microfinance. (Commercialization of microfinance). *Journal of Structured Finance, 13, 2,* 26-28.

Campion, A., Dunn, E., & Arbuckle Jr., G. (2002). Creating a microfinance bank in Peru. In D. Drake & E. Rhyne (Eds.), *The commercialization of microfinance: Balancing business and development* (pp. 22-45). Bloomfield, CT, USA: Kumarian Press, Inc.

Catalyst Microfinance Investors [CMI] Website. (n.d.). *Catalyst Microfinance Investors*, Retrieved September 23, 2010, from http://www.catalyst-microfinance.com/

Centre for the Study of Financial Innovation [CSFI]. (2008). *Microfinance banana skins 2008: Risk in a booming industry*. Retrieved September 23, 2010, from http://www.citigroup.com/citi/microfinance/data/news080303b.pdf

Centre for the Study of Financial Innovation [CSFI]. (2009). *Microfinance banana skins 2009: Confronting crisis and change.* Retrieved October 29, 2010, from http://microrate.com/wp-content/uploads/2009/07/microfinance-banana-skins-2009-2.pdf

Charitonenko, S. (2003). *Commercialization of microfinance: The Philippines.* Asian Development Bank. Retrieved June 18, 2008, from http://www.adb.org/Documents/Reports/Commercialization_Microfinance/PHI/micro_phi.pdf

Charitonenko, S., Campion, A., & Fernando, N. (2004). *Commercialization of microfinance: Perspectives from South and Southeast Asia.* Asian Development Bank.

Charitonenko, S., & Rahman, S.M. (2002). *Commercialization of microfinance – Bangladesh.* Asian Development Bank.

Chen, G. (2010). *The birthplace of microcredit contemplates mobile money*. CGAP Blog. Retrieved October 3, 2010, from http://technology.cgap.org/2010/02/09/the-birthplace-of-microcredit-contemplates-mobile-money/

Chen, G., Rasmussen, S., Reille, X., & Rosas, D. (2010). *Indian microfinance goes public: The SKS initial public offering. CGAP focus note 65.* Retrieved October 28, 2010, from http://www.cgap.org/gm/document-1.9.47613/FN65_Rev.pdf

Chen, S., & Schreiner, M. (2009). *A simple poverty scorecard for Bangladesh* Retrieved May 16, 2010, from http://www.microfinance.com/English/Papers/Scoring_Poverty_Bangladesh.pdf

Chowdri, S. (2004). *Downscaling institutions and competitive microfinance markets: Reflections and case-studies from Latin America*. CALMEADOW. Retrieved January 26, 2011, from http://www.microfinancegateway.org/gm/document-1.9.29720/21118_Calmeadow_Downscaling_Final_Adobe.pdf

Christen, R.P. (2001). *Commercialization and mission drift: The transformation of microfinance in Latin America. CGAP occasional paper no. 5.* Retrieved April 16, 2008, from http://www.microfinancegateway.org/files/2589_074.pdf

Christen, R.P., Drake, D. (2002). Commercialization: The new reality of microfinance. In D. Drake & E. Rhyne (Eds.), *The commercialization of microfinance: Balancing business and development* (pp. 22-45). Bloomfield, CT, USA: Kumarian Press, Inc.

Christen, R.P., Rhyne, E., Vogel, R.C., & McKean, C. (1995). *Maximizing the outreach of microenterprise finance: An analysis of successful microfinance programs. USAID program and operations assessment report No. 10.* Retrieved January 26, 2011, from http://www.microfinancegateway.org/gm/document-1.9.28819/1507_01507.pdf

CIA, The World Factbook, Bangladesh (n.d.). Retrieved October 3, 2010, from https://www.cia.gov/library/publications/the-world-factbook/geos/bg.html

CIA, The World Factbook, India. (n.d.). Retrieved October 3, 2010, from https://www.cia.gov/library/publications/the-world-factbook/geos/in.html

CompartamosBanco Website. (n.d.). *About Compartamos Banco history.* Retrieved June 22, 2008, from http://www.compartamos.com/wps/portal/!ut/p/c1/04_SB8K8xLLM9MSSzPy8xBz9CP0os_gADwNLcw93IwP_UHcXAyNjR6cgIy9TY29jM_1wkA6zeAMcwNFA388jPzdVvyA7rxwAsAPlcQ!!/dl2/d1/L2dJQSEvUUt3QS9ZQnB3LzZfUEgwOTdIRzIwT1VHRDAyM0FCUjJKNTNLSjI!/?mosHist=1

Copestake, J. (2007a). Mission drift: Understand it, avoid it. *ESR Review, 9, 2,* 20-25.

Copestake, J. (2007b). Mainstreaming microfinance: Social performance management or mission drift? *World Development, 35, 10*, 1721-1738.

Cull C., Demirgüç-Kunt, A., & Morduch, J. (2006). *Financial performance and outreach: A global analysis of leading banks. World Bank policy research working paper 3827.* Retrieved October 29, 2010, from http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2006/01/24/000016406_20060124163013/Rendered/PDF/wps3827.pdf

DAI Washington. (2007). *The Deutsche Bank global commercial microfinance consortium and USAID's DCA Guarantee*. Retrieved July 1, 2008, from http://microlinks.org/ev_en.php?ID=17450_201&ID2=DO_TOPIC

Daley-Harris, S. (2009). *State of the microcredit summit campaign: Report 2009.* Washington, D.C.: The Microcredit Summit Campaign. Retrieved January 26, 2011, from http://www.microcreditsummit.org/uploads/socrs/SOCR2009_English.pdf

De Schrevel, J.P. (2005). *Linking microfinance to international capital markets.* ADB Finance for the Poor, Volume 6, No. 2.

Dhaka City Corporation. (n.d.). *Dhaka city at a glance.* Retrieved October 22, 2010, from http://www.dhakacity.org/Page/About/Link_1/2/List_id_1/21/Subid_1/31/Dhaka_City_At_a_Glance

Dieckmann, R. (2007). *Microfinance: An emerging opportunity. Uniting social investment and financial returns.* Deutsche Bank Research.

Dowla, A., & Barua, D. (2006). *The poor always pay back: The Grameen II story*. Bloomfield, Connecticut, USA: Kumarian Press, Inc.

Drake, D., & Rhyne, E. (2002). *The commercialization of microfinance: Balancing business and development.* Bloomfield, CT, USA: Kumarian Press, Inc.

Dunford, C. (2002). *What's wrong with loan size?* Retrieved June 22, 2008, from http://www.microfinancegateway.com/files/3223_3223.pdf

Ellerman, D. (2007). Microfinance: Some conceptual and methodological problems. In T. Dichter & M. Harper (Eds.), *What's wrong with microfinance?* (pp. 149-161). Warwickshire, UK: Intermediate Technology Publications, Ltd.

Fernando, N. (2004). *Micro success story? Transformation of nongovernment organizations into regulated financial institutions.* Asian Development Bank.

Fernando, N., & Myers, R. (2002). *ASA – The Ford model of microfinance.* ADB Finance for the Poor, Vol. 3, No. 2. Retrieved October 3, 2010, from http://www.microfinancegateway.org/gm/document-1.9.29408/3290_03290.pdf

Forbes.com. (2007). *The top 50 microfinance institutions*. Retrieved March 6, 2009, from http://www.forbes.com/2007/12/20/microfinance-philanthropy-credit-biz-cz_ms_1220microfinance_table.html

Ford Foundation. (n.d.). *Case # 6 Bangladesh: ASA.* Procasur. Retrieved October 22, 2010, from http://www.procasur.org/microfinanzas-asia/wp-content/uploads/2009/06/asa-india.pdf

Frank, C. (2008). *Stemming the tide of mission drift: Microfinance institutions and the double bottom line.* Women's World Banking. Retrieved May 12, 2010, from http://www.swwb.org/files/pubs/en/stemming_the_tide_of_mission_drift_microfinance_transformations_and_the_Double_Bottom_Line.pdf

Getu, M. (2007). Does commercialization of microfinance programs lead to mission drift? *Transformation, 24/3 & 4,* 169-179.

Ghosh, S., & Van Tassel, E. (2008). *A model of mission drift in microfinance institutions.* Retrieved October 29, 2010, from http://www.microfinancegateway.org/gm/document-1.9.30445/32.pdf

Goldberg, N. (2005). *Measuring the impact of microfinance: Taking stock of what we know.* Grameen Foundation USA Publication Series. Retrieved June 5, 2008, from http://www.grameenfoundation.org/pubdownload/dl.php?pubID=29

Grameen America. (n.d.). *Origins*. Retrieved July 4, 2008, from http://www.grameenamerica.com/Origins/Origins.html

Grameen Bank Website. (n.d.). *A short history of Grameen Bank.* Retrieved October 3, 2010, from http://www.grameen-info.org/index.php?option=com_content&task=view&id=19&Itemid=114

Hishigsuren, G. (2004). *Scaling up and mission drift: Can microfinance institutions maintain a poverty alleviation mission while scaling up?* Unpublished doctoral dissertation. Retrieved April 18, 2008, from http://www.snhu.edu/files/pdfs/Hishigsuren.pdf

Imp-Act Consortium Website. (n.d.). *Making microfinance work for the poor and excluded*. Retrieved April 11, 2008, from http://www2.ids.ac.uk/impact/

International Finance Corporation [IFC]. (2009a). *Bangladesh: Microfinance and financial sector diagnostic study*. Retrieved October 3, 2010, from http://www.ifc.org/ifcext/mifa.nsf/AttachmentsByTitle/Bangladesh_20090920.pdf/$FILE/Bangladesh_20090920.pdf

International Finance Corporation [IFC]. (2009b). *India: Microfinance and financial sector diagnostic study*. Retrieved October 3, 2010, from http://www.frankfurt-school.de/dms/international/en/publications/MIFA---Indien/MIFA_India_Diagnostic_2009.pdf

International Fund for Agricultural Development [IFAD]. (2006). *Assessing and managing social performance in microfinance.* IFAD.

Japonica InterSect. (2005). *Microfinance for profit*. Retrieved January 26, 2011, from http://www.jintersect.com/PDF/CAKE%20JI%20Microfinance%20for%20Profit_MF500021.pdf

Kamal, M.M. (2006). *Introducing ASA innovative and sustainable microfinance model.* Dhaka, Bangladesh: ASA.

Karlan, D., & Zinman, J. (2009). *Expanding microcredit enterprise credit access: Using randomized supply decisions to estimate the impacts in Manila.* Retrieved October 22, 2010, from http://www.dartmouth.edu/~jzinman/Papers/expandingaccess_manila_jul09.pdf

Kolkata Metropolitan Authority [KMA]. (2009). *Annual report 2009*.

Lapenu, C., & Zeller, M. (n.d.). *SPI report no. 1. Towards defining social performance of micro-finance institutions: Literature review and synthesis.*

Latortue, A. (2010). *The next decade of microfinance*. CGAP Blog. Retrieved September 23, 2010, from http://microfinance.cgap.org/author/Alexia-Latortue/

Lieberman, I., Anderson, A., Grafe, Z., Campbell, B., & Kopf, D. (2007). *Microfinance and capital markets: The initial listing/public offering of four leading institutions*. Calmeadow and the Council of Microfinance Equity Funds.

Littlefield, E., Hashemi, S., & Morduch, J. (2003). *Is microfinance an effective strategy to reach the millennium development goals? CGAP focus note 24.* Retrieved April 08, 2008, from http://www.cgap.org/gm/document-1.9.2568/FocusNote_24.pdf

Mersland, R., & Strøm, R.O. (2010). Microfinance mission drift? *World Development, 38, 1,* 28-36.

Microcapital Website. (2008). *Microcapital story: ASA International secures $125m in largest microfinance equity commitment to date*. Retrieved April 23, 2008, from http://www.microcapital.org/?p=1733

Micro-Credit Ratings International Limited [M-CRIL]. (2010). *ASA India social rating: Enhanced – comprehensive.*

Microcredit Summit E-News. (2007*). Compartamos IPO: Microfinance doing good, or the undoing of microfinance? Volume 5, issue 1*. Retrieved June 22, 2008, from http://www.microcreditsummit.org/enews/2007-07_index.html

Microfinance Center [MFC] Website. (n.d.). *Social performance management.* Retrieved August 18, 2010, from http://www.mfc.org.pl/index_new.html

Microfinance Gateway Website. (n.d.). *What is microfinance?* Retrieved July 8, 2008, from http://www.microfinancegateway.org/section/faq

Miles, M.B., & Huberman, A.M. (1994). *Qualitative data analysis: An expanded sourcebook. (2nd Ed.).* Thousand Oaks, California, USA: Sage Publications, Inc.

MIX Market ASA. (n.d.). Retrieved January 18, 2010, from http://www.mixmarket.org/mfi/asa

MIX Market ASA International [ASAI] India. (n.d.). Retrieved November 16, 2010, from http://www.mixmarket.org/mfi/asa-india

MIX Market BRI. (n.d.). Retrieved November 16, 2010, from http://www.mixmarket.org/mfi/bri

MIX Market Compartamos. (n.d.). Retrieved November 16, 2010, from http://www.mixmarket.org/mfi/compartamosbanco

MIX Market. (n.d.). Retrieved June 17, 2010, from http://www.mixmarket.org/
Mommartz, R., & Schor, G. (2002). The role of specialized investors in commercialization. In D. Drake & E. Rhyne (Eds.), *The commercialization of microfinance: Balancing business and development* (pp. 22-45). Bloomfield, CT, USA: Kumarian Press, Inc.

Morduch, J. (2000). The Microfinance schism. *World Development, 28, 4,* 617-629.

Morduch, J. (2006). Smart subsidies. *ESR Review, 8, 1,* 10-16.

Morduch, J., & Haley, B. (2002). *Analysis of the effects of microfinance on poverty reduction. NYU Wagner working paper no. 1014*. Retrieved January 3, 2008, from http://pdf.wri.org/ref/morduch_02_analysis_effects.pdf

Myers, R. (2007). Measuring the impact of microfinance. In T. Dichter & M. Harper (Eds.), *What's wrong with microfinance?* (pp. 225-240). Warwickshire, UK: Intermediate Technology Publications, Ltd.

Oikocredit Website. (n.d.). *What is Oikocredit?* Retrieved September 23, 2010, from http://www.oikocredit.org/en/who-we-are

Opportunity International. (2007). *What is mission drift?* Retrieved April 27, 2008, from http://www.appg-microfinance.org/files/What%20is%20Mission%20Drift.pdf

Otero, M. (2005). *A commercial future for microfinance: Opportunities and challenges. UNCDF microfinance matters newsletter, issue 17.* Retrieved January 26, 2011, from http://www.uncdf.org/english/microfinance/pubs/newsletter/pages/2005_10/Microfinance_Matters_Issue_17.pdf

Otero, M. (2006). Profitable financial systems. *ESR Review, 8, 1,* 5-10.

Planet Finance. (2006). *Commercialization of microfinance*. Retrieved July 2, 2008, from http://www.planetfinance.org/documents/EN/Commercialization.pdf

Ragin, C. (1994). *Constructing social research: The unity and diversity of method*. London & Delhi: Pine Forge Press.

Rahman, R., & Mohammed, S.S. (2007). *BRAC micro credit securitization series I: Lessons from the world's first micro-credit backed security (MCBS).* Boston, MA: MF Analytics Ltd.

Reddy, R. (2007). *Microfinance cracking the capital markets II.* Acción, Insight, #22.

Reed, L. (2006). Overcoming the obstacles to accessing commercial funds while maintaining a commitment to reaching the poorest. In Daley-Harris, S. & Awimbo, A. (Eds.), *More Pathways Out of Poverty* (pp. 95-128). Bloomfield Connecticut: USA: Kumarian Press, Inc.

Reille, X., & Forster, S. (2008). *Foreign capital investment in microfinance: Balancing social and financial returns. CGAP focus note 44*. Retrieved April 3, 2008, from http://www.cgap.org/portal/binary/com.epicentric.contentmanagement.servlet.ContentDeliveryServlet/Documents/FocusNote_44.pdf

Rhyne, E., & Guimon, A. (2007). *The Banco Compartamos initial public offering (insight no. 23).* Retrieved June 2, 2008, from http://www.microfinancegateway.org/files/41602_file_IS23EN.pdf

Robinson, M.S. (2001). *The microfinance revolution: Sustainable finance for the poor*. Washington DC, USA: World Bank.

Rosenberg, R. (2007). *CGAP reflections on the Compartamos initial public offering: A case study on microfinance interest rates and profits. CGAP focus note 42.* Retrieved June 13, 2010, from http://www.cgap.org/gm/document-1.9.2440/FN42.pdf

Rosenberg, R. (2010). *Does microcredit really help poor people? CGAP focus note 59.* Retrieved November 12, 2010, from http://www.cgap.org/gm/document-1.9.41443/FN59.pdf

Rutherford, S. 2000. *The Poor and their money*. New Delhi: Oxford University Press.

Rutherford, S. (2009). *The pledge.* NY: Oxford University Press.

Schreiner, M. (2002). Aspects of outreach: A framework for the discussion of the social benefits of microfinance. Preprint of article published in *Journal of International Development 14*, 1-13.

Schreiner, M. (2007). *Simple poverty scorecards.* Retrieved June 26, 2010, from http://www.microfinance.com/English/Papers/Scoring_Poverty_Simple.pdf

Schreiner, M. (2008). *A simple poverty scorecard for India.* Retrieved September 23, 2010, from http://www.microfinance.com/English/Papers/Scoring_Poverty_India.pdf

Schmidt, O., & Ramana, N.V. (2010). Mission drift of large MFIs? *Development and Cooperation, 51(2)*, 60-61.

Seibel, H. (2003). History matters in microfinance. *Small Enterprise Development, 14, 2,* 10-12.

Smith, I., Broderick, M., & Winsor, G. (2007). Accessing commercial capital markets. *ESR Review, 9, 2,* 26-33.

Social Performance Task Force. (2009). *Social performance indicators report.* Retrieved June 16, 2010, from http://api.ning.com/files/kkaGy*SdQLvoSzEDUNo57Yhe9SC7XdEKguz5bq7Z-qY9Q9rFXenGjo*Ir1fulgd9BUEcC5Ur2l95dSF0-DVdpfkrfu*SlUBV/2009SPReport_English.xls

Srinivasan, N. (2009). *Microfinance India: State of the sector report*. Retrieved October 3, 2010, from http://www.microfinancegateway.org/p/site/m//template.rc/1.9.46247

Sriram, M.S., & Upadhyayula, R.S. (2004). The transformation of the microfinance sector in India: Experiences, options, and future. *Journal of Microfinance, 6, 2,* 89-112.

The SEEP Network. (n.d.). *Learning from clients: Assessment tools for microfinance practitioners.* Washington, DC: The SEEP Network.

TIAA-CREF Website. (n.d.). *Corporate culture*. Retrieved April 22, 2008, from http://www.tiaa-cref.org/about/careers/topics/corporate_culture.html

United Nations Capital Development Fund [UNCDF]. (2006). *Building inclusive financial sectors for development.* United Nations Department of Economic and Social Affairs & United Nations Capital Development Fund: NY.

United Nations Capital Development Fund [UNCDF] Website. (n.d.). *UNDP microfinance policy*. Retrieved June 23, 2008, from http://www.uncdf.org/english/microfinance/undp_policy.php

United Nations Development Programme [UNDP]. (2009). *Summary human development report 2009.* Retrieved October 3, 2010, from http://hdr.undp.org/en/media/HDR_2009_EN_HDI.pdf

Valenzuela, L. (2002).Getting the recipe right: The experience and challenges of commercial bank downscalers. In D. Drake & E. Rhyne (Eds.), *The commercialization of microfinance: Balancing business and development* (pp. 46-74). Bloomfield, CT, USA: Kumarian Press, Inc.

van Bastelaer, T., & Zeller, M. (2006). Achieving the microcredit summit and Millennium Development Goals of reducing extreme poverty: What is the cutting edge on cost-effectively measuring movement across the $1/day threshold? In Daley-Harris, S. & Awimbo, A. (Eds.), *More Pathways out of Poverty* (pp. 1-39). Bloomfield Connecticut: USA: Kumarian Press, Inc.

Walmart Website. (n.d.). Retrieved September 23, 2010, from http://walmartstores.com/CommunityGiving/203.aspx

Walton, J. (1992). Making the theoretical case. In C. C. Ragin & H.S. Becker, (Eds.), *What Is a Case: Exploring the Foundations of Social Inquiry*, (pp. 121-137).Cambridge, UK: Cambridge University Press.

White, V., & Campion, A. (2002). Transformation: Journey from NGO to regulated MFI. In D. Drake & E. Rhyne (Eds.), *The commercialization of microfinance: Balancing business and development* (pp. 22-45). Bloomfield, CT, USA: Kumarian Press, Inc.

Woller, G. (2001). *Poverty lending, financial self-sufficiency and the six aspects of outreach.* Washington DC: The SEEP Network. Retrieved March 5, 2010, from http://www.seepnetwork.org/Resources/691_PovertyLendingWoller.doc

Woller, G. (2002). The promise and peril of microfinance commercialization. *Small Enterprise Development, 13, 4*, 12-21.

Woller, G. (2006). *Evaluating MFI's social performance: A measurement tool. Microreport #35*. Retrieved April 25, 2008, from http://www.microlinks.org/file_download.php/mR+35+Evaluating+MFIs%27+Social+Performance.pdf?URL_ID=9959&filename=11400374481mR_35_Evaluating_MFIs%27_Social_Per

formance.pdf&filetype=application%2Fpdf&filesize=900060&name=mR+35+Evaluating+MFIs%27+Social+Performance.pdf&location=user-S/

Woller, G. (2007). Trade-offs between social and financial performance. *ESR Review, 9, 2,* 14-19.

Woller, G. (2008). *Social audit tool Handbook: Using the social audit to assess the social performance of microfinance institutions*. Retrieved January 20, 2009, from http://www.microlinks.org/file_download.php/Social+Audit+Handbook.pdf?URL_ID=25145&filename=12185631011Social_Audit_Handbook.pdf&filetype=application%2Fpdf&filesize=356536&name=Social+Audit+Handbook.pdf&location=user-S/

Woller, G., Dunford, C. & Woodworth, W. (1998). *Where to microfinance?* Osaka, Japan: Global Development Research Centre.

World Bank Website. (n.d.). *Microfinance.* Retrieved January 26, 2011, from http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20433592~menuPK:34480~pagePK:64257043~piPK:437376~theSitePK:4607,00.html

Yin, R.K. (2003). *Case study research design and methods (3rd Ed).* Thousand Oaks, California, USA: Sage Publications, Inc.

Young, R., & Drake, D. (2005*). Banking at the base of the pyramid: A primer for commercial banks. Microreport #22*. Retrieved June 19, 2008, from http://www.eldis.ids.ac.uk/vfile/upload/1/document/0708/DOC19804.pdf

APPENDIX A: ASA & ASAI India Management/Branch Staff Interview/Focus Group Questions

To understand how ASA/ASAI India's social mission is put into practice, an interview/focus group guide has been constructed. Information will be gathered in several key areas. Each staff member interview/focus group is expected to last between 40-60 minutes. Note that not all

questions may be asked at each session, the semi-structured approach used allows for deviation from this guide if need be.

Further note that questions asked at the field level came mainly from the first section, due to field staff's lack of knowledge on the other areas.

1. Mission Statement, Communication and Management Leadership

1. What is ASA/ASAI India's social mission? How was the mission statement formulated?
2. How do you define "poverty"?
3. How is the mission applied in practice?
4. Do you have specific objectives and goals set which reflect your mission? How is this demonstrated? What kind of impacts do you expect?
5. What are your client targeting policies?
6. How is your vision and mission communicated throughout the organization? Could you give an example?
7. How do you know if other managers and staff are embracing and adopting this vision?
8. What importance does the social mission have in motivating staff behavior? (Management and in the field)
9. Have you ever had problems balancing fulfilling your social mission and having strong financial performance? How do you manage balancing them? How do you avoid focusing only on profitability? Example?
10. How is social performance info used in making management decisions? Example?
11. What is the background of board members? Do they reflect the organization's mission and organizational culture? How?

2. Hiring and Training

1) What kind of people do you seek to work at ASA/ASAI India? Example?
2) Is ASA's mission reflected in its hiring practices? How? Why/why not?
3) Tell me about training for new employees. Is ASA/ASAI India's mission reflected in its training for new employees? How are they trained? What priority is social mission given in training?
4) What kind of ongoing training for current employees do you do? How is the social mission reflected in that? Examples?
5) How are people promoted? Is their ability to contribute to the social mission and vision of ASA/ASAI India a factor? How? Examples?

3. Incentives

1) What kind of employee incentive programs does ASA/ASAI India have? Are there different ones for management and field? (i.e. performance bonuses for branch managers, repayment bonuses for loan officers, etc.).
2) Are these connected to ASA/ASAI India's mission? In what way?
3) What kind of behaviors are these incentives designed to create?
4) How well is it working?
5) How can you attribute outcomes to the incentive system?
6) How do you encourage fulfillment of ASA/ASAI India's social mission? Example?

4. Monitoring Systems

1) Tell me about systems used to track financial performance. Social performance?
2) Does ASA/ASAI India engage in regular social performance monitoring? How?
3) What indicators exist?
4) How is this information collected? Analyzed? Used? Example?
5) Are any formal reports produced based on this information?
6) How is information used to ensure compliance with ASA/ASAI India's social mission?
7) Is any one person or department responsible for monitoring social performance? How do you feel about this? Why?

5. Strategic Planning

1) What are ASA/ASAI India's priorities for the next 5 years?
2) What action plans will you undertake to achieve them?
3) Are any specific social performance objectives expected in the future?
4) If so, how will they be met?
5) When was the last board meeting? What was discussed? Is this the usual sort of agenda for board meetings?
6) What role does the board play in bringing social performance issues into the strategic planning process?
7) What are the major challenges facing ASA/ASAI India in the next year?

6. Corporate Social Responsibility (CSR)

1) Does ASA/ASAI India have a formal written CSR policy?
2) Over the last year has ASA/ASAI India made any cash or contributions in kind to community groups or charities in Bangladesh/India?
3) Is there a written code of conduct governing management and staff relationships with each other and customers?
4) Is there a formal procedure which gives clients access to management to express concerns, complaints, etc.? Tell me about it.
5) Is there a formal grievance procedure for staff and management?
6) What is staff turnover rate? How do you feel about this? Why is there turnover?

7) Does ASA/ASAI India offer any social benefits to employees that are not required by law?
8) Is ASA/ASAI India subject to any formal legal or regulatory requirements? How are you complying with them?

APPENDIX B: ASA/ASAI India Client & Ex-client Focus Group/Interview Starters Cost & Customer Satisfaction

Background

To begin, please tell a bit about yourselves: what is their age, are the clients married/widow, how many people in their family, do they have children in school, did they go to school themselves, are they literate, what type of business/income generating activity do they do, where do they live (indicative examples, not necessarily asked for each discussion).

1. Cost

1. How long does it take to apply for a loan? (Average number of days)
2. What is needed? Please take me through the process of applying. (Documents needed, transport costs, distance and time traveled). How do they feel about this – are they satisfied with these requirements? (Probe)
3. Is collateral needed? Admission fees? Are they satisfied with this? (Probe, explore)
4. How long do they have to wait after the application is completed to receive the loan? (Average number of days) Are they satisfied with this? (Probe)
5. How is actual loan received?
6. How much interest is charged? Are there any extra non-interest fees? Are they satisfied with this? (Probe)
7. How do they repay the loan? Do they attend regular meetings? How long do these take? How far do they travel to go there? (Get specific figures, probe and push for examples)
8. If they weren't at the meeting, what would they do? Would they rather be doing that than attending the loan meeting? (Specific examples, explore
9. How much money could they make in that time if they weren't in the meeting?
10. If they make savings deposits, how long does this take? Are they satisfied with this?
11. Overall, how satisfied are they with the cost requirements of ASA/ASAI India? (Probe, get clients to expand, clarify any additional points, seek out additional examples)

2. Satisfaction with Products

12. How do they feel about the size of the loan they received? Its length of repayment and the frequency of these repayments? The requirement to have a group meeting? Are they satisfied with these aspects of ASA/ASAI India? (Why? Probe, explore)
13. If savings are available, are they using savings? Are they mandatory or voluntary? Short or long-term? How about the interest offered on these products? How do they make a withdrawal? How do they feel about all this, are they satisfied with this? (Explore, probe)
14. How satisfied are they with ASA's procedures for giving loans? (Are they easy, complicated, etc.? Probe/clarify if need be)
15. How do they feel about all the different products ASA/ASAI India offers? Any they would like to see that don't exist? (Probe)

2.1 Additional Questions for Ex-Clients

16. Why did they drop out? (Loan size dissatisfaction, application or repayment process issues, group meeting attendance, bad customer service, disliked other group members etc., probe)
17. Who made the decision for them to leave? (Themselves, ASA/ASAI India or a family member?) How do they feel about this?
18. Are they getting loans elsewhere now? Why? (Probe)
19. Would they consider rejoining ASA/ASAI India later? Why/why not?

3. Satisfaction with Service Quality

20. How do they feel about your loan officer? Are they polite, professional, etc.? How satisfied are they with the service they receive from the loan officer? (Probe, get examples)
21. How do they feel about the branch manager or any other managers they have dealt with? Are they polite, professional, etc.? How satisfied are they with the service they receive from these managers? (Probe, get examples)
22. Do loan officers and branch managers treat everyone equal? Treat everyone (including them) fairly? How do they feel about this treatment, are they satisfied with it? (Probe, get examples)
23. Is there ever any bias or favoritism from loan officers or branch staff towards themselves or other clients? (Probe)
24. Are the loan officers and branch staff accessible when they need them? Are they satisfied with this current level of accessibility? How do contact them if need be? Are they satisfied with these existing arrangements?
25. Does the branch staff process their loan applications quickly? Are they satisfied with the current speed and manner in which applications are processed? (Probe)
26. Are loan officers punctual for meetings? How satisfied are they with the loan officers' attendance and arrival times?
27. For those with savings, are they confident ASA is a safe place to save? How satisfied are they with its security, reputation, etc? (Probe, get examples)
28. Anything they particularly like/dislike about ASA/ASAI India? Why? (Probe)
29. Is there anything I haven't asked that they would like to tell me?

4. Compared with Alternatives:

30. What other options (besides ASA or ASAI India) exist for getting money?
31. How long does it take to apply/get money there? (Average number of days)
32. What is needed? Take me through the process. (Documents needed, transport costs, distance traveled)
33. Is collateral needed?
34. How long to wait to get money this way? (Average number of days)
35. How much interest is charged?

36. How do they repay it? Are there group meetings? How long do these take? How far do they travel to go there? What is the time to get there?
37. How do they feel about the products, cost and service of these other options?

APPENDIX C: Progress Out Of Poverty Index (PPI) For Bangladesh

Figure 1: A simple poverty scorecard for Bangladesh

Entity	**Name**	**ID**	**Date** (DD/MM/YY)
Member:	_____	_____	Joined: _____
Loan officer:	_____	_____	Today: _____
Branch:	_____	_____	Household size: ____

Indicator	**Value**	**Points**	**Score**
1. How many household members are 11-years-old or younger?	A. Four or more B. Three C. Two D. One E. None	0 9 12 19 31	
2. Does any household member work for a daily wage?	A. Yes B. No	0 10	
3. What type of latrine does the household use?	A. Open field B. *Kacha* latrine (temporary or permanent), *pacca* (pit or water seal), or sanitary	0 5	
4. How many rooms does the household occupy (excluding rooms used for business)?	A. One, two, or three B. Four C. Five or more	0 7 11	
5. What is the main construction material of the walls?	A. Mud, brick, hemp/hay/bamboo, or other B. C.I. sheet/wood C. Brick/cement	0 2 8	
6. What is the main construction material of the roof?	A. Tile/wood, hemp/hay/bamboo, or other B. C.I. sheet/wood C. Brick/cement	0 2 13	
7. What is the total cultivable agricultural land owned by the household?	A. None, or less than 0.5 acres B. More than 0.5 acres, but less than 1 acre C. More than 1 acre		
8. Does the household own a television?	A. No	0	

	B. Yes	7	
9. Does the household own a two-in-one cassette player?	A. No B. Yes	0 5	
10. Does the household own a wristwatch?	A. No B. Yes	0 4	

Microfinance Risk Management, L.L.C., http://www.microfinance.com **Score:**
(Source: reproduced from Chen & Schreiner, 2009, p. 73)

APPENDIX D: Progress Out Of Poverty Index (PPI) For India

Figure 1: A simple poverty scorecard for India

Entity	**Name**	**ID**	**Date** (DD/MM/YY)
Member:	_____	_____	Joined: _____
Loan officer:	_____	_____	Today: _____
Branch:	_____	_____	Household size: ____

Indicator	**Value**	**Points**	**Score**
1. How many people aged 0 to 17 are in the household?	A. Five or more B. Four C. Three D. Two E. One F. None	0 4 8 13 20 27	
2. What is the household's principal occupation?	A. Labourers (agricultural, plantation, other farm), hunters, tobacco preparers and tobacco product makers, and other labourers B. Others C. Professionals, technicians, clerks, administrators, managers, executives, directors, supervisors, and teachers	0 8 14	
3. Is the residence all *pucca* (burnt bricks, stone, cement, concrete, jackboard/cement-plastered reeds, timber, tiles, galvanised tin or asbestos cement sheets)?	A. No B. Yes	0 4	
4. What is the household's primary source of energy for cooking?	A. Firewood and chips, charcoal, or none B. Others C. LPG	0 5 17	
5. Does the household own a television?	A. No B. Yes	0 6	
6. Does the household own a bicycle, scooter, or	A. No	0	

motor cycle?	B. Yes	5	
7. Does the household own an *almirah*/dressing table?	A. No B. Yes	0 3	
8. Does the household own a sewing machine?	A. No B. Yes	0 6	
9. How many pressure cookers or pressure pans does the household own?	A. None B. One C. Two or more	0 6 9	
10. How many electric fans does the household own?	A. None B. One C. Two or more	0 5 9	

Microfinance Risk Management, L.L.C., http://www.microfinance.com **Total Score:**
(Source: reproduced from Schreiner, 2008, p. 62)

APPENDIX E: Scoring Bands for Bangladesh Progress Out Of Poverty Index (PPI)

Figure 5 (Lower national poverty line): Estimated poverty likelihoods associated with scores

If a household's score is . . .	. . . then the likelihood (%) of being below the poverty line is:
0-4	100.0
5-9	71.6
10-14	74.5
15-19	64.3
20-24	49.5
25-29	37.6
30-34	29.7
25-39	18.8
40-44	9.9
45-49	9.6
50-54	4.7
55-59	4.0
60-64	2.8
65-69	0.4
70-74	0.0
75-79	0.0
80-84	0.0
85-89	0.0
90-94	0.0
95-100	0.0

(Source: Reproduced from Chen & Schreiner, 2009, p. 83)

Figure 5 (Upper national poverty line): Estimated poverty likelihoods associated with scores

If a household's score is . . .	. . . then the likelihood (%) of being below the poverty line is:
0-4	100.0
5-9	85.7
10-14	88.7
15-19	86.9
20-24	73.1
25-29	63.2
30-34	49.7
25-39	35.7
40-44	27.2
45-49	21.6
50-54	12.4
55-59	8.7
60-64	7.3
65-69	2.2
70-74	1.4
75-79	0.0
80-84	0.0
85-89	0.0
90-94	0.0
95-100	0.0

(Source: Reproduced from Chen & Schreiner, 2009, p. 96)

Figure 5 ($1.25/Day 2005 PPP poverty line): Estimated poverty likelihoods associated with scores

If a household's score is . . .	. . . then the likelihood (%) of being below the poverty line is:
0-4	100.0
5-9	94.6
10-14	91.7
15-19	92.8
20-24	85.0
25-29	74.7
30-34	67.3
25-39	49.8
40-44	39.9
45-49	31.3
50-54	19.9
55-59	13.9
60-64	9.4
65-69	4.2
70-74	1.4
75-79	1.6
80-84	0.0
85-89	0.0
90-94	0.0
95-100	0.0

(Source: Reproduced from Chen & Schreiner, 2009, p. 112)

Figure 5 ($1.75/Day 2005 PPP poverty line): Estimated poverty likelihoods associated with scores

If a household's score is . . .	. . . then the likelihood (%) of being below the poverty line is:
0-4	100.0
5-9	100.0
10-14	100.0
15-19	98.4
20-24	98.6
25-29	97.1
30-34	94.8
25-39	85.9
40-44	77.3
45-49	66.8
50-54	59.7
55-59	45.5
60-64	35.5
65-69	32.0
70-74	23.5
75-79	16.6
80-84	5.2
85-89	1.8
90-94	0.0
95-100	0.0

(Source: Reproduced from Chen & Schreiner, 2009, p. 120)

APPENDIX F: Scoring Bands for India Progress Out Of Poverty Index (PPI)

Figure 4 (National poverty line): Estimated poverty likelihoods associated with scores

If a household's score is . . .	. . . then the likelihood (%) of being below the poverty line is:
0-4	77.0
5-9	58.5
10-14	51.2
15-19	35.5
20-24	28.7
25-29	21.3
30-34	18.9
25-39	14.9
40-44	10.0
45-49	4.5
50-54	5.1
55-59	5.7
60-64	6.1
65-69	3.7
70-74	1.5
75-79	1.6
80-84	0.7
85-89	1.2
90-94	0.0
95-100	0.0

Surveyed cases weighted to represent India's households.
Based on Schedule 1.0, Round 62 of India's SES by NSSO.
(Source: Reproduced from Schreiner, 2008, p. 68)

Figure 4 ($1.25/Day Line): Estimated poverty likelihoods associated with scores

If a household's score is . . .	. . . then the likelihood (%) of being below the poverty line is:
0-4	98.5
5-9	92.7
10-14	88.1
15-19	82.0
20-24	78.7
25-29	65.2
30-34	55.8
25-39	45.4
40-44	32.9
45-49	24.0
50-54	17.4
55-59	16.0
60-64	12.2
65-69	8.5
70-74	6.4
75-79	2.1
80-84	0.7
85-89	1.9
90-94	0.1
95-100	0.0

Surveyed cases weighted to represent India's households.
Based on Schedule 1.0, Round 62 of India's SES by NSSO.
(Source: Reproduced from Schreiner, 2008, p. 125)

Figure 4 ($2/Day Line): Estimated poverty likelihoods associated with scores

If a household's score is . . .	. . . then the likelihood (%) of being below the poverty line is:
0-4	100.0
5-9	99.1
10-14	97.5
15-19	98.9
20-24	98.0
25-29	94.9
30-34	93.7
25-39	84.7
40-44	77.8
45-49	79.0
50-54	64.0
55-59	69.9
60-64	55.2
65-69	50.0
70-74	42.9
75-79	27.3
80-84	15.5
85-89	12.9
90-94	8.3
95-100	4.4

Surveyed cases weighted to represent India's households.
Based on Schedule 1.0, Round 62 of India's SES by NSSO.
(Source: Reproduced from Schreiner, 2008, p. 151)