

THE DILEMMA OF FINDING THE MISSION DRIFT BETWEEN THE BALANCE OF SOCIAL MISSION VS. FINANCIAL PERFORMANCE OF MFIS

Aram Mkhitarian, European University in Armenia

ABSTRACT

Nowadays, taking into account the fact that microfinance industry is playing a key role in the poverty reduction rates of the counties, it is important to examine the efficiency of their performance, particularly, the social and financial missions. The objectives of the current study were to identify the roots of mission drift and the reasons of high interest rates. As an improvement strategy, representatives of the sector should plan strategic campaigns to solve the situation. The reason of the high interest rates of the loans is the lack of sufficient financial support from the donor's side, which also should be improved through different events. As per results though the strict regulations of the sector lead to stability in the market, changes regarding micro-savings or micro insurance regulation should be developed for future enhancement of MFIs in Armenia.

JEL: G21, G23, M21.

Keyword: Financing, Mission Drift, Financial Institutions, Financial Sources, MFIs.

INTRODUCTION

Nowadays, poverty remains one of the key issues in rather underdeveloped countries. Around 2 billion people are still facing extreme levels of poverty and millions of children are suffering from being undernourished. Even in one of the most developed countries like USA financial institutions such as loan payday centers, credit card companies and microfinance organizations create a business from the poorer parts of the population (Banerjee et al., 2017).

The roots of Microfinance Institutions (hereafter MFIs) appearance go to even 19th centuries when an entrepreneur and philosopher Lysander Spooner conceived that offering microloans to entrepreneurs and farmers can be a solution for poverty alleviation. One hundred years later, Mohammad Yunus realized Spooner's idea by establishing Grameen Bank, which suggested credits to the Bangladesh population who has no access to traditional financial services. 20 years after the World Bank announced that the microfinance sector is around \$80-100 billion and offer service to more than 200 million customers (Garrity et al., 2018).

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

Overall taking into account the rapid increase of competition in the sector and other global political and economic factors MFIs face numerous issues and risks. Therefore, these

companies similar to other companies' practices have started struggling to maintain the business and keep the position they have already reached; hence, they have started to pay much more attention to financial performance indicators rather than to their social mission (hereafter SM).

In contrast to the above-mentioned statements that microfinance has a great influence on poverty reduction, there are a lot of researches and articles that examine the negative influence of MFIs. Besides, for the vast majority who consider that MFIs have a positive impact, they have doubts concerning the efficiency of MFIs performance (Maître, 2019).

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

Currently, the microfinance sector in CIS countries has an average similar structure and level of maturity (Ibrahim et al., 2018). In Belarus, the microfinance industry started to develop since 1998, at present there is around 35 microfinance organizations performing with around 200 million clientele pool (Wellalage et al., 2019). According to Utkin et al. (2018) around 2300 microfinance institutions are operating in Russia with a total number of six million borrowers.

Ibrahim, et al., (2018) found out that the CIS region country's microfinance sectors also have similarities in terms of issues in the microfinance sector. Overall the concerns list includes lack of policy frameworks, ambiguity in legislation points, which become a cause for uncertainty to the legality of credit delivery by non-bank financial organizations, uncomplimentary tax regimes or unclear funding perspectives for organizations that are not fully self-sufficient and independent.

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

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

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

The study will mainly focus on the following research objectives:

1. Identify the roots of the gap between the mission and performance of MFIs.
2. Investigate the main reasons why MFI's put high-interest rates.
3. Observe whether microfinance can resolve common issues such as job training, additional education along with poverty.

4. Discover the most efficient financial services for borrowers and their possible implementation plan.
5. Propose legislation and other actions that will improve microfinancing in Armenia.

Results: The results of this research showed the existence of mission drift and the lack of SM understanding, therefore, as an improvement strategy, it is suggested to develop an SM environment campaign through Social Media channels oriented on MFIs employees and clientele. Reasons of higher interest rates among MFIs comparing to commercial banks were, in general, lack of sufficient financial support from the donor's side, higher risk and operational costs. According to primary data analysis, MFIs resolve issues such as technical assistance or specific educational projects parallel to financing as MFIs are much more flexible rather than commercial banks. Different regulatory issues were revealed which can increase efficiency of MFIs performance.

Methodology: According to Guetterman et al. (2015) the integration of qualitative and quantitative data has become very popular during the last decades as it gives the opportunity to identify the opinion of the participants, their voice and to receive more complete information of exact issues of the study. One of the key reasons for using both sources of data for the research is that qualitative analyses typically express general ideas than precise numbers and calculations and answers to the questions of when who, how and what (Palinkas et al., 2015). In opposite, quantitative analyses found out information concerning how much and how many, etc. Based on these analyses different hypotheses can be tested, meanwhile, in terms of quantitative research, there is a risk of losing contextual details (McCusker et al., 2015).

Based on the above-described research methods approaches for this paper it was decided to implement a mixed method of quantitating and qualitative analyses.

LITERATURE REVIEW

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

Sultana et al. (2017) claimed that the core mission of an MFI is defined as the provision of collateral-free small loans to the poor, the ones who do not have access to traditional financial services. On the other hand, Kar (2013) stated that there are two core aims of MFIs; the first one is how to become financially self-sufficient, the second one is how to provide services to the poorest customers. Moreover, the author assured that there is a trade-off between the two missions exist and generally, this trade-off is presented as mission drift. Ngo (2015) found out that in practice, different types of trade-offs exist. The first one is a trade-off between microfinance sustainability and outreach, which is very strong and to enlarge their outreach more MFI's need to transform themselves into regulated ones. Also, Nasrin et al. (2017) found out that the relationship between sustainability and outreach is nonlinear and proves the following idea; there is a threshold beyond MFIs performance due to a high level of outreach. In comparison, according to Khalaf et al. (2019) MFI's need to take into account the fact that the more MFIs

concentrate their activities on people who do not have access to traditional financial services the more their offered products fit the poor needs.

In contrast, as per some analyses, no trade-off could exist between the financial sustainability and outreach, though there are proven indicators that show that the depth of outreach has a progressive influence on the financial sustainability of an MFI (Meyer, 2019).

Due to the diversity of the standard approaches of creating the sequence of business processes and the use of business process management or management information systems, the quality of MFI's performance varies. In general, lack of technological equipment or use of traditional experiences of activities brings to low levels of results and as a final point that leads MFIs to deviate from their mission and start to pay attention more to financial performance ratios (Ramezanali et al., 2018). Recently, a new tendency of over indebtedness has been recorded. MFIs tend to increase the loan amounts and offer credits more than the normal capacity of the client's ability to repay. Therefore, despite MFI's reach their financial objectives and generate a high level of profits they evade their social goals (Maître, 2019). On the other side, as per Christen the process of commercialization brings MFIs' mission to drift and reinforces the idea that the profit-oriented microfinance sector is better able to serve poor. Meanwhile, Caserta et al. (2018) found out that mission drift might be not correlated with the fact of whether profit-oriented or not.

In contrast to all the above-mentioned statements about mission drift existence, Hishigsuren (2007) asserted that there is no essential mission drift evaluated by quality, scope, and depth of outreach to poor customers. Moreover, Platteau et al. (2017) found out that there is no mission drift and there is a possibility to gain income while providing services to the poor. Therefore, there are no any proof arguments for the assumptions between offering services to the poor and being profitable. Furthermore, as per Kar (2013), profit-oriented MFIs do not harm the objective of offering services to the poorest.

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

While examining the performance efficiency of microfinance organizations, many researchers have found out the feature of high repayment rates. For instance, a leading firm in the microcredit industry Grameen Bank records 95% of the repayment rate constantly. This experience was not typical to historically bad repayment records of agricultural loans. The panacea of high-performance results was not a group lending approach, but active incentives and common installments which have a positive impact on repayment rates (Kono et al. 2010). High repayment rates lead to a low level of the portfolio at risk. Worldwide the most used financial indicator of the portfolio at risk is PAR>30, which describes the number and volume of the loan portfolio which has more than 30 days overdue. This index in correlation with repayment rates characterizes the effectiveness of MFIs performance. The above-mentioned performance measurements are directly interconnected with MFIs' main mission implementation process. A key issue is the process of the creation of efficient financial products. If MFIs suggest financial services to customers that best meet their needs, clients will be able to increase their living standards and make payments on the loan; therefore the exact MFI will reach the balance between mission realization and performance (Khan et al., 2016).

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

While observing the most effective micro services of MFIs the participants have mentioned that there is lack of microfinance insurance product, at the same time Janzen, et al., (2018) found out that low level of microfinance insurance usage in CIS countries force the clients in rural districts to cope with more losses due to poor predictability rate of climate changes.

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

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

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

With the purpose to identify if the mission drift takes place or not and what can be the roots of the gap between the performance and the mission of MFIs, it was important to understand whether MFIs staff and clientele recognize the meaning of MFIs social mission. Therefore, the qualitative analysis results showed that the majority of MFIs experts have a clear view of MFIs' social mission, which supports the poor by offering collateral fewer loans. Also, they are well informed that several components of the performance, such as similar business processes are vital for being self-sufficient. These findings correspond with the statements of Kar (2013) on the existence of two core social and financial aims of MFIs. On the other hand, the findings of quantitative analyses proved the factor of mission drift. Particularly 56% of MFIs staff and 61% of MFIs clientele participants disagree with the statement that MFIs fit their customer's needs. In parallel, Caserta et al. (2018) asserted that the mission drift does not have any correlation with for-profit or non-profit MFIs that was obvious from the results of the research analyses as all the MFIs involved in the processes were generating high incomes. Hence, it can be concluded that MFIs experts do not realize the existence of mission drift and do not pay attention to it.

Pedrini et al. (2016) detected that besides traditional loan services, poor in developing countries might need supplementary financial products such as social microloans, remittance services or microinsurance. These types of services are rather new for microfinance clientele;

therefore, MFIs have quite a large market to expand their customers' base. Moreover, as per Janzen et al. (2018) poor developed or even absence of microinsurance lending services in the CIS region leads communities and borrowers in rural districts to cope somehow with losses. The result of it is the increase in expenditures in these families. For instance, types of losses or threats can arise from climate disasters like hurricanes, rain with hail or drought. Platteau et al. (2017) examined micro insurance services and concluded that it can become a tool for improving economic growth and development through providing small scale insurance policies to representatives of the poorest members of society in LDC's. Furthermore, Ibrahim et al., (2018) stated that the key idea behind microinsurance is that through cutting the amount spent on substituting lost capital the disposal income can grow. Hence development and economic growth are stimulated amongst the poorest communities in developing countries. In practice, micro-insurance ensures the poor with financial stability, while eliminating their need to constantly uphold funds as a safety cushion against potential losses and shocks (Mukhtar, 2016). With the help of microinsurance services, the poor are less vulnerable and they can start enjoying higher levels of disposable income as they do not need to make savings against the disasters. As a result, micro-insurance services might lead to the improvement of living standards, increase the social capital and security level (Jensen et al., 2017).

On the contrary, Mukhtar (2016) asserted that the reason for the low request of microinsurance services is the inferior understanding of the microinsurance concept. Besides, as per Ahmed et al. (2016) confirmed a lack of trust, liquidity and behavioral constraints, as well as the significance of value proposition for the clients, are the factors that present negative sides and disadvantages of microinsurance services. Therefore, micro-insurance services should be offered in a package with other financial services (Jensen et al., 2017).

In comparison to mentioned product lines, as per Kar et al. (2017) credit cards can also become an effective type of MFIs services. Usage of credit cards in microfinance is quite new, which reduces operating and administrative costs as well as suggests an ongoing line of loan to the customer allowing them to complement their cash flows in proportion to their needs.

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

Summarizing the literature review statements enclosed in the previous three sub-sections of this chapter below are presented the chief points on mission drift, development of effective microfinance ecosystem, products line and regulatory aspects of microfinance sector:

1. Overall, three categories of scholars examined the idea of MFI's mission. The representatives of the first category considered the key to MFIs performance is its SM and the financial aspects of it are not paid much attention. According to the point of view of the second category researches a different type of trade-offs exists between the social and financial missions of the MFIs. The third category of authors assured that there is no correlation between the missions and MFIs can perform efficiently through balancing both financial and SMs.
2. Summarizing discussions on MFI trade-off between mission and performance, other factors such as financial awareness of the clientele or dilemmas connected with finding donors and sufficient funding with low percentage rates as well as recent global digitalization trends of microfinance industry should be taken into consideration.

FINDINGS

The qualitative research of this paper was focused on the identification of sector professionals' viewpoint toward MFIs SM, their assessment on overall MFIs performance

including the interest rates and most effective product lines. It also covers the evaluation of solutions or possible strategies suggested by participants concerning overcoming the most challenging issues and programs directed on improving regulatory circumstances that currently face MFIs in Armenia and CIS countries. Qualitative analysis was conducted through face-to-face interviews. The questionnaire included questions on nominal personal data and five specialized open questions.

As the core of the research was a comparison of the situation, attitude and issues in Armenia and CIS countries' MFIs, participants of the qualitative analyses were invited from MFIs acting in Armenia, Georgia, Russia, Belarus, Kyrgyzstan, and Tajikistan. The targeted participants were sent invitations for a Skype Call. In whole 10 interviews were organized. All participants were holding positions at the top management of their companies. The majority of the participants consider that the SM of MFI is to support micro-business, households, and farmers to expand their activities. Some of the respondents mentioned the simple process of lending as one of the key figures of SM of an MFI. But simple crediting has also its negative side as quick creditworthiness check often doesn't show the whole picture of the borrower's liabilities and there is a possibility of overindebtedness or high risk. Furthermore, as per one representatives' opinion, the SM of the MFI is to make the lending process more flexible. In contrast to these statements, there is also an opinion that SM is the creation of new workplaces and reduction of poverty.

Both, for theory and practice, it is positive to finance the poor. The fact is that with this financing support, people who don't have opportunities to do business and create value, now have resources to bring their ideas to life. If people, who were on the passive side of the economy, will start to create products or provide services, they will have a positive influence on the overall economy of the country. On the contrary, if MFIs will provide loans to those, who will not be able to pay back credit on time, the overall banking system will have losses. Bad credit portfolio of MFIs can lead to lower creditworthiness of the whole financial system, and people who take the loan for their business ideas development will have to make big efforts or lose their last capital which will create more poverty.

On the whole, all the participants of face-to-face interviews think that SM of an MFI should include the financial as well as non-financial services to its customers, as micro entrepreneurs and rural habitants very often didn't know how to effectively transform money to capital and how to invest rationally.

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

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

According to qualitative analysis results, SM should be the core of the MFIs performance and its objective is to provide efficient financial services to farmers, households, and micro-

businesses to empower their business. These statements correlate with Sultana et al., (2017) research, where the author claimed that the provision of small, collateral-free credits to the poor is the core mission of MFIs. Moreover, the majority of the answerers of face-to-face interviews mentioned that possible reasons for high-interest rates could be employees' salaries, laws, overhead costs or even profit margins. In parallel, Ramezanali et al. (2018) found out that the average interest rate of MFIs is 25% and frequent monitoring processes, intensive support to the clients and small or balloon method repayments lead to a high level of interest rates.

Summing up the answers of the qualitative analyses participants it was found out that the majority has the same point of view regarding to the research objectives. In particular, vast majority of the participants agree with the following statements:

1. The SM strategy plays vital role for the MFIs efficient performance. Moreover, the chief mission of MFIs is to support to households, farmers and micro businesses to enlarge their activities and improve their businesses.
2. MFIs most commonly have an influence on client's business behavior and stimulate micro and small businesses to expand.
3. Overhead costs, employees' salaries, laws, regulations and profit margins should be taken into consideration while estimating interest rates of the loans.
4. Among the microfinance products lines agricultural loans have been considered to be the most popular ones, though microloans are the most effective, meanwhile there is a lack of micro insurance services.
5. The Government execute diverse subsidizing percentage rate projects aiming to support Microfinance industry in all CIS countries.
6. Regulatory restrictions against the deposits is one of the key constraints of the sector development in CIS countries.

The quantitative analysis of this paper was organized to identify the MFIs middle-level staff opinion and attitude toward the Microfinance Organizations' performance and, on the other hand, to examine the viewpoint of the clientele on the same theme. Therefore, around 40 employees of MFIs from CIS countries MFIs were invited to take part in the research. In parallel, the same amount of clientele representatives with different nationalities, ages, working industry, and education levels were involved in the qualitative research of this study. The research was conducted through the Google Form tool and engages participants from Georgia, Ukraine, Russia, and Kyrgyzstan. Overall the survey lasted 15 days and 80 participants filled out the form.

Reliability analyses: As per Weaver et al. (2014) the reliability analyses of the research usually describe the proportion of the real information about any point of view presented in a study. Moreover, Hopkins (2017) asserted that the internal dependability level between the examined concepts is also described by the reliability analyses. According to Taber (2018) among the measurement list of the reliability level of a research Cronbach's Alpha is one of the most widely used measures.

Based on the above-mentioned literature review on reliability analyses and the fact that there are two questionnaires for current Qualitative analyses and a majority of the questions have answers in the range from 1-5 the current study three diverse Cronbach's Alpha coefficients were conducted in SPSS with three diverse groups of questions. First Cronbach's Alpha analyses included the group of questions that are the same in both questionnaires and have the answers in a range from 1-5 scale. The questions are mainly dedicated to the analyses of mission drift existence, to the identification MFIs fit customers' expectations and have sufficient range of products, whether MFIs fulfill customers' needs and use of borrowed money for the right purposes, also it was significant to examine the attitude if there are any Government projects that help clients. The Cronbach's Alpha of the first group of questions for the total qualitative

research participants is .865, which is greater than the threshold of 0.8; therefore, the first group has a strong level of reliability.

Below in Tables 1 to 3 is portrayed the Reliability Statistics containing mean and standard deviation results.

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.865	.803	8

	Mean	Std. Deviation	N
Do MFIs fit to its customers	3.6582	1.3181	80
Sufficient range of products	4.5190	1.4681	80
Do MFIs target excluded people	3.6456	1.5781	80
MFIs fees meet client's expectations	4.9620	1.8131	80
Do existing products fulfill customers' needs	2.8987	1.0765	80
Gov. projects help clients	3.2911	1.2314	80
Do MFI facilities seems attractive	3.7342	1.4561	80
Do clients use money on right purpose	2.4304	1.17324	80

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Do MFIs fit to its customers	18.4810	7.637	.496	.340	.787
Sufficient range of products	18.6203	7.521	.567	.477	.798
Do MFIs target excluded people	18.4937	7.381	.827	.227	.870
MFIs fees meet client's expectations	18.1772	6.481	.746	.667	.788
Do existing products fulfill customers' needs	18.2405	6.826	.593	.747	.725
Gov. projects help clients	18.8481	7.130	.427	.499	.664
Do MFI facilities seems attractive	18.4051	7.783	.616	.532	.722
Do clients use money on right purpose	18.7089	9.337	.844	.341	.853

The second Cronbach's Alpha analyses contained questions of the financial knowledge section of the MFIs clientele questionnaire and only the similar scale questions were chosen. The results of this group of questions Cronbach's Alpha is .851, which again presents a high level of reliability.

The third group of questions is chosen from the questionnaire of MFIs professionals. Similar to the second Cronbach's Alpha analyses, these groups of questions were also from the financial knowledge section and again similar questions with answers ranging from 1-5. The questions were oriented on the detection of MFIs professional's opinion toward the sufficient

financial knowledge of their clients, whether they realize real interest rate and if they know how to manage the resources. The result is again more than satisfying, Cronbach’s Alpha is .898, which is the highest reliability result among all three group of questions that were explored.

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

As a result, the first group of correlation presents the correlation between the attitude of MFIs professionals vs. whether MFIs best fit their customers. Also, the same correlation was conducted for the MFIs clientele questionnaire. Table 4 is presented the results from the MFIs clientele opinion questionnaire. As can be seen from the table, among 9 examined dimensions 5 have significant Pearson correlation coefficient ranging from .747 to .771, though the highest results .785 is registered between the education level and MFIs clientele opinion on whether MFIs best fit to their customers. The Sig. (2-tailed) value is .000 which shows the statistically meaningful correlation between the presented variables.

Table 4 presents a comprehensive synopsis of the 25 selected articles based on the topic, objective, findings, and recommendation. The data presented was critical for the eligibility assessment of each article.

Table 4
FIRST GROUP CORRELATIONS

		Do MFIs fit to its customers	Education	Sufficient range of products	MFIs explain customer attitude	Grievance procedure	Could you start your business with	Do MFIs primarily	Do MFI fees meet your expectations?	How often client come for another	Average Interest rate of MFIs
Do MFIs fit to its customers	Pearson Correlation	1	.785*	.007	.106	.158	.217	.460	.366*	.258	.390
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
	N	40	40	40	40	40	40	40	40	40	40
Education	Pearson Correlation	.785*	1	.147	.747	.771	.313	.446	.698	.766	.760

	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
	N	40	40	40	40	40	40	40	40	40	40
Sufficient range of products	Pearson Correlation	.007	.144	.1	.404	.583	.140	.059	.223	.556	.543
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
	N	40	40	40	40	40	40	40	40	40	40
MFIs explain customer rights	Pearson Correlation	.106	.174	.404	1	.276	.331*	.709	.374	.312	.434
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
	N	40	40	40	40	40	40	40	40	40	40
Grievance procedure	Pearson Correlation	.158	.177	.783	.276	1	.173	.122	.540	.334	.258
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
	N	40	40	40	40	40	40	40	40	40	40
Could you start your business with MFI loan	Pearson Correlation	.217	.133	.140	.331*	.173	1	.039	.080	.253	.214
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
	N	40	40	40	40	40	40	40	40	40	40
Do MFIs primarily targets excluded people	Pearson Correlation	.460	.146	.059	.709	.122	.039	1	.395*	.000	.059
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
	N	40	40	40	40	40	40	40	40	40	40

Do MFI fees meet your expectations?	Pearson Correlation	.366*	.298	.223	.574	.540	.080	.395*	1	.405	.187
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
	N	40	40	40	40	40	40	40	40	40	40
How often client come for another loan	Pearson Correlation	.258	.766	.556	.312	.334	.253	.000	.405	1	.321*
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
	N	40	40	40	40	40	40	40	40	40	40
Average Interest rate of MFIs	Pearson Correlation	.760	.160	.543	.434	.258	.214	.059	.187	.321*	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
	N	40	40	40	40	40	40	40	40	40	40

*. Correlation is significant at the 0.05 level (2-tailed).

In contrast to MFIs clients’ opinion, MFIs professionals’ point of view on MFIs fitting their customer is chiefly correlated with their gender dimension and the Pearson coefficient is .791. Overall among 11 dimensions that were evaluated 4 of them had significant correlation rates (starting from .704 to .786) with gender characteristics of MFIs employees. Moreover, significant correlation results have been registered between the questions of the mission drift section. For instance, the relation between whether MFIs targets exactly people excluded from traditional banking sector and whether MFIs fees meet client’s expectation or which are the reasons of high interest rates is correspondingly .786 and .773 Table 5.

		Is it mandatory to use loan for its purpose	What components are important for loan	What are the financial performance indicators	Does MFI clients have sufficient fin. knowledge	Working Industry
Is it mandatory to	Pearson Correlation	1	0.542	0.12	0.447	0.452
	Sig. (2-tailed)		0.381	0.462	0.771	0.749
	N	40	40	40	40	40
What components	Pearson Correlation	0.542	1	0.539	0.143	0.212

are important for loan	Sig. (2-tailed)	0.381		0.138	0.38	0.189
	N	40	40	40	40	40
What are the financial	Pearson Correlation	0.12	0.539	1	0.169	0.648
	Sig. (2-tailed)	0.462	0.138		0.298	0.363
	N	40	40	40	40	40
Does MFI clients have	Pearson Correlation	0.447	0.143	0.169	1	0.771
	Sig. (2-tailed)	0.771	0.38	0.298		0.291
	N	40	40	40	40	40
Working Industry	Pearson Correlation	0.452	0.212	0.648	0.771	1
	Sig. (2-tailed)	0	0	0.363	0.291	
	N	40	40	40	40	40

In comparison, MFIs professionals' opinion toward the level of financial literacy of the MFIs clientele is more correlated with gender indicator of the respondents. The Pearson coefficient is .772. Similar to the first group of correlation analyses in case of MFIs professionals' point of view correlates highest depend on their gender.

Third group of correlation analyses includes information on the risk section questions and their relation with demographic data of the participants of the research. Below in Table 6 are given the Pearson correlation analyses for both MFIs clientele and MFIs professional's questionnaires. Depending on the clients age category the viewpoint whether the borrowed money has been used on the right purpose varies significantly, results of the analyses is .735. Though, on the contrary, MFIs professionals' opinion if disbursed loans are used for the right purpose has much higher dependency from the nationality of the respondents.

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

*. Correlation is significant at the 0.05 level (2-tailed).

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

As per quantitative analysis results, the Government in Armenia is supporting the Microfinance industry through diverse programs, such as Subsidiaries, Millennium Challenges,

and SME development. Moreover, a detailed analysis of each program comparison in groups showed that Subsidiaries is the most useful one. Though it should be mentioned that this program is not for the micro-lending sector. This kind of experience is met in Indonesia, where the Government and the Central Bank aim to organize all the rules and legal acts of the sector (Atmadja et al., 2018). Hence, it is obvious that legislation and regulation of the microfinance sector in Armenia need to be improved and to support the future development of the industry.

CONCLUSION

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

Empirical data analysis and questionnaires' answers show that the main reasons of higher interest rates among MFIs services are higher operational costs and high level of credit risk. Also, sources of borrowings for MFIs are considered to be higher than for commercial banks. Besides, interest rates might be relatively high due to country-specific considerations as well.

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

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

In general, the Central Bank of Armenia is quite aware of issues in the field and performs and regulates well aiming to solve current challenges. The legal environment cannot be considered as a big challenge for MFIs development, moreover, better funds attraction and Government support on donors' attraction can be considered as a key process for microloans market development. On the other hand, changes in regulation acts related to the implementation of micro-savings or micro insurance are recommended for the improvement of the microfinance sector in Armenia.

REFERENCES

- Atmadja, A. S., Sharma, P., & Su, J. J. (2018). [Microfinance and microenterprise performance in Indonesia: an extended and updated survey](#). *International Journal of Social Economics*, 45(6), 957-972
- Banerjee, S. B., & Jackson, L. (2017). [Microfinance and the business of poverty reduction: Critical perspectives from rural Bangladesh](#). *Human Relations*, 70(1), 63-91.
- Caserta, M., Monteleone, S., & Reito, F. (2018). [The trade-off between profitability and outreach in microfinance](#). *Economic Modelling*, 72, 31-41.
- Cozarenco, A., Hudon, M., & Szafarz, A. (2016). [What type of microfinance institutions supply savings products?](#) *Economics Letters*, 140, 57-59.
- Garrity, P., & Martin, C. (2018) [Developing a microfinance model to break the cycle of poverty](#). *Business Horizons*, 61(6), 937-947.

- Guetterman, T. C., Fetters, M.D., & Creswell, J.W. (2015). [Integrating quantitative and qualitative results in health science mixed methods research through joint displays](#). *The Annals of Family Medicine*, 13(6), 554-561.
- Gutiérrez-Nieto, B., & Serrano-Cinca, C. (2019). [20 years of research in microfinance: An information management approach](#). *International Journal of Information Management*, 47, 183-197.
- Hishigsuren, G. (2007). [Evaluating mission drift in microfinance. Lessons for programs with SM](#). *Evaluation Review* 31(3), 203–220.
- Hopkins W.G. (2007). [Spreadsheets for analysis of validity and reliability](#). *Sportscience*. 1, 21.
- Hudon, M., & Meyer, C. (2016). [A case study of microfinance and community development banks in Brazil: Private or common goods?](#) *Nonprofit and Voluntary Sector Quarterly*, 45(4), 116S-133S, 4-27.
- Ibrahim, Y., Ahmed, I., & Minai, M. S. (2018). [The Influence of Institutional Characteristics on Financial Performance of Microfinance Institutions in the OIC Countries](#). *Journal of International Development*, 9(2), 213-236.
- Inderst, G. (2016). [Infrastructure investment, private finance, and institutional investors: Asia from a global perspective](#). *The Economic Journal* 17(5), 10–33
- Janzen, S. A., & Carter, M. R. (2018). [After the drought: The impact of microinsurance on consumption smoothing and asset protection](#). *American Journal of Agricultural Economics*, 101(3), 651-671.
- Jensen, N., & Barrett, C. (2017). [Agricultural index insurance for development](#). *Applied Economic Perspectives and Policy*, 39(2), 199-219.
- Kar, A.K. (2013). [Mission drift in microfinance: are the concerns worrying? Recent cross-country results](#). *International Review of Applied Economics*, 27(1), 44-60.
- Kar, S., & Deb, J. (2017). [Efficiency determinants of microfinance Institutions in India: two stage DEA analysis](#). *The Central European Review of Economics and Management*, 1(4), 87-116.
- Khalaf, L.S., & Amman, J.N.I.S. (2019). [The effect of Microfinance Institutions activities on economic growth in Arab countries](#). *Academy of Accounting and Financial Studies Journal*, 23(1), 4-25.
- Khan, W., & Shaorong, S. (2016). [Microfinance mission of poverty alleviation: empirical evidence from South Asia](#). *Sarhad Journal of Management Sciences*, 2(1), 1-8.
- Kono, H., & Takahashi, K. (2010). [Microfinance revolution: Its effects, innovations, and challenges](#). *The Developing Economies*, 48(1), 15-73.
- Marrett, R., Gale, J.F., Gómez, L.A., & Laubach, S. E. (2018). [Correlation analysis of fracture arrangement in space](#). *Journal of Structural Geology*, 108, 16-33.
- McCusker, K., & Gunaydin, S. (2015). [Research using qualitative, quantitative or mixed methods and choice based on the research](#). *Perfusion*, 30(7), 537-542.
- Meyer, J. (2019). [Outreach and performance of microfinance institutions: the importance of portfolio yield](#). *Applied Economics*, 51(27), 2945-2962.
- Mukhtar, S. (2016). [An empirical investigation into the prospects of micro-insurance in some selected rural areas of Sokoto State, Nigeria](#). *International Journal of Business and Social Science*, 7(12), 37-44.
- Nasrin, S., Baskaran, A., & Rasiah, R. (2017). [Microfinance and savings among the poor: evidence from Bangladesh microfinance sector](#). *Quality & Quantity*, 51(4), 1435-1448.
- Ngo, T.V. (2015). [Microfinance complementarity and tradeoff between financial performance and social impact](#). *International Journal of Economics and Finance*, 7(11), 128-145.
- Palinkas, L.A., Horwitz, S.M., Green, C.A., Wisdom, J.P., Duan, N., & Hoagwood, K. (2015). [Purposeful sampling for qualitative data collection and analysis in mixed method implementation research](#). *Administration and Policy in Mental Health and Mental Health Services Research*, 42(5), 533-544.
- Pedrini, M., Bramanti, V., Minciullo, M., & Ferri, L.M. (2016). [Rethinking microfinance for developed countries](#). *Journal of International Development*, 28(2), 281-302.
- Platteau, J.P., De Bock, O., & Gelade, W. (2017). [The demand for microinsurance: A literature review](#). *World Development*, 94, 139-156.
- Ramezanali, M., & Assadi, D. (2018). [Does Microfinance Reduce Poverty? The Case of Brazil](#). *International Journal of Trade, Economics and Finance*, 9(2), 29-45.
- Serrano-Cinca, C., Gutiérrez-Nieto, B., & Reyes, N. M. (2016). [A social and environmental approach to microfinance credit scoring](#). *Journal of Cleaner Production*, 112, 3504-3513.
- Sultana, H. Y., Jamal, M. A., & Najaf, D. E. (2017). [Impact of Microfinance on Women Empowerment Through Poverty Alleviation: an Assessment of Socio-Economic Conditions in Chennai City of Tamil Nadu](#). *Asian Journal for Poverty Studies (AJPS)*, 3(2), 28-40.
- Taber, K. S. (2018). [The use of Cronbach's alpha when developing and reporting research instruments in science education](#). *Research in Science Education*, 48(6), 1273-1296.

- Weaver, B., & Maxwell, H. (2014). [Exploratory factor analysis and reliability analysis with missing data: A simple method for SPSS users](#). *The Quantitative Methods for Psychology*, 10(2), 143-152.
- Wellalage, N. H., & Fernandez, V. (2019). [Innovation and SME finance: Evidence from developing countries](#). *International Review of Financial Analysis*, 58-70.
- Utkin, V. S., & Yurieva, A. A. (2018). [Analysis of the Russian Microfinance Markets Main Problems](#). *Financial Journal-Finansovyy zhurnal*, 5, 97-107.