Conclusions

And

Recommendations
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The research results and their interpretation along with the discussions were presented in the previous chapter. This chapter presents the conclusions and the implications for trade-off between outreach and financial performance of microfinance institutions. Recommendations and the significance of the study are also the part of this study. This chapter is concluded by providing limitations of the study and the directions for future research.

The concepts of outreach and financial performance are concerned with measuring the performance of microfinance institutions so as to determine whether the objective of microfinance institutions has been achieved. There are many indicators helpful in the measurement of outreach and financial performance of microfinance institutions. The present study focused on comparing the outreach and financial performance of microfinance institutions on the basis of different peer groups. The study also emphasizes on examining the chances of trade-off between financial performance and outreach and the identification of the factors affecting the financial performance of microfinance institutions. A set of twelve indicators consisting of three variables for outreach, seven variables for financial performance and the two control variables was adopted to study the potential trade-off. For the identification of the factors affecting the financial performance, a set of ten indicators including four dummy variables was used. A hypothesized model stating the relation between outreach and financial performance indicators was applied to study the potential trade-off and the factors affecting the financial performance. Convenient and random sampling techniques were used to collect the data from 40 microfinance institutions for eight years starting from 2005. The problem of missing data was solved by using the average of the adjacent two years figures. Analysis was conducted and
interpretations of the results along with the discussions and the linkage with the past literature have been presented in chapter four.

The first objective was to analyze the outreach and financial performance of microfinance institutions. For this, descriptive analysis consisting of mean, standard deviation, minimum and maximum values was performed. Performance analysis of MFIs outreach and performance in the light of microfinance industry average was done. In the present study the comparisons regarding outreach and performance indicators was made between the regulated and non-regulated MFIs, between NGO and non-NGO MFIs, between mature and young MFIs and between the MFIs established for the sake of profit and not for the sake of profit.

The second objective was to study the trade-off between outreach and financial performance of microfinance institutions. For this, panel data regression model stating the impact of outreach on financial performance and the impact of financial performance on outreach measures was formed. The model was tested by using panel data regression technique.

The third objective was to find out the significant factors affecting the financial performance of microfinance institutions. Here, again a model depicting the relation between financial performance and the factors affecting the financial performance was run by using the multiple regression analysis.

Finally the research aimed to give recommendations for the overall development of the microfinance industry and to increase the performance and outreach of microfinance institutions.

5.1. **Objective 1: Analysis of Outreach and Financial Performance of MFIs**
The outreach and financial performance analysis of individual MFIs in the light of microfinance industry benchmark and on the basis of different peer groups showed the following results.

- Indian MFIs are found to be not using their assets properly as the average return on assets is $-1.1\%$. This would put a constraint on the sustainability of the Indian MFIs. The variations in the return on assets of the sample MFIs being classified on the basis of peer groups like age, legal status, profit status and regulation is observed to be insignificant as their p value is greater than 0.05. It indicates that regulation don’t pose a barrier in the way of assets utilization of MFIs. Similarly a young MFI can also have greater return on their assets. It is implied from the above analysis that an MFI registered not for the sake of profit can also have better return on their assets. At individual MFI level, we found that the average return on assets for the eight MFIs namely Swadhaar, HiH, Ujjivan, Basix, SKS, Cashpor MC, Janodaya, Janalakshmi financial services pvt. Limited have been less than the industry average.

- MFIs are able to provide positive return to their shareholders as the return on equity for Indian MFIs is observed to be 9.2\%. The positive return on equity can improve the financial performance of Indian MFIs which is deteriorated by their return on assets. The peer group analysis shows that difference in the mean values of return on equity of different MFIs on the basis of age, regulation, legal status and profit status is not found to be significant as their significance values are greater than 0.05. At individual MFI level, the top five MFIs providing highest return to their shareholders on their investments are BISWA, Spandana, RGVN (NE), SU and Cashpor MC. Similarly, the MFIs with lowest return on their shareholders funds are GU, Swadhaar, HiH, Bandhan, SKDRDP. Swadhaar and HiH had lowest return on their assets as well as on their shareholders funds. Moreover, the return on equity for the eighteen MFIs is observed to be less than the industry average.
• The Indian MFIs are found to be operational self-sufficient as the operational self-sufficiency ratio of Indian MFIs is 109.5%. It indicates that Indian MFIs are sufficient enough to cover their operating expenses from the revenue they generate and they are not depending on government for any kind of subsidy to cover their daily expenses. Difference in operationally self-sufficiency of different peer group MFIs is found to be insignificant. Amongst the sample of forty MFIs, Janodaya, Swadhaar, HiH, Ujjivan, Sonata, SCNL, Cashpor MC and Janalakshmi Financial Pvt. Ltd. are not found to be operationally self-sufficient.

• The Indian MFIs are observed to be efficient as the operating expense ratio for Indian MFIs is 18.8%. Difference in operational expense to loan ratio of the regulated and unregulated MFIs is observed to be statistically significant as the p value is less than 0.05. Operating expense ratio is found to be less for the unregulated MFIs. Difference in operating expense to loan portfolio of MFIs on the basis of peer groups i.e. age, legal status and profit status is observed to be insignificant. It implies that regulatory requirement make an MFI to comply with a lot of formalities and thus unnecessary formalities increase their operating cost. Regulation also makes the MFIs dependent on the government just for the sake of subsidies and donations and spoils their urge to become self-sufficient. Inter-industry comparison of MFIs operating expense ratio with industry average shows that there are five MFIs namely Sonata, Janalakshmi Financial services Pvt. Ltd., HiH, Swadhaar and Ujjivan where operating expense ratio was found to be greater than the industry average. High operating ratio may also be the reason for the operational deficiency of these MFIs as such MFIs are not found to be operationally self-sufficient. Along with it, being regulated may be another reason for the operational deficiency of these MFIs (Appendix A).

• Loan officers’ productivity of Indian MFIs (298) is found to be far better than the African MFIs productivity of 143 borrowers per staff member and the global average of 139 borrowers per staff member (Anne-Lucie et al., 2005). Difference in the different peer groups MFIs concerning their borrowers per loan officer is observed to
be insignificant as their p value is greater than 0.05. At individual MFI level, borrowers per loan officer for HiH, Swadhaar, Janodaya, Sonata, SCNL, SEWA Bank, NEED, Mahashakti, Ujjivan and BISWA are higher than the global average of 139 borrowers per loan officer. Moreover, the MFIs like VFS, Bandhan, SWAWS, AML, SHARE, Spandana, Janalakshmi Financial Services Pvt. Ltd., BWDA Finance, ICNW, Sangamithra, WSE and Cashpor MC has loan officer productivity even higher than the microfinance industry average of 298 borrowers per loan officer.

- Indian microfinance institutions are more efficient in terms of average **cost per borrower** (USD 23.6) which is less than the reporting Asian MFIs. Moreover, cost per borrower of the unregulated MFIs is observed to be statistically lower than the regulated MFIs. Variations regarding cost per borrower of the other peer groups MFIs i.e. age, legal status and profit status are found to be insignificant as their p values are less than 0.05. At micro level, the cost per borrower for the seven MFIs like Sonata, Basix, Janalakshmi Financial Services Pvt. Ltd., HiH, SCNL, SEWA Bank, Swadhaar and Ujjivan is higher than the average cost per borrower of the microfinance industry. Regulation is not a reason for the increased cost of these MFIs as all of these MFIs are unregulated. Besides this, none of the MFIs had cost per borrower greater than the Asian MFIs average cost per borrower for the Asian MFIs.

- Portfolio quality of Indian MFIs is satisfactory as the average **PAR>30 days** for Indian MFIs is 6.2% and is below the industry benchmark of 10% (Rai, 2012). Differences in the portfolio quality of different peer groups MFIs don’t vary significantly except the difference in the portfolio quality of the mature and young MFIs. Also the portfolio quality of young MFIs is better than the portfolio quality of mature MFIs. At micro level, portfolio for the thirteen MFIs namely SCNL, Sarvodaya Nano Finance, PWMACS, Janodaya, SWAWS, AML, Spandana, BASIX, SHARE, CReSA, ICNW, BISWA, SEWA Bank and SMSS is risky than the portfolio of the overall micofinance industry. Maturity may be one of the reason for the risky portfolio of these MFIs as with the passage of time number of borrowers
increases (Appendix A) and thus also increase the chances of the bad-debts. Also, out of these thirteen MFIs, nine MFIs namely Janodaya, SCNL, SEWA Bank, BISWA, SWAWS, AML, SHARE, Spandana and ICNW have large number of borrowers per loan officer. Thus, the productivity gains in terms of increased borrowers per loan officer for such MFIs are compensated by the riskiest portfolio of such MFIs.

- The majority of Indian MFIs’ clients are women as the average percentage of women borrowers is 94%. Such involvement of women in the context of Indian economy is remarkable. Variations in the percentage of women borrowers of MFIs concerning their regulation and legal form are found to be statistically significant. The percentage of women borrowers of the regulated and non-NGO MFIs are observed to be higher than the percentage of women borrowers of the unregulated and NGO MFIs. However, difference in the percentage of women borrowers of different MFIs on the basis of profit status and age is found to be insignificant. At individual MFI level, loan portfolio of nine MFIs i.e. Sonata, SKS, Cashpor MC, HiH, PWMACS, SWAWS, AML, SHARE, CReSA and ICNW contained 100% of women clientele. MFIs namely SCNL, BASIX, SKDRDP, NEED, NBJK, Asomi, Mahashakti, BISWA, BWDA Finance, RGVN(NE), GU and Swadhaar has percentage of women borrowers less than the industry average. Freedom from any regulatory restrictions may be the reason for the low percentage of women borrowers in case of MFIs like SKDRDP, NEED, NBJK, Mahashakti, BISWA, RGVN(NE) and GU as all of these MFIs are unregulated (Appendix 1).

- The breadth of outreach of Indian microfinance institutions is large as per the MIX market methodology as the average number of active borrowers for MFIs is 334,127. Based on peer group comparison, number of active borrowers of the sample MFIs vary significantly on the basis of MFIs’ regulation, legal status and profit status. The number of active borrowers is greater for regulated, non-NGO and for-profit forms of MFIs. As per the MIX bench mark methodology, two MFIs i.e. Janodaya and NBJK were classified as having small breadth of outreach. Though these two
MFIs are not working for the sake of profit yet the breadth of outreach for these MFIs is below the industry benchmark. It states that perhaps these MFIs have large number of borrowers and they all may be the passive ones. Keeping themselves free from any rules and regulation may be another reason for the less number of borrowers for these MFIs. Also, the number of active borrowers for seven MFIs like Grama Vidiyal Microfinance Ltd., BASIX, SKDRDP, AML, SHARE, Bandhan, Spandana and SKS were greater than the respective average of the microfinance industry.

- Indian MFIs are found to be in the low end of depth of outreach as mean of average loan balance is USD 140.53 which is less than the MIX bench mark (average loan size <USD 150). Indian MFIs are found to have greater depth of outreach than the reporting African MFIs as their weighted average outstanding loan per borrower is USD 307. Average loan balance doesn’t vary significantly when intra peer group comparison is made. At individual MFI level, eleven MFIs namely Janalakshmi Financial Services Pvt. Ltd., NEED, BASIX, Asomi, AML, GFSPL, Janodaya, AWS, PWMACS, SCNL and SEWA Bank were found to be serving the relatively non poor borrowers with possessing average loan balance greater than the industry average.

- Average assets for the microfinance industry as a whole is found to be USD 1,96,40,799. Eight MFIs namely SEWA Bank, Cashpor MC, MMFL, BISWA, Grama Vidiyal Finance Ltd., BASIX, SKDRDP and AML have their assets values greater than the industry average.

- Of the MFIs studied, we observe that the MFI age is 12 years approximately (Table 4.1), which means that the microfinance sector in the Indian region is in existence for more than a decade.

- Indian MFIs capital structure is predominated by the debt-financing scheme as the debt equity ratio (DE) for the MFIs is 128.55. Along with it, wide disparity is found in the level at which Indian MFIs operate.
5.2. Trade-off between Outreach and Financial Performance

To examine the trade-off between outreach and financial performance of the Indian MFIs, a panel data regression model was established. The model studied the impact of financial performance on the outreach measures and the impact of outreach on the financial performance measures simultaneously. The hypothesized model was tested with the help of STATA 10 software.

5.2.1. Financial Performance versus Outreach

5.2.1(a) Sustainability and Profitability versus Outreach

The hypothesized model here predicted the relationship between the different measures of outreach taken as independent variables and the measures of sustainability and profitability taken as dependent variables. Key findings are:

- The impact of percentage of women borrowers on the return on assets is observed to be significant in negative direction. It indicates that as the percentage of women increases, it causes a significant reduction in the return on assets. It implies trade-off between financial performance and outreach measured by return on assets and percentage of women borrowers respectively. However percentage of women borrowers doesn’t have significant effect on the return on equity and operational self-sufficiency.

- Number of active borrowers is found to be significantly positively affecting the return on assets, return on equity and operational self-sufficiency. Thus, the number of active borrowers is thus a strong predictor of sustainability and profitability, one of the core areas of the financial performance of MFIs. It states that as the number of borrowers increases, it leads to the significant increase in the sustainability and
profitability of the MFI. It contradicts the trade-off between the outreach and financial performance and instead states that both are complementary to each other.

- The effect of average loan balance on the any of the sustainability and profitability variables i.e. return on assets, return on equity and operational self-sufficiency is not statistically evidenced.

In a nutshell, it can be stated that number of active borrowers helps an MFI to have financial sustainability and profitability in terms of return on assets, return on equity and operational self-sufficiency while percentage of women borrowers negatively impact return on assets.

5.2.1(b) Efficiency and Productivity versus Outreach

The relationship between the different measures of outreach taken as independent variables and the measures of efficiency and productivity taken as dependent variables was predicted by the hypothesized model. The key findings are:

- The impact of percentage of women borrowers on the operating expenses to loan portfolio and the borrowers per loan officer is found to be significant in positive direction. Thus increased number of women borrowers is followed by enhanced productivity for the MFIs. Operating expense on the loan portfolio also increases with an increase in the women borrowers. Moreover, an increase in operating expense to loan portfolio with an increase in percentage of women borrower shows that financial performance and outreach are contradictory to each other. On the other hand, an increase in borrowers per loan officer with an increase in percentage of women borrowers states that financial performance and outreach are complementary to each other. However the negative effect of the percentage of women borrowers on the cost per borrower is not statistically verified.
• The impact of number of active borrowers on the borrowers per loan officer is significant in positive direction and on the operating expense to loan portfolio and cost per borrower is significant in negative direction. It indicates that increased breadth of outreach measured by the number of active borrowers brings a significant increase in the borrowers per loan officer and significant reduction in the operating expenses to loan portfolio and cost per borrower. Here again, the outreach and financial performance are observed to be complementary to each other.

• A greater depth of outreach represented by low average loan balance brings higher financial performance in terms of reduced cost per borrower. It indicates that a decrease in average loan balance leads to significantly decrease the cost per borrower of the MFIs. It shows that financial performance and outreach are complementary to each other. However, the impact of average loan balance on the operating expense to loan portfolio and borrowers per loan officer is not statistically evidenced.

Thus, to conclude the above discussion based on the linkage between outreach and efficiency and productivity, it can be said that higher outreach brings greater efficiency and productivity for the firm.

5.2.1(c) Portfolio Quality versus Outreach

Here the effect of different outreach indicators on the portfolio quality has been measured by the hypothesized model. The key results are:

• The impact of the numbers of active borrowers and average loan balance on the portfolio quality is observed to be significant in positive direction. It shows that an increase in the number of active borrowers significantly deteriorate the portfolio quality of the MFI. On the other hand, reduction in the average loan balance leads to reduce the riskiness in the loan portfolio.
• An increase in portfolio risk with an increase in the number of active borrowers concludes that there exists a trade-off between financial performance and outreach. On the other hand, a decrease in portfolio risk with a decrease in the average loan balance contradicts this trade-off between financial performance and outreach.

• However, the impact of percentage of women borrowers on the portfolio quality of the microfinance institution is not statistically evidenced.

Thus, to conclude this, it can be said that the chances of bad-debts for an MFI increases with an increase in the number of borrowers and the available loan balance with them. However, same relationship is not observed with percentage of women borrowers as independent variable.

5.2.2. Outreach versus Financial Performance

Contrary to the above findings, the hypothesized model here estimated the effect of different variables for financial performance on the outreach indicators. The key findings are:

• The impact of return on assets on the percentage of women borrowers and the average loan balance is observed to be significant. It provided the evidence of trade-off between outreach and financial performance as an increase in the return on assets is found to cause a decrease in the percentage of women borrower and increase in the size of average loan balance. The impact of return on assets on the number of active borrowers is positive but statistically insignificant.

• Return on equity doesn’t have any significant impact on the percentage of women borrowers, number of active borrowers and the average loan balance.

• Operational self-sufficiency is found to be significant predictor of number of active borrowers and the average loan balance. An increase in operational self-sufficiency leads to an increase in the number of active borrowers and average loan balance. The
relation of operational self-sufficiency with the average loan balance proves the trade-off between outreach and financial performance which is contradicted by the relation between the operational self-sufficiency and number of active borrowers. However the impact of operational self-sufficiency on the percentage of women borrowers is observed to be insignificant.

- Operating expense to loan portfolio is found to be a strong predictor of outreach. The significant negative impact of operating expenses to loan portfolio on the number of active borrowers has confirmed this relationship. This indicates that these are complementary to each other. A decrease in operating expense ratio leads to reduce the size of women borrowers and increase the size of average loan balance. The linkage of operating expense to loan portfolio with the percentage of women borrowers is significant in positive direction. This evidenced the trade-off between outreach and financial performance. Further the relation between operating expense ratio and average loan balance support the trade-off between outreach and financial performance.

- Borrowers per loan officer have significant positive impact on the percentage of women borrowers and number of active borrowers. It states that an increase in loan officer productivity brings significant increase in the percentage of women borrowers and the number of active borrowers. It concludes that financial performance and outreach are complementary to each other. However, the impact of borrowers per loan officer on the average loan balance is not statistically proved.

- Cost per borrower is found to have significant positive impact on the number of active borrowers and average loan balance and significant negative impact on the percentage of women borrowers. It implies that a reduction is cost per borrower leads to an increase in the percentage of women borrowers and a decrease in the average loan balance and the number of active borrowers. The relationship of cost per borrower with the percentage of women borrowers and average loan balance indicates that outreach and financial performance are complementary to each other while the
relationship between cost per borrower and the number of active borrowers shows trade-off between outreach and financial performance.

- The portfolio risk is found to have significant positive impact on dependent variables of number of active borrowers and average loan balance and negative impact on the percentage of women borrowers. It states that a decrease in portfolio risk brings significant increase in the percentage of women borrowers and significant decrease in the number of active borrowers and the average loan balance. The relation of portfolio risk with the percentage of women borrowers and the average loan balance implies that higher financial performance leads to greater depth of outreach. Whereas a decrease in number of active borrowers with a reduction in portfolio risk states that there lies a trade-off between outreach and financial performance.

Thus, it can be said that different independent variables for financial performance have different impact on the dependent variables of outreach at various levels of significance level and in different direction.

### 5.3. Determinants of Financial Performance

To identify the factors affecting the financial performance of microfinance institutions, multiple regression model was established. The regression model established a hypothesized relationship between the financial performance and the factors affecting the financial performance. Based on the empirical evidence from the econometric analysis, the following points are concluded:

- Depth of outreach, cost per borrower, scale of an MFI, MFI regulatory status and its age are found to be significant variables in determining the financial performance of microfinance institutions.

- Further, it is observed that an increase in depth of outreach leads to significant increase in the financial performance at 1% level of significance. The simultaneous
increase in the financial performance with an increase in the depth of outreach leads to the conclusion that financial performance and outreach can be achieved together.

- A reduction in cost per borrower also brings significant increase in the MFIs’ financial performance, tested at 1% level of significance.
- Similarly, an MFI’s performance deteriorates significantly (p value<0.1) with the increase in the level at which an MFI operate.
- Regulation and experience of an MFI significantly affect the MFIs’ performance at 5% level of significance. A firm performance is found to be improved with its maturity.
- However, the impact of other determinants like breadth of outreach, capital structure, staff productivity, legal form and profit status of an MFI on the financial performance is found to be insignificant.

5.4. Implications and Recommendations

5.4(a) Microfinance Industry

- Microfinance institutions are suggested to make proper use of their assets so as to have a better return on their assets. For this, microfinance institutions are not bound to get themselves regulated and even a young microfinance institution can make proper use of their assets.
- Microfinance institutions should increase the role of owner’s capital in their capital structure as microfinance institutions are shown as having the best return on their shareholders’ investment.
- Staff of the microfinance institutions should be encouraged by providing them appropriate incentives as they are able to serve the number of borrowers which is at par with the global averages.
- From the analysis, it can be said confidently that microfinance institutions with greater depth of outreach can have sound financial performance as there are nine
cases supporting the complementary nature of financial performance and outreach which has been contradicted by the three cases. On the other hand, sound financial performance put a constraint to the greater depth of outreach with eight cases suggesting the complementary nature of outreach and financial performance and seven cases contradicting this relationship. It is thus recommended to the microfinance institutions that they should focus on the poor people so as to have greater depth of outreach. By doing this, they can well and truly achieve their dual objective of outreach and financial performance.

- Number of active borrowers helps a microfinance institution to be sustainable and efficient but it increases the portfolio risk of the microfinance institution. Therefore, number of active borrowers should be maintained otherwise it would put a question mark on the sustainability and efficiency of microfinance institutions.

- MFI should try to find out the new ways to reduce the portfolio risk. For this, microfinance institutions are required to maintain a small level of average loan balance. It would help the microfinance institutions to have a sound portfolio along with greater depth of outreach and thus make the achievement of dual goals possible.

- Microfinance institutions can have greater breadth of outreach by a reduction in portfolio risk. It is just because as the portfolio risk decreases, it would reduce the chances of bad-debts for the microfinance institutions leading to more profitability. A profitable microfinance institution is in a better position to grant loans to a large number of borrowers.

- A good regulatory framework avoiding unnecessary restrictions on microfinance institutions is required to reduce the transaction costs and also to bring long-term sustainability through much needed transparency and accountability. Moreover, the microfinance institutions should also try to adapt themselves according to the recent regulation imposed by Malegam committee with a view to have sound financial performance.
• In order to improve financial performance, microfinance institutions must aim at finding ways to have decreased cost per borrower.

5.4(b) Individual MFIs

• Swadhaar and HiH should concentrate on the utilization of their assets and shareholder’s funds.

• Sonata, Janalakshmi Financial services Pvt. Ltd., HiH, Swadhaar and Ujjivan are required to reduce the ratio of operating expense to loan portfolio if they want to be operationally self-sufficient. They should also keep themselves away from the unnecessary restrictions of the regulatory framework as all of these five MFIs are found to be regulated (Appendix A).

• MFIs like Sonata, Basix, Janalakshmi Financial Services Pvt. Ltd., HiH, SCNL, SEWA Bank, Swadhaar and Ujjivan are suggested to trace out the reason for their increased cost per borrower.

• It is recommended to the MFIs namely Janodaya, SCNL, SEWA Bank, BISWA, SWAWS, AML, SHARE, Spandana and ICNW to reduce the risk on their portfolio. This can be done by following appropriate lending policy so as to take benefit of the productivity gains in terms of increased borrowers. To prevent the further deterioration due to bad-debts, measures like making adequate provisions for the bad-debts and effective follow-ups to ensure higher repayment rate can be adopted.

• MFIs like SKDRDP, NEED, NBJK, Mahashakti, BISWA, RGVN (NE) and GU can get themselves regulated and opt for the non-NGO status if they want to increase the share of women clients who are more dedicated towards their work and generally invest in less risky project. It implies that regulation by fixing a certain percent of share for women clients in total loan portfolio can work in the direction of women empowerment.
Further, it is suggested that Janodaya and NBJK should try to maintain the size of their number of active borrowers as the number of active borrowers help the institution to improve its financial performance. These can have large number of active borrowers by following rules and regulations imposed by the government on the microfinance institutions.

MFIs namely Janalakshmi Financial Services Pvt. Ltd., NEED, BASIX, Asomi, AML, GFSPL, Janodaya, AWS, PWMACS, SCNL and SEWA Bank are required to reduce the size of average loan balance so as to serve the poor clients who are in the mainstream of the ultimate agenda of the poverty reduction. By doing so, they can get the benefit of the various government sponsored schemes for the institutions who work in the direction of social upliftment of poor people.

5.5. **Significance of the Study**

The present study is intended to assess the trade-off between the outreach and financial performance and therefore the determinants of financial performance of microfinance institutions. The results of this research contribute to knowledge about the potential trade-off between outreach and financial performance in several ways. It provides an insight of the desirable ways that microfinance institutionalist can adopt to make it possible the simultaneous achievement of the dual objective of financial mission and social mission. It highlights the hurdles which are there to stop the achievement of the ultimate objective. It can help the microfinance institutionalist to ensure the results of their efforts by the measurement of the financial performance and outreach of their institutions. This study has highlighted the factors that can significantly improve the financial performance of the microfinance institutions. In addition to identify the significant factors for improvement in financial performance, the study also provides an insight into the effect of different dummy variables on the performance of microfinance institutions.
5.6. Limitations of the Study and Directions for Future Research

The microfinance sector in India is still in its nascent stage and not well regulated. The financial data was not available for most of the MFIs. The study was based on a small sample of forty microfinance institutions. Though the available MFIs data had been taken, yet there is a scope to cover more number of MFIs in future, giving proper representation to microfinance industry.

- As data collection was posing a problem, purposive sampling was used for selecting the MFIs. This can lead to a risk of biasness in the results, as the data may not be representative of the entire microfinance industry. In future more deterministic techniques of probability sampling can be used.
- A study in the same area but across different countries is highly suggested which will help to incorporate the country effects like operating and regulatory environments that can affect the efficiency of microfinance institutions. Furthermore, it would help to find out whether there is any similarity among the microfinance industry operating in different countries regarding their performance measurement indicators or whether the Indian microfinance industry is unique in itself.
- The results have been derived keeping in mind the objectives of the study. Though the inter and intra peer group analysis of outreach and financial performance variables had been made, but that had been done on the aggregate level. A study doing the trend analysis of the different outreach and performance variables at the individual MFI level would be of interest.
- The study limited itself to only outreach and financial performance measurement under the head measurement of microfinance institutions’ performance. The scope of studying the welfare impact of different microfinance efforts persists.
- The impact of recent regulation imposed by the Malegam committee on microfinance institutions would also be the area of interest for the future researchers.
5.7. **Summary**

The purpose of this chapter was to summarize and conclude the findings in the previous chapter. The chapter begins with the objective wise summary of the findings which is followed by the conclusions, being drawn from the findings. A theoretical and practical implication of the research is presented. Next the recommendations based on the results are given. Limitations of the study are put forward. Besides this, the directions for future research are proposed.