2020-08-31

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INSTITUTIONAL LOGICS AND THE DOUBLE BOTTOM LINE: A STUDY OF CHIKUM MICROFINANCE BANK LIMITED

by

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A dissertation submitted in partial fulfillment
of the requirements for the degree of

Doctor of Philosophy

August 2020

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ABSTRACT

Microfinance institutions (MFIs) serve a social mission, while also having to focus on financial sustainability. Microfinance emerged as an alternative to traditional aid to the poor and aims to help alleviate poverty through providing them with financial services. MFIs can be self-sustainable and even profitable through income generating activities. This twin goal of commercial viability and social mission has generated much scholarly interest in the competition between two seemingly incompatible logics of action. Assumptions about the incompatibility of profit and mission motives have dominated the literature and led to a neglect of how some MFIs may be successful in integrating both logics.

This study elaborates on the specific actions and processes Chikum MFB Ltd, - a microfinance bank located in Owerri, Nigeria took to balance ‘nonprofit’ and ‘for-profit’ institutional logics. The findings reveal that the leadership’s commitment to integrated logics enabled the deployment of the required resources to meet its goals. Commitment to founding mission provided guidance for management decisions including workforce composition, products offerings and pricing and the operation of multiple outposts. Also, its integration of financial with nonfinancial services contributed to financial sustainability, since microcredit and its associated revenue is only one of several revenue streams.

By adopting a case study approach, this qualitative study engaged in an in-depth investigation on why and how the bank engaged in sustainable microfinance practice. The interpretive approach was deployed to explore, seek understanding and interpret meaning from the interview transcripts and reviewed documents. Thematic analysis

revealed five key themes that described the bank's goal attainment strategies: shareholders' avowed commitment to founding mission; human asset development; pro-active poor products and services offering; innovative/strategic products pricing; and institutional competitive advantage. The interrelated themes also constituted the framework for the study's findings.

The findings underscore the need for commitment to the MFI's organizational logics, for innovative and integrated approach to the needs of microfinance clients and to incorporate other revenue mechanisms to achieve financial sustainability. This study compliments the call to broaden the search for the double bottom-line objective to focus on understanding the effectiveness of different types of MFIs operating in different contexts.

DEDICATION

To my late father, Andrew Ogbedeneto Anyanwu who believed education is the greatest asset he can give to his children that cannot be destroyed or taken away from them. You selflessly sacrificed and starved that your first son will reach the peak of academic laurel.

To my mom, Marcelina Ada Anyanwu whose daily prayers for a successful and safe return from America is my charm of luck and protection. Daily I experience the warmth of your maternal love and protection in those magic words, “My God will protect you”.

To my siblings Ejiogu, Kelechi, Chinenye, Madugba, Onyemauchechukwu, Chinyere, Ugochukwu, Okechukwu, Alozie, Enyeribe and Ukachukwu, you provided the motivation and courage for the completion of this work. The thought of you meant I could hang the boots only at the top.

ACKNOWLEDGMENTS

First, I would like to extend my heartfelt appreciation to God for his graciousness to me, who true to character placed on my journey men and women for both intellectual and financial support that made this study a reality. Next, finding apropos the wise words of Robert Donmoyer, “in dissertation writing, your chair is God! I suppose that makes your committee members archangels,” I want to thank my dissertation committee for the success of this study. I will be forever indebted to you all and will treasure the friendships we have formed. First and foremost to Dr. Hans Peter Schmitz, the chair of my dissertation committee. He has acted as adviser, editor and reviewer of this work. I am particularly grateful for his unique “German touch”, to meticulously read each sentence and provided direction in the most expeditious manner. Indeed you are the ‘god’ of this dissertation. Thank you! Dr. Robert Donmoyer helped to imbue in me a deeper appreciation of scholarly documentation and equally helped set up the substructure on which this study stands today. His critiques of the first several drafts provided an invaluable input leading to this final outcome. Thank you! Rightly, you are one of the “archangels” that midwifed this study to life. Equally, I thank Dr. Marcus Lam for his interest in my concept and critique that provided the needed focus for the study. He strongly encouraged me to follow a quantitative approach and showed the same supportive care when I decided the qualitative approach will serve a greater benefit for the microfinance field. Dr. David Allen Bell is the subject-area expert in the committee, an expert with extensive works on microfinance in the African context and in particular, Sierra Leone and the World Bank. Thank you so much for the insights that you brought

in and the encouragement you provided. I could not have completed this work without your advice and support.

I am in the field of leadership and management because of one man, Archbishop Anthony J.V. Obinna who became my spiritual father shortly after I was ordained a priest. For reasons best known to him, he invited me in the second year of my sacerdotal ministry to focus attention on administration and leadership as the assistant secretary/chancellor of the Archdiocese of Owerri and subsequently for more than a decade to serve as the Director of Finance where I later helped to establish the Chikum Microfinance Bank Ltd. With his kind permission and support my leadership and management skills has received the boast of academic grooming to the doctoral level.

I would not have produced this study without the kind permission and cooperation of the directors and staff of Chikum Microfinance Bank Ltd. I truly appreciated your uninhibited access to your persons and to the bank's official documents. I thank in particular Violet Ikebuna and Lilian Opara for your incredible help as resource contacts.

Throughout the course of my time at the School of Leadership and Education Sciences (SOLES), I benefited from the exceptional opportunities offered by the University of San Diego. The religious tuition discount provided financial support throughout the four years of my doctoral studies. Special thanks to Linda Dews for your help and for your dedicated and courageous leadership of the SOLES department. I am equally grateful to Beth Garofalo who helped me keep my focus on my program plan, while Emma Mackey's patience, good cheer, and enviable organizational skills were invaluable.

To John Gregg and wife Kathy for your financial support. You are my other brother in white skin. From the day the Archbishop introduced me to you as his man in charge of "temporal affairs" you have been a strong shoulder to lean on. Thank you for ensuring I did not starve as a full-time student.

I would like to specially thank Fr. Wence Madu, PhD, a Big Brother. Through you my academic journey found its way into the USA. Your selfless leadership transformed the once comatose Imo State Polytechnic and continues to positively touch many lives. Your leadership skills and unassuming large personality will always remain an inspiration.

I appreciate the long-time friendship and encouragement of these colleagues: Anthony Mbaegbu is the finest creature under the sun who understands friendship is not an "all times yes". Thanks for always sharing the truth only a friend is privileged to provide. Cyprain Ogu, PhD, is a superb school administrator with the heart of gold. He continues to turn around nonperforming schools to the admiration of his students and parents. Frs. Emmanuel Lugard Nduka, Canice Okere and Cyriacus Ogu, thank you for all the long late-night calls that helped refresh the tired mind from long hours of reading and writing assignments. Drs. Ebtesam Ali Ateneji and Derek Olson are wonderful cohorts with whom I exchanged questions, ideas and advice.

I am also indebted to the pastor and parishioners of St. Columba, San Diego who offered accommodation conducive enough for studies and also for steaming my sacerdotal engine through weekend ministry while traversing the secular world of academics.

Finally, to the members of my family, my mother and siblings this work is lovingly dedicated to you. Thank you for your prayers and support all the while I took time away to lonely America in search of the golden fleece.

To each of you that were a part of this journey, you are my family by birth or by association, I can never thank you enough.

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CHAPTER ONE

INTRODUCTION TO THE STUDY

The microfinance strategy acknowledged across the world is one of the largest poverty alleviation tools in development and economic empowerment. It is a financing methodology designed to provide financial services to the active poor and other micro-entrepreneurs traditionally excluded by conventional methods. The underlying logic is that ease of financial access to the active poor will enable them to acquire skills and productive assets and grow out of poverty. At the end of 2018, microfinance institutions (MFIs) reached an estimated 139 million borrowers, including six million in Sub-Saharan Africa. Leading countries in the sector are India (47 million borrowers), Vietnam, Bangladesh, Peru, and Mexico (Microfinance Barometer, 2019). Notwithstanding, the practice has evolved over time from a microfinance of nonprofit orientation to a microfinance of market-based for-profit orientation (Conning & Morduch, 2011). It has evolved from primarily non-profit, non-governmental organizations (NGOs) actors that substantially depended on subsidies to accomplish their social goals to now a financial market of nonprofit and for-profit actors competing to provide financial services to the active poor. Though a successful microfinance practice, one that promotes the microfinance goal, also known as the double bottom line goal integrates simultaneously both social and financial logics (Reichert, 2016), and both academics and practitioners have stressed the importance of both profitability and outreach for the long-term sustainability of the industry, the results of integration has been inconclusive.

Problem Statement

Previous studies investigating the success of the microfinance strategy have focused mostly on the two broad distinctions of ‘nonprofit’ and ‘for-profit’ microfinance orientations (Im & Sun, 2015). They distinguish between social and financial orientations with the claim that social and financial logics are negatively correlated. An emphasis on financial goal would undermine a microfinance institution’s social goal and vice versa (Pinz & Helmig, 2015). However, empirical evidence suggests that neither a strictly philanthropic path nor a fully commercial path has delivered institutions that optimize the goals of microfinance (Conning & Morduch, 2011; Cull et al., 2007). Less studied and warranting greater attention are microfinance institutions that integrate both commercial and financial institutional logics (Battilana & Lee, 2014).

In addition, the previous studies also overlooked or addressed only peripherally extenuating factors capable of shaping the success of the microfinance enterprise. Human needs are multi-dimensional and financial sustainability is not just the function of loans and interest rates but are shaped by social networks (Salamon et al., 2017), ownership and national contexts (Casselman et al., 2015), culture (Meyer & Rowan, 1977), and civil society (Bartley & Child, 2011; King & Pearce, 2010). Evidence from the related fields of impact investing (Child, 2016), social enterprises (Fitzgerald & Shepherd, 2018) and studies on hybridity (Battilana & Dorado, 2010; Battilana & Lee, 2014; Jay, 2013) provide insight on how institutions / organizations could integrate logics to achieve organizational goals.

This study explored the quest for the double bottom-line objective in the context of Nigeria’s 2005 streamlined microfinance banking scheme. Specifically, the study investigated how institutional identity could foster and/or impede the simultaneous pursuit of social and financial goals in a microfinance bank.

Statement of Purpose

Conflicting financial and social orientations complicate the evaluation of microfinance success and the optimism of its ability to mitigate the needs of the active poor. The main objective of this study was to explore the quest for the double bottom-line objective in Chikum Microfinance Bank Ltd. I suggest that the realization of the microfinance objective is contingent upon key organizational factors – governance, integrated activity, and workforce composition – that shape how microfinance institutions experience the competing logics. To sufficiently gain a deep and holistic description that illuminates how institutional identity informs the actions of the board of directors, staff and management of the bank this study was done using the qualitative method. The collection of qualitative data to investigate the microfinance objective in a microfinance institution is uncommon in the microfinance literature. Previous studies generally have focused on quantitative data either of nonprofit or for-profit institutional orientation. This study will compliment prior works exploring integration of multiple logics in microfinance institutions as well as offer the basis for further investigations on microfinance institutions from the dual objective's perspective. It equally responds to the call for investigations focused on understanding the effectiveness of different types of microfinance institutions operating in different contexts (Casselman et al. 2015; Zuru et al., 2016).

Research Question

The aim of this study was to understand how the operators of Chikum MFB Ltd perceived and responded to the tensions of integrated logics in their bank. The study was guided by the following research question: how does a faith affiliated microfinance bank navigate the competing challenges of the double bottom line goal of microfinance strategy?

Conceptual Framework of Institutional Logics: A lens for Exploring Integrated Logics in Chikum Microfinance Bank Limited

The conceptual framework of institutional theory has been suggested as an appropriate lens for investigations into the sustainability of microfinance institutions (Battilana & Dorado, 2010; Battilana & Lee, 2014). Evidence from studies in the field of institutional theory and analysis provide insight on how institutions/organizations could integrate logics to achieve organizational goals, and in particular hybrid logics (Battilana & Dorado, 2010; Battilana & Lee, 2014; Jay, 2013; Fitzgerald & Shepherd, 2018; Pache & Santos, 2013; Sun & Im, 2015). The assumptions of institutional theory suggest that while institutional logics constrain the choice sets available to individuals, groups and organizations, logics also provide opportunities for those actors to socially construct and reconstruct logics in ways that reflect their interest (Greenwood, 2008; Davis et al., 1997). Thus, the institutional logics framework was the most appropriate for this study.

Using a case study design, and the analytical frameworks of institutional logics as lens this study investigated, a) how the two logics co-exist in Chikum Microfinance Bank, and b) how organizational identity (integrated logics) could foster and/or impede the pursuit of social and financial goals in Chikum Microfinance Bank Ltd. The study developed a priori constructs to explore each of the study participant's understanding of the microfinance dual objective, and their personal experiences of concrete application in the bank. Key areas of interest are how mission statement, hiring, pricing, lending policy, financial services (sources of evidence of commitment to integrated logics) typify activities in the bank.

The remaining part of this chapter summarized the several steps taken to ensure quality and intellectual rigor to address the research interest and answer the research question starting with chapter two.

Chapter two provides context to this dissertation, discussing briefly the history and background of Nigeria's unique microfinance practice essential to understanding the significance of the investigation. It includes the country profile, the politics, economics and socio-religious structure of the nation state. The effects of the colonial system of administration which configured the entire social, legal and political life of the nation created an imbalance in socio-economic growth among the federating states long even after independence in 1960. Also, the system spurred the growth of indigenous voluntary associations designed to promote education, economic development and self-governance, not in the form of state and citizen partnership but as semi-independent bodies. The interplay between these structures separately and collectively helped to develop and promote the emergence of Nigeria's regulated equity-financed microfinance banks, including the emergence of different ownership configurations.

In chapter three I reviewed relevant literature on the microfinance practice, including the trade-off debate between social and financial objectives with a focus on institutional logics. The literature review revealed evidence of disparate results among trade-off studies indicating the need to broaden investigation to other determinant factors of microfinance sustainability. The review also indicates that while studies focused on competing orientations are bourgeoning, insights from related fields that could advance the microfinance objective have largely been ignored. Related studies from the field of institutional theory and analysis provide insight on how institutions/organizations could integrate logics to achieve organizational goals, and in particular hybrid logics (Battilana & Dorado, 2010; Battilana & Lee, 2014; Jay, 2013; Fitzgerald & Shepherd, 2018; Pache & Santos, 2013; Sun & Im, 2015).

The various steps employed in order to systematically apply the scientific method to address the research question, including the research design (logic of inquiry) and the methods (logistics of inquiry) is the focus of chapter four. The study relied primarily on semi-structured interviews and document review as data sources. The data from the interview transcripts and organizational documents were compared and contrasted to render visible issues that informants did or did not explicitly articulate as per the policies and activities of the bank. Data analysis consisted of a series of steps including data transcription, generating codes, defining and naming themes.

The details of the findings of this investigation are presented in chapter five. Five key themes were generated from the study, and collectively they explained the bank's goals attainment strategy: (a) shareholders' avowed commitment to founding mission; (b) Human Asset Development (c) Targeted active poor products and services offering; (d) Innovative/Strategic products pricing, and (e) Institutional Competitive Advantage. The conclusion that was interpreted from the themes was that the bank is intentional about achieving the dual objectives, it pursued both financial and social goals through integrated services. However, integrated services presented both internal and external challenges. This chapter illustrated how the bank addressed the challenges and how some of the data features provided the basis for the interpretation as well as answered the research question.

The sixth and final chapter discusses the key findings of the study, linking them to existing literature. The significance of the findings to research and practice, the study's limitations and future research opportunities are highlighted to conclude the chapter.

CHAPTER TWO

CONTEXT AND BACKGROUND OF STUDY

This chapter provides context to this dissertation, discussing briefly the history and background of Nigeria's unique microfinance practice essential to understanding the significance of the investigation. It includes the country profile, the politics, economics and socio-religious structure of the nation state. The effects of the colonial system of administration which configured the entire social, legal and political life of the nation created an imbalance in socio-economic growth among the federating states long even after independence. Also, the system spurred the growth of indigenous voluntary associations designed to promote education, economic development and self-governance, not in the form of state and citizen partnership but as semi-independent bodies. The interplay between these structures separately and collectively helped to develop and promote the emergence of Nigeria's regulated equity-financed microfinance banks, including the emergence of different ownership configurations. The subsequent sections detail the highlighted socio-historical context.

Nigeria: Country Profile

The case study of this dissertation focuses on a microfinance bank in Owerri, Nigeria. Owerri is the capital city of Imo State, one of the thirty-six states of Nigeria in addition to Abuja, the Federal Capital Territory. The states are grouped into six geopolitical zones, namely: North-Central, North-Eastern, North-Western, South-Eastern, South-South, and South-Western. Owerri is located in the south eastern part geopolitical zone, home to the Igbos and one of the country's three major ethnic groups.

The other two ethnic groups are the Hausa-Fulani in the North and the Yorubas in the West. Nigeria is situated in the Western part of Africa and lies between latitudes 10° 0' N and longitudes 8° 00' E, covering a total area of 923,768 sq. km. She shares boundaries with Benin to the west, Niger to the North, Cameroon to the east and the Atlantic Ocean to the south. The official language is English, though it has 250 ethnic groups and over 500 languages and dialects (CIA Factbook, 2018; Falola, 1999, p.5).

Nigeria operates a multi-party federal system of governance with three tiers of government – executive, judiciary and legislature – at the federal, state and local government levels. All elected offices have a four-year tenure; however, the gubernatorial and presidential seat can be run for a maximum of two-terms. The local government level comprises of 774 Local Government Areas. Owerri covers three of these local government areas namely, Owerri Municipal, Owerri West and Owerri North. It is densely populated with an estimated population of about 1,401,873 as of 2016.

Religion occupies a central position in the life of the Nigerian people. Nigeria's 'triple heritage' of African Traditional Religions, Islam and Christianity creates a complex and fascinating situation (Country Profile: Nigeria 2016). Though a secular state with no state religion, political and economic life reflects a more complicated engagement with religious identity that varies by religion, ethnicity and region. The estimate is that about 48.8% of the population is Muslim, 49.3% is Christian, and 2.9% practice indigenous African religions. These figures are however contested (The Pew Forum, 2010; Country Profile: Nigeria 2016). Overall, the people are deeply religious. Recent studies identify Nigerians as the most religious people in the world (Huber and

Huber, 2012; Obadare, 2007). Owerri the heartland of Igboland is predominantly Christian with few people still practicing the African Traditional Religion.

Nigeria has eight ecological zones, ranging from dry and intermediate savannah, through tropical rainforest to mangrove swamps and dry sandy areas – the varied climate makes for equally varied crops in the different regions, although only about one-third of the country's arable land is being cultivated. With an estimated population of over 186 million (UN, 2016), the average living conditions of the citizens remain poor by World Bank standard. This makes the country a veritable ground for the microfinance practice. The average banking density of Nigeria is one financial institution outlet to 32,700 inhabitants in urban cities and 57,000 inhabitants to one bank in rural areas (CBN, 2005). With the National Financial Inclusion Strategy (NFIS) relaunched in 2012 and revised in 2018, the percentage of Nigerians who own bank accounts and use formal financial services is still less than 63.2% in 2018. On their part, the inhabitants of Owerri are mostly agrarian engaged in cultivating yams, taro, corn (maize), rice, and cassava (manioc) as their staple crops, and oil palm is the main cash crop. They rely mostly on traditional and informal micro funding to grow their businesses. Nigeria has a total of nine hundred and eleven (911) licensed microfinance banks as at December 2019 located mostly in the city centers. Thirty-six of the banks are located in Imo State comprising twenty (20) Tier 2 Unit Microfinance Banks, thirteen (13) Tier 1 Unit Microfinance Banks and three (3) State level Microfinance Banks. There is no national level microfinance bank in the state (CBN, 2020).

Nigeria's Socio-Political History

The powerplay between colonialism, foreign religions and local culture are intricately related in understanding the structuration and functions of the Nigerian nation. The British colonial system created institutions that spurred the growth of indigenous voluntary associations designed to promote education, economic development and self-governance. This section discusses indigenous historical context in which the country's socio-historical context helps provide insight to the interlink between the microfinance double bottom-line objective and Nigeria's streamlined microfinance banking scheme.

The Legacy of Colonialism

Nigeria was a colony of the Great Britain and gained her independence on October 1, 1960. The British colonial system laid the foundation that continues to influence policies and programs of the nation state even to the present day. Pre-colonial Nigeria was a varied and diverse body of ethnic entities broadly grouped under North and South. The Berlin Conference of 1884 -1885 which regulated European colonization and trade during the 'scramble for Africa' required European nations to show evidence of effective occupation for any territory to which they laid claim (Bassey, 1991). Accordingly, soldiers, traders, merchants, and missionaries alike were sent afield and used by the various imperial governments to satisfy this clause of the treaty (Bassey, 1991, p. 39). To lay claim over Nigeria and consolidate its power the British colonial administration established the northern and southern "protectorates" in 1882. And in 1914 joined the two protectorates to create the Colony and Protectorate of Nigeria with Frederick Lugard as the Governor-general.

Pre-colonial Nigerian communities were highly structured and functioned effectively. First, beginning with the North, Lugard established a policy of ‘indirect rule’ through the Fulani ruling classes in the north, leveraging the existing northern emir hierarchies. The overall goal was to use the traditional authorities as agents while reserving custodial powers to the colonial authorities. A few years later, and to establish a common system of law for the whole country the colonial administrator decided to introduce this system in the south as well and commissioned ‘warrant chiefs’ to rule the districts in the South. While the policy was effective in the North, it was resisted in the South as it destabilized traditional institutions due to the lack of social hierarchies in the South. Consequently, in the South the policy of indirect rule created a division between state and society leading to the emergence of “two publics” in the public sphere – the “primordial public” and the “civic public” (Ekeh, 1975). While the “civic public” consisted of ‘intermediaries’ between the colonial administrators and the natives in the public sphere, the “primordial public” responded to the needs of natives for public goods and services and consists of primordial groups, sentiments and activities that impinge on the public interest (Ekeh, p. 92).

The “civic public” collected taxes and performed other local administrative tasks and never successfully integrated with the primordial public. Their alien origins and authoritarian character disconnected the “civic public” from the “natives” and the state apparatus they represented (for a detailed discussion on this, see Ekeh, 1977). Over time, the primordial public evolved to fill the gaps created by the contraption and functioned as an ‘exit site’ for those who felt alienated from the state as well as a parallel or ‘shadow state’ that provided public goods and services the state failed to provide (Osaghae, 2006,

p. 238). It introduced a trend that will characterize the provision of public services by groups and communities even after independence. The relevant point here however is that first, the colonial system of administration unintentionally spurred the growth of indigenous voluntary associations designed to promote education, economic development and self-governance, not in the form of state and citizen partnership but as semi-independent bodies. And second, the effects of the policy of indirect rule will later configure the entire social, legal and political power-play creating an imbalance in socio-economic growth among the federating states after independence.

The Religious Factor

Religion is a vital factor in any major issue in Nigeria. With colonialism came European missionaries in the nineteenth century. Increased industrial production meant new markets and plenty of raw materials for European industrialists. Chaplains accompanied traders not just to minister to them but also to convert Africans. They established missions at trading posts (Mbachirin, 2006), paving the way for the expansion of trade and the establishment of colonial rule. On its part, the colonial administration largely ignored or remained silent on religious activities in the colony. It encouraged religious conversion especially to Anglicanism, as part of their mandate to “civilize” Africa. While proselytization was left to individual convictions in the South they were vehemently opposed in the North. At the insistence of Hausa-Fulani leaders in the North, colonial administrators barred Christian missionaries from proselytizing in the North which later helped create socio-economic imbalance between the North and the South.

As indirect vehicles of evangelization, the missionaries established various socio-economic institutions that served as recruiting grounds for the churches as well as the development of human resources to drive the institutions. Thus, while the south saw the rise of economic growth, urbanization and a skilled middle class through missionary education; the North had extensive agricultural production, little access to Western education and rampant poverty. The missions not only created the foundation for the socio-economic development of modern Nigeria but also provided the major intellectual inspiration to Nigerian activists who formed local associations out of which Nigerian nationalism emerged as an independence movement (Dzurgba, 1991). This resulted in a preponderance of Christians among Nigeria's early nationalists and later to a state of mutual distrust between the South and the North at independence in 1960. The disunity introduced by colonial rule and foreign religions far before independence continues to give religion a stranglehold on the polity.

In addition, while the policy of indirect rule favored the North from a political perspective, its rejection in the South played to the advantage of religious missionaries. In contrast to the "civic public", religious groups especially foreign missionaries enjoyed the goodwill of the natives, connected with the "primordial public" filling the gap created by the state. The relationship between the religious missionaries and the natives were more cordial. In collaboration with the primordial public, European missionaries established institutions including schools, printing press, hospitals and garages etc., that became sources of revenues and training grounds for the churches. It enabled the organization of self-help groups and the partnership of religious groups with their local communities for development and economic initiatives. Thus from the very beginning the responses of religious groups to the needs of the citizenry has more to do with socioeconomic and political realities than with theological and philosophical conviction (Mbachirin, 2006).

And for these reasons religious groups are integral to the economic development of the Nigerian society. Religious leaders continued to make religious institutions relevant to the people even for economic activities.

Independence and Military Rule

With Independence in October 1960 the nationalist sought to establish control of the nation state and met with the enormous huddles inherited from colonialism. Independence came with many demands including uniting the diverse groups and the provision of public infrastructure. To address these needs, the government obviously needed partners, and such partners could be found locally among existing institutions, especially those established and run by Christian missionary societies. Colonial policy had given lots of latitude to religious control of social services especially in education and health. They unwittingly became the faces of “public goods and services” and economic empowerment than the state (Mbachirin, 2006, p.6). Thus, the assumed “threat” by these organizations existing in the Christian-dominated south created tension for the federal government run by the Muslim north. The tension has been well documented, “[T]he period 1966-1980 saw not only a rapid increase in the range of demands made on education but also a growing tendency on the part of the military government to challenge the missions' claim to popular recognition and acceptability in the educational process in Nigeria” (Ahanotu 1983, p. 334).

Equally important, though Nigeria is a secular state with no state religion, political life in reality reflects a more complicated engagement with religious identity that varies by religion, ethnicity and region. The first civilian government after independence was ousted in a bloody military coup in 1966 led by a Southern Christian prompting widespread accusation that the Moslem north was being politically marginalized and subsequently led to the civil war of 1967-1970. With the civil war and its attendant problems, the state’s secular foundation was seriously questioned after it has consistently failed to provide basic services to most Nigerians. Islamist allege that the “secular” government was in fact based on a European Christian and colonial model, hence inherently discriminatory towards Moslems and that corruption and poverty were evidence of secularism (Moore, 2016). On their part, ordinary Nigerian citizens with the deterioration of social values started to express anger and distrust towards their state and national governments accusing them of nepotism and tribalism. Nigeria's political and economic problems fed upon one another, forming a vicious cycle of poor economic performance, and loss of political legitimacy. In the face of growing economic and social problems including rapid urbanization, unemployment and poverty, successive Nigerian governments after independence adopted various solutions tailored towards religious and cultural differences. For instance, in the area of social welfare services and rural economic development, successive Nigerian governments introduced various micro finance schemes to empower rural communities. These schemes were modelled after the existing cultural and political structures already implicated by colonial system of administration. In all, political instability and military control of society led citizens to fall back on religious institutions for socioeconomic support and to the formation of secular civil society organizations agitating against military dictatorship.

The Evolution of Nigeria’s Microfinance Practice

The evolution of Nigeria’s microfinance practice can be categorized into two time periods: the period of informal/traditional self-help groups and the period of formal/modern microfinance institutions. The practice of microfinance in Nigeria is culturally rooted and dates to the 1800s. Such cultural economic activities as "Esusu" among the Yorubas in the South West, "Adashi" by the Hausas in the North, and "Igba Utu" among the Igbos in the East, are forms of micro finance activities that are norms among the various cultures of the country (Abraham & Balogun, 21012; Acha, 2012; CBN, 2005). They are mainly Self-Help Groups (SHGs) or Rotating Savings and Credit Associations (ROSCAs) whose primary role is to provide funds for their members, individuals and group enterprises (Ayodeji, et al, 2015, p.34; Idolor & Eriki, 2012). "Igba Utu" among the Igbos as an example is a form of raising capital to meet socio-economic needs of the participants. Individuals form a group of "Igba Utu Association", agree to make regular contributions (usually daily or weekly) to a fund which is given in whole or in part to each contributor in rotation (Nwabughogu, 1984; Osondu, 2011). Each member in his/her turn was entitled to the sum of these contributions. No other payment was exacted and, after receiving his/her share, s/he would continue to pay his/her weekly due until s/he had contributed the full amount which s/he had received. The purpose is to meet the specific needs of participants like the acquisition of land, purchase of household goods, building of houses, payment of debt and education of children, etc., (Nwabughogu, 1984).

Successive Nigerian governments after Independence in their efforts at providing socio-welfare services and to empower rural communities, initiated series of publicly financed micro credit programs targeted at the rural and the urban poor modelled after these cultural economic practices. Notable among such programs include, the Nigerian Industrial Development Bank (NIDB) established in 1964, the Nigerian Agricultural and

Co-operative Bank (NACB) in 1973, the Rural Banking Scheme of 1977 which stipulated that Commercial Banks should open up a specified number of branches in the rural areas. Others include the National Directorate of Employment (NDE), and Nigerian Agricultural Insurance Corporation (NAIC) in 1988, the Peoples Bank of Nigeria (PBN) in 1989, the Community Banks (CBs) in 1990, and the Family Economic Advancement Program (FEAP) in 1997. In 2000, Government merged the NACB with the PBN and FEAP to form the Nigerian Agricultural Cooperative and Rural Development Bank Limited (NACRDB) to enhance the provision of finance to the agricultural sector. And in 2001 it created the National Poverty Eradication Program (NAPEP) (Abraham & Balogun, 2012; Acha, 2012; Iganiga, 2008).

These interventions though helpful were not sustainable either in meeting government objectives or in poverty alleviation (CBN, 2005; Idolor & Eriki, 2012, p. 59). While scholars share differing opinions as to the reasons for the failures of these past initiatives, it is difficult not to link the failures to the nation’s historic past. It is argued that in most cases the schemes ended up funding inefficient and politically motivated schemes that resulted in limited outreach, high loan default rates, and unsustainable operations (Abraham & Balogun, 2012; Acha, 2012; Anyanwu, 2004). While Acha (2012) sees the reason for the failure of the interventions in the increasing sophistication of the economy; others insist the initiatives largely failed because of nepotism, partisan interests, political instability (incessant military coup d’état) leading to inconsistencies in economic policies (Abraham & Balogun, 2012; Acha, 2012; Anyanwu, 2004; Iheduru, 2002).

The adoption of informal micro-credit schemes for socio-welfare services induced the growth of private sector-led micro finance. Again, individuals and groups found they could not depend on government sponsored micro-credit programs, resorting to reliable providers was inevitable. With the initiatives, government had adopted a top-down non-profit oriented approach (Idolor, 2012, p. 59), and encouraged the participation of non-governmental bodies like churches, mosques and other rural community development bodies. Some of their functions include provision of resources targeted at difficult-to-reach clients and the poorest of the poor; capacity building and collaborating with other relevant stakeholders in assisting the active poor. The Community Banks of the 1990s for instance started as ‘grassroots’ unregulated banks owned and managed generally by community associations (Iganiga, 2008, p. 92). They depended solely on donations, grants, interests on loans, fees and contributions from their members, and were forbidden from mobilizing deposits from the general public. They have limited outreach due primarily to paucity of loanable funds and boundary limitations. Significant increases in the number of NGOs involved in microfinance activities and its attendant challenges to the economy led to the call for a shift in paradigm.

To meet its commitment in achieving the Millennium Development Goals (MDGs) – the United Nations Millennium Declaration of September 2000 that committed world leaders to combat poverty, hunger, disease, illiteracy, environmental degradation, and discrimination against women by 2015 – the Federal Government based on global trends in poverty alleviation conducted various studies, set up commissions and organized study tours to proffer solutions (Ujunwa, Salami & Umar, 2011). The outcome is the 2005 Federal Government Microfinance Policy Guideline (CBN, 2005). The new guideline and its 2011 and 2013 revisions sought to integrate the informal financial sector into the national economy and institutionalize the microfinance practice. Any entity to be recognized as a microfinance institution must be licensed and regulated under the supervisory purview of the Central Bank of Nigeria. The new policy moved microfinancing from the domain of informal micro lending to a thriving industry of equity-financed deposit-taking microfinance institutions (Ehigiamusoe, 2006).

Thus, the evolution of Nigeria's microfinance practice can be categorized into two time periods: the period of informal/traditional self-help groups and the period of formal/modern microfinance institutions. Traditional microfinance period comprising mostly of the early informal cultural micro-credit activities to the 1960s and 1970's when government started to dispense its socio-economic welfare programs modelled after the self-help practices and in conjunction with community development organizations (CDOs). The period was characterized by the growth of unregulated micro-credit institutions/organizations engaged in the provision of micro credits to their targeted population. It was also plagued by problems including operational inefficiencies, high default rates, and political favoritism (Adams & Von Pischke, 1992).

The second period of formal/modern microfinance institutions started with government's 1980's and 1990's economic policy direction towards privatization and commercialization of services informed by the Structural Adjustment Programme (SAP). The propelling force was the failures of government's past poverty alleviation initiatives, increasing poverty rate and the need to tap into the growing emphasis all over the world in the effectiveness of microfinance banking in rural economic empowerment, and for better economic policy (Ayodeji, Adeusi & Ibotoye, 2015, p. 30; Acha, 2012; Lard &

Barres, 2007; Pham & Lensink, 2008). Institutionalized microfinancing was therefore canvassed to provide financial services such as financial education, credit, savings, micro insurance, micro leasing and payment services and to integrate the informal sector into the mainstream economy (CBN, 2005). This section described the evolution of microfinancing in Nigeria, the next section will present the era of the new microfinance banking scheme.

The Era of Microfinance Banking Scheme

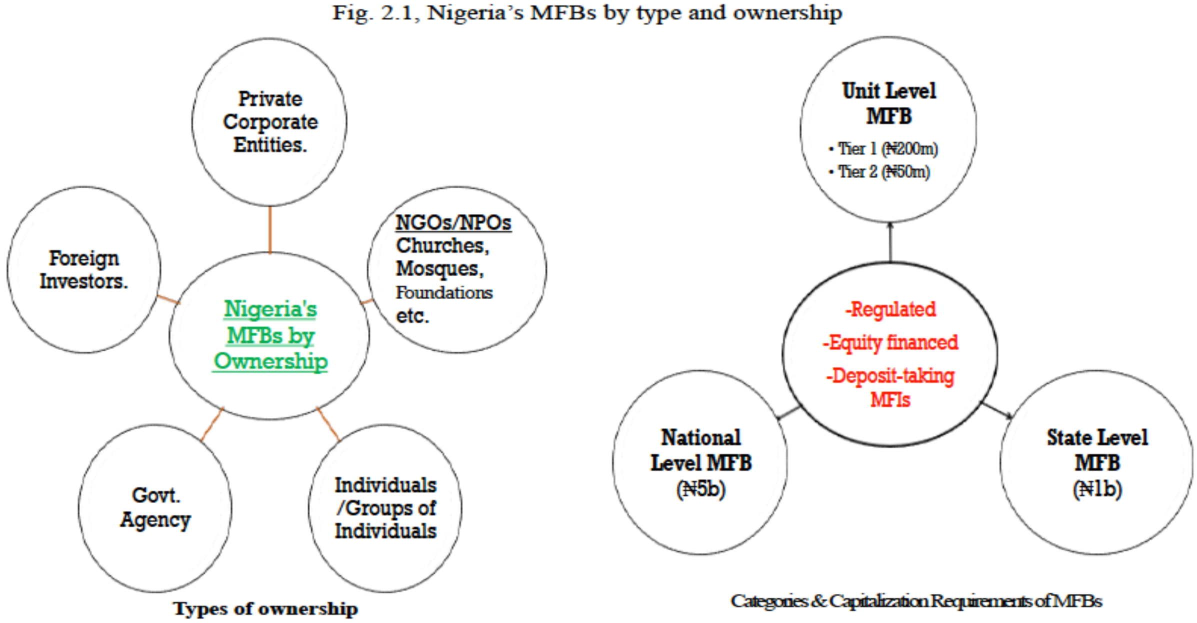
Nigeria is Africa's biggest economy. It operates a financial dualism of formal and informal financial sectors (Iganiga, 2008). While the formal financial sector operates within the integrated mainstream of national financial system comprising of the ministry of finance, the Central Bank of Nigeria (CBN), conventional banks and other regulated financial institutions (Ofoegbu, 2013); the informal financial sector is as old as the various communities comprising unregulated, unsecured, unorganized, financial activities of people legally lending and borrowing directly from each other through such culturally-rooted economic activities like "Igba utu", "esusu", "adashi", daily contributions and self-help groups (Acha, 2012; Ofoegbu, 2013; CBN, 2005). The informal financial activities are legal and associated with a way of life, molded mostly by custom and tradition, rather than a conscious decision to remain outside the formal financial sector. The average banking density of Nigeria is one financial institution outlet to 32,700 inhabitants in urban cities and 57,000 inhabitants to one bank in rural areas (CBN, 2005). A 2005 Central Bank of Nigeria (CBN) estimate indicates that the formal sector serves only about 35% of the population while the other 65% are serviced by the informal financial sector. In addition, most of the 65% without access to the formal financial services dwell in the rural areas (CBN 2005). Though more than 95% of the businesses in Nigeria are small and in rural areas (Acha, p.107), Ayodeji, Adeusi and Ibitoye (2015) estimates that less than 2 percent have access to financial institutions (p.37) because of their inability to provide asset-based collaterals. Those figures have moved upward in recent times.

The inability of existing initiatives to yield the desired results on the one hand and the appeal to integrate the informal financial sector to the mainstream economy on the other led to the call for institutional alternatives for delivering financial services to the citizenry. The Nigeria government inaugurated the microfinance banking scheme with the 2005 Federal Government Microfinance Policy Guideline (CBN, 2005). The policy created a platform for the establishment of microfinance banks to ensure monetary stability and liquidity management by the CBN as well as provided appropriate machinery for tracking the activities of development partners in the microfinance sub-sector (CBN, 2005; Gene Financial, p. 10). It has as objectives: 1) to make financial services accessible to a large segment of the potentially productive Nigerian population who otherwise would have little or no access to financial services. 2) to promote mainstreaming of the informal sub-sector into the national financial system; 3) to enhance service delivery by microfinance institutions to micro, small and medium entrepreneurs; 4) to contribute to rural transformation; and 5) to promote linkage programs between universal/development banks, specialized institutions and microfinance banks (CBN, 2005).

Under the new guideline, any entity to be recognized as a microfinance institution must be licensed and regulated under the supervisory guideline of the Central Bank of

Nigeria (CBN). The policy provided for three categories of microfinance banks; unit microfinance banks (comprising two tiers: tier 1 licensed to operate in the urban and high-density banked areas of the society; and tier 2 unit microfinance bank licensed to operate in the rural, unbanked or underbanked areas), state-level microfinance bank (licensed to operate statewide), and national-level microfinance bank (licensed to operate nationwide) (see figure 2.1 below). Microfinance banks can be established by individuals, groups of individuals, community development associations, government agencies, private corporate entities, or foreign investors (CBN, 2012, 2005). Significant ownership diversification is encouraged to enhance good corporate governance

Fig. 2.1, Nigeria's MFBs by type and ownership



Equally the new policy established minimum capital requirements for the different categories. As at 2019 the minimum capital requirements are as follows: tier 1 unit microfinance bank minimum capital requirement is two hundred million naira (₦200,000,000), tier 2 unit microfinance bank is fifty million naira (₦50,000,000), state-level microfinance bank is one billion naira (₦1,000,000,000) and the minimum capital requirement for national-level microfinance bank is five billion naira (₦5,000,000,000). Licensed microfinance banks have the responsibility to providing diversified, affordable and dependable financial services to the active poor in a timely and competitive manner, and to mobilize deposits from the public and help create employment opportunities and increase the productivity of the active poor in the country.

Prior to 2005, various forms of microfinance institutions existed across the nation. With the new scheme green fielding institutions, former MFIs, and commercial bank microfinance subsidiaries also come to fall under the purview of the CBN microfinance banking regulations (Ulrich & Hoback, 2014). NGOs and faith-based organizations with existing microfinance services including newly established ones embraced the directive and registered microfinance banks to be able to continue their services. From the most recent available statistics (CBN, September 2019) Nigeria has a total of nine hundred and eleven (911) licensed microfinance banks, comprising of three hundred and twenty one (321) tier 1 unit microfinance banks; four hundred and forty-five (445) tier 2 unit microfinance banks; one hundred and thirty-four (134) state-level microfinance banks and eleven (11) national-level microfinance banks. In general, Nigeria's microfinance banks (MFBs) are regulated equity-financed, for-profit deposit-taking institutions that could be established by individuals, groups of individuals, community development associations, government agencies, private corporate entities, or foreign investors (CBN, 2012, 2005).

Part of the uniqueness of Nigeria's modern microfinance practice is that it unified both the nonprofit and for-profit orientations into a single umbrella of microfinance banking scheme. The new scheme did not only integrate best practices of traditional schemes into its operational procedures and under the regulatory authority of the apex bank, it created a heterogenous sector of microfinance banks operating with varying origins and objectives. Its significance lies in the elimination of the distinction between "nonprofit microfinance institutions" and "for-profit microfinance institutions" common in other countries. It enabled the emergence of "hybrid ideals" (Clark, Emerson, & Thornley, 2014) in Nigeria's microfinance banking institutions – commercial microfinance banks focused on social mission. The 'nonprofit character' resides now with the promoters of the bank and not with the microfinance bank itself.

This phenomenon is not without precedent. It followed from the country's socio-historic context underlined above. Religious entities have long engaged in for-profit activities as sources of revenue and training grounds for their members. The responses of Non-governmental organizations (NGOs) in particular religious bodies in economic empowerment activities have had more to do with socio-economic, political and religious realities than a theological and philosophical conviction (Mbachirin, 2006). The phenomenon of commercial microfinance banks exhibiting hybrid ideals can be found with microfinance institutions with religious or faith-based foundations. They provide a veritable lens for investigating the microfinance double bottom line objective. The next section discusses how faith-based groups came to be vital in Nigeria's socio-economic provisioning.

Nigeria's Faith-affiliated Microfinance Banks

The unique phenomenon of Nigeria's faith-rooted microfinance banks stems from the country's socio-historic antecedents. First, different socio-historical contexts lead to different patterns of social welfare provisioning (Salamon & Anheier, 1998; Salamon, Sokolowski & Haddock, 2017). In Nigeria the historic pattern of power relationships between the locals and the British colonial administration unwittingly enabled religious nonprofits to become the faces not only of public goods and services but also of economic empowerment (Mbachirin 2006, p. 6). Colonial system of administration encouraged religious groups to address social and religious needs that also had economic consequences rather than political. Religious missionaries in the colony from the very beginning provided public goods and services such as schools, markets, dispensaries, scholarships, and water supply which paved the way for new economic activities (Enwerem, 1995, p. 26). Thus, religious organizations were not new nor averse at seeking both social and financial goals through for-profit outfits, more specifically in the economic empowerment of rural communities.

The 2005 streamlined federal government microfinance scheme prompted the emergence of a unique form of microfinance institutions - the emergence of microfinance banks of new institutional identity, whose core logic or logic of existence is “hybrid ideal”. “Hybrid ideal” is a term promoted by Jed Emerson for organizations where social value and commercial revenue are non-divisible, where everything it does produces both social and commercial revenue (www.blendedvalue.org). Many faith-based organizations with existing microfinance services including newly established ones embraced the directive and registered microfinance banks to participate in the new scheme. This form of microfinance institutions is particularly valuable for exploring the pursuit of the microfinance double bottom line objective.

CHAPTER THREE

LITERATURE REVIEW

This chapter reviews relevant literature on the microfinance practice, including the trade-off debate between social and financial objectives with a focus on institutional logics. The findings reveal evidence of disparate results among trade-off studies indicating the need to broaden investigation to other determinant factors of microfinance sustainability. The review also indicates that while studies focused on competing orientations are bourgeoning, insights from related fields that could advance the microfinance objective have been ignored. Relevant studies from the field of institutional theory and analysis provide insight on how institutions/organizations could integrate logics to achieve organizational goals, and in particular hybrid logics (Battilana & Dorado, 2010; Battilana & Lee, 2014; Jay, 2013; Fitzgerald & Shepherd, 2018; Pache & Santos, 2013; Sun & Im, 2015).

The chapter is organized as follows: first we summarize the evolution of the microfinance practice to situate the debate on microfinance double bottom-line objective. One major problem of prior studies is the assumption that profits and mission are mutually exclusive and cannot be pursued simultaneously. To overcome this limitation, the chapter considers frameworks capturing complimentary relationships in hybrid organizations (Abzug & Webb, 1999; Frumkin, 2002; Salamon, 2012). We examine specifically the institutional logics perspective to understand the potential for compatibility of the microfinance dual logics. The theoretical framework of institutional logics predicts institutions have central logics that regularize behavior, provide opportunity for agency and change, and are capable of new logics and or new institutions.

Interrelations between logics through integration, aggregation, compartmentalization or subordination has the potential to engender new practices and or institutions (Murray, 2010; Reay & Hinings, 2009). Such a lens is useful for examining how a microfinance bank within the context of Nigeria's microfinance scheme may promote the microfinance objective - sustainable provision of microfinance services to the active poor.

The Evolution of The Microfinance Strategy

The microfinance strategy acknowledged across the world is today one of the largest poverty alleviation tools in the development sector. At the end of 2018, microfinance institutions (MFIs) reached an estimated 139 million borrowers and an estimated credit portfolio of $124 billion. Leading countries in the sector are India (47 million borrowers), Bangladesh, Vietnam, Mexico and Peru (Microfinance Barometer, 2019). It is a financing methodology that employs effective collateral substitutes to provide financial services to the active poor and other micro-entrepreneurs traditionally excluded by conventional banking services. The underlying logic is that by providing financial services and access to the poor, microfinance clients will acquire skills, productive assets and grow out of poverty.

This is made possible through the unique characteristic features of the microfinance strategy. Per the Central Bank of Nigeria (CBN), microfinance distinguishes its financial services from other formal financial institutions in three ways: 1) the smallness of loans advanced and/or savings collected; 2) the absence of asset-based collateral, and 3) simplicity of operations (CBN, 2011). Microfinance products and services consists of both financial and other ancillary nonfinancial services targeted to meet the needs of low-income clients. Microfinance financial services include, but not limited to microcredits/loans, savings, deposits, insurance, business education and fund transfer. It also includes provision of working capital, informal/formal appraisal of borrowers, guarantees, savings remittances and equity. Nonfinancial services refer to various social intermediations including group formation, training in financial literacy and management practices (Hulme & Mosley, 1996). It also involves organizing citizens' group to voice their aspirations and raise concerns for consideration by policy makers and develop their self-confidence (Ledgerwood, 1999).

Microfinance products and services are often directed at low-income earners and small enterprises. Low-income people have relatively small amount of income to invest which has implications on transactional cost, and the fund absorptive capacity of microenterprises is low. Access to financial services entails providing small units of services structured to reflect the absorptive and debt capacity of the service users. Sizes and frequency of loans/savings are determined by the ability of the clients. Small loans are disbursed at earlier cycle according to lower debt capacity of new clients. It also serves to test the credit worthiness of newer clients. Repeat loans ensure that impact of utilization of financial services is maximized. Micro-enterprises require several cycles of financial support to grow to maturity (Okafor, 2014).

Irobi (2008) defines microfinance as the provision of services such as credit (loans), savings, micro-leasing, micro-insurance and payment transfers to economically active poor and low-income households to enable them to engage in income generating activities or expand/grow their small businesses. While many people agree that microfinance can make a great deal of difference in the lives of the poor, access to these products and services are one of the greatest challenges of the active poor. Ehigiamusoe

(2008) noted that conventional banking practice places primacy on provision of collateral as condition precedent for credit. Tangible assets are pledged as securities for credit. The reasoning is that a credible threat of loss of pledged assets serves as enough motivation for loan repayment. It mitigates the lender's risk by transferring it to the borrower to avoid nonpayment. The poor and micro entrepreneurs are excluded or denied accesses to financial services on account of their inability to provide tangible assets as collateral for credit facilities. Microfinance begins with the recognition that the poor or owners of micro-enterprises do not exercise command over assets as titled land and stocks often demanded by conventional banks. To mitigate risks of delinquency in lieu of collateral requirements, microfinance providers adopt a mixture of techniques. Microfinance operators use a combination of group-lending, individual lending, dynamic incentives, regular repayment as collateral substitutes. For instance, the use of guarantors for individual lending and group formation for group-lending. Group lending basically refers to a process whereby prospective clients form groups voluntarily for the purposes of accessing loans. Social solidarity provides joint liability for underwriting, monitoring and enforcement of loan contracts.

Through these products and services microfinance enables the active poor to move from everyday-for-survival to planning for the future, investing in better nutrition, their children's education and health and empowering women socially (Ehigiamusoe, 2005). The continuous expansion of microfinance as just highlighted will have an economic impact not only on the individual, the household and the community, but may also impact on a country's economic and political stability as well (Valadez & Buskirk, 2011).

The Emergence of Modern Microfinance

Over the past three decades the field of microfinance has evolved from what was originally a nonprofit microcredit lending to a for-profit microfinance of a “new source of investment returns” (Pinz & Helmig, 2015, p. 489; Sparke, 2012). Microcredit refers to the traditional practice of providing short, small scale loans to the poor and needy to establish small enterprises to grow out of poverty (Bogan, et al., 2007; Okafor, 2014; Olanike & Adebola, 2014). While an aspect of microfinancing, microcredit is only one component of the larger array of micro finance services (Ayodeji et al., 2012; Idolor & Eriki, 2012). Though some authors tend to use the terms interchangeably microcredit is a precursor of microfinance. Microcredit is an century’s old traditional practice of extending small credits to rural population for self-employment projects that generate income, allowing them to care for themselves and their families (Hashemi & Morshed, 1997). For instance, Jonathan Swift is credited to have introduced the first microcredit program in the 18th century to provide loans to Irish poor farmers without collateral. Similarly, in Germany, Friedrich Wilhelm Raiffeisen developed the idea of a financial cooperative which rapidly spread throughout Europe and then to the rest of the world in the mid 19th century (Yahaya, Osemena & Abdulraheem, 2011). In Nigeria like other parts of Africa, scholars document evidences of microcredit practices such as “Isusu”, “Adashi” “Otataje” etc., which are practiced by cultural communities over centuries to provide funds for self-help and community projects (Iganiga, 2008).

In general, microcredit refers to making small loans available to poor people, especially those traditionally excluded from financial services, through programs designed specifically to meet their particular needs and circumstances. Though the practice may appear to differ from country to country, the defining characteristics include: the size of loans are micro; target users are microentrepreneurs and low income households; fund is used for income generation and enterprise development and also for community development projects; and the terms and conditions are flexible in terms of collateral and suited to the local conditions of the community (Bogan, Johnson & Mhlanga, 2007). Over time, development support agencies and governments desiring to improve productivity and living conditions of rural populations adopted the practice to mitigate poverty (Hulme & Moore, 2006). The tremendous success of microcredit programs in reaching poor women in rural areas, coupled with exceptionally high rates of loan recovery, soon attracted the attention of international donor community. The popularity inspired academic interest in the topic, leading to the coinage of the term microfinance in the late 1990s (Elahi and Rahman, 2006). It also brought enormous changes to the practice. First, the growing recognition of the importance of and need for additional services beyond microcredit (loans), expanded the concept of microcredit to microfinance. Second, it focused attention on overcoming the structural barriers to providing savings and credit services to the poor including information asymmetries, lack of collateral, high cost, high risk and systematic market bias (Okafor, 2014).

Many scholars attribute the evolution to modern microfinance to two developments. First, some scholars point to the New Public Management (NPM) regime and the related neoliberal demands for market-based approach in public governance in general and in the Nonprofit Sector in particular (Eikenberry & Mirabella, 2017). While the NPM regime promoted contractual partnership between public sector and social actors in addressing all types of collective problems in society (Dean 2015; Henriksen, Smith, and Zimmer 2012); the neoliberal approach to governance demands market-like, individualized and data-driven solutions that can be evaluated by well-defined measurable criteria from participants in public service provisioning (Dean, 2015; Ruzza, 2014; Schmitz, Raggo & Bruno-van Vijfeijken, 2012). Propelled by the associated factors, nonprofit and voluntary organizations involved in public service provisioning faced more explicit demands for accountability, transparency, and financial responsibility (Eikenberry, 2009). The trend also affected the microfinance industry as microfinance providers relying on foundations and government grants were pressured to adopt financial ratios as evidence of sustainability.

Second, while the pressure on nonprofit organizations to provide evidence of performance through transparency and effectiveness spilled into the microfinance industry, the success of microfinance itself engendered new issues. The worldwide achievements of microfinance in social outreach and their success as profitable ventures (Idolor & Eriki, 2012; Mersland, D'espallier & Supphellen, 2013; World Bank & DFID, 2010) attracted new entrants into the field for two separate reasons. On the one hand, the success of microfinancing as profitable enterprise sparked interest from commercial banks and venture capitalists, and on another, their achievements in social outreach attracted interest from governments and social entrepreneurs interested in making money doing good (CGAP, 2007). The influence of these factors ushered in new emphasis into the field and changed the landscape of the microfinance industry. Much of the emphasis shifted from subsidized credit delivery of programs by nongovernment organizations (NGOs) and nonprofit organizations (NPOs) to investor-financed commercial microfinance by for-profit organizations with emphases on profitability. It also saw to the emergence of the broad distinctions of ‘nonprofit’ and ‘for-profit’ MFIs.

The Emergence of Competing Conceptions

The shift towards a greater business focus set the stage for the emergence of two competing conceptions in microfinance study – a distinction between nonprofit and for-profit microfinance orientations. While those who pioneered microfinance and view it as a strategy for empowering the poor (Roy, 2010; Yunus, 2007) insist on a nonprofit-based approach (Pinz & Helmig, 2015), for-profit actors promote microfinance using business-like strategies and see no conflict between making money and making change (Deneulin & Rakodi, 2011; Edwards, 2015). This framing is reflected in two competing institutional logics (Im & Sun, 2015): nonprofit MFIs operating with social-welfare logic and the other, for-profit MFIs operating with commercial logic. Nonprofit MFIs are more socially oriented and tend to tolerate low profitability to increase outreach (Conning, 1999; Meyer, 2015), while for-profit MFIs are more focused on financial metrics at the expense of outreach to the poor (Cull, Demirgii P-Kunt & Morduch, 2007; Hermes & Lensink, 2011; World Bank, 2015). The schism is not without consequences; on one hand, the emerging venture-capitalists are blamed for creating a global ‘poverty capital’ through insistence on market driven performance evaluation (Roy, 2010; Sparke, 2012), while the pioneers are accused of lacking accountability and transparency (Beisland, Mersland & Randoy, 2014).

Though there are some merits on both sides, empirical evidence suggests that neither a strictly philanthropic path nor a fully commercial path has delivered institutions that optimize the goals of microfinance (Conning & Morduch, 2011). Academics, practitioners and funders interested in solving "the poor's problems" have stressed the importance of both profitability and social outreach not only for the long-term sustainability of the sector but more so to realizing the microfinance objective. However, the ability to achieve these 'dual missions' simultaneously remains a contentious issue of debate (Reichert 2016). The challenge concerns whether MFIs can be financially sustainable and at the same time achieve outreach performance. Also, the commercial focus has raised issues of outcome measurement in the industry. In all, the shift towards a greater business focus seemed to have drowned out other potential factors capable of achieving the microfinance goal. Thus, progress in the industry continues to be bugged by debates between the social and financial performance of MFIs.

Research on Competing Institutional Logics among Microfinance Institutions

Conceptually, the debate on the trade-off between social and financial objectives of microfinance institutions (MFIs) is rooted in the two major distinctions of "nonprofit MFIs" and "for-profit MFIs" which itself is linked to the way the field has evolved over the years. Nonprofit MFIs promoted by pioneer advocates such as the Bangladesh Grameen Bank model see microfinance as an effective tool in the fight against poverty and economic empowerment of the poor. They tend to be socially oriented, to provide financial services to microfinance clients based on the social welfare logic (see Table 1, for a sketch of the three types and characteristics of microfinance institutional logics). The social-welfare logic builds on the framework of creating solidarity institutions such as NGOs and cooperatives to subsidize financial services to poor clients (Yunus, 2007). Based on the logic of subsidization and relying mostly on donors, philanthropists and government grants, nonprofit MFIs provide financial services at interest rates at less than market rates. The emphasis is mostly on greater level of outreach, affordable cost of financial services to microfinance clients and tend to tolerate low profitability to increase outreach (Conning, 1999; Meyer, 2015).

On the other hand, for-profit MFIs use the commercial logic to offer similar services to microfinance clients. Based on the commercial logic, for-profit MFIs builds on the framework that market rates are essential for sustaining financial services and for profitability. Conscious of the limited capacity of donors to meet the huge demand for microcredit, protagonists argue profitability ratios attracts high net-worth investors into the market. They typically demand very high interest rates from their clients to cover transaction cost related to their services delivery. They tend to be financially oriented and more likely to pursue high profitability than to increase outreach (Cull et al., 2007; Hermes et al., 2011). For-profit MFIs supported by international organizations such as the World Bank, the United Nations and the Consultative Group to Assist the Poor (CGAP) are profit-oriented, concerned with whether an institution earns enough revenue to cover its full costs without subsidies (Zeller & Meyer, 2002).

The above distinction is also visible in the academic studies focused on this field. While most agree that the core objective of the microfinance is to provide the active poor with access to financial services on a sustainable basis (Bassem, 2012, p. 92), scholars lack consensus on attaining the objective. Extant literature on microfinance has focused mainly on those broad distinctions in their study of microfinance success (Pinz & Helmig, 2015). It is argued that social (outreach) and commercial (financial) performance conflict with each other especially in providing services to rural poor communities. Some studies question the feasibility of achieving both goals simultaneously, because an emphasis on financial sustainability would induce the microfinance institution (MFI) to reallocate its loan portfolio to favor larger loans and undermine its primary objective of greater depth of outreach (Abate, Borzaga & Getnet, 2014; Annim, 2012; Conning, 1999; Hermes et al., 2011; Mersland & Strøm, 2008;). Some others suggest a mixed outcome (Crawford, Skully &Tripe, 2011, Kar, 2012), and still a third group assert that the relationship between sustainability and outreach can work in harmony (Lebovics, Hermes & Hudon, 2016; Meyer, 2015; Quayes, 2015).

Three Research Camps: Complementary, Competing, and Independent Logics of Action

The microfinance literature can be divided into three camps: those that find both logics to be broadly complementary and positively reinforcing; those that describe logics as incompatible and conflictual; and those that argue that the two logics do not necessarily interact and operate independently from each other. All three separately and collectively help to focus attention on the challenges of the sector, identify areas of further investigation, and make suggestions on how to better sustain financial services to microfinance clients.

Complementary Institutional Logics

The first camp prescribes to the view that the two institutional logics are complimentary. This view held by institutions such as the World Bank, the Consultative Group to Assist the Poor (CGAP) and USAID, argues that social and financial sustainability are complimentary (Lebovics et al., 2016). High financial returns lead to more investment in the poor, and increased outreach to poor clients increases profitability. Larger numbers of poor clients can be serviced once an MFI becomes financially sustainable and increased outreach to poor clients earn higher portfolio yields as higher risks lead to higher returns. For instance, a larger pool of poor clients (social outreach) attracts additional funding from investors and private donors; and depth of outreach has the tendency of increasing profitability as people with bad or no credits tend to pay higher interest rates than those with good credit. This position finds support in the study done by Quayes (2015).

Quayes (2015) used a panel of 764 MFIs from 87 countries to analyze the possibility of trade-off between outreach and performance. The study found that increased depth of outreach (social performance) has a statistically significant positive impact on the financial sustainability of MFIs indicating that depth of outreach can increase profitability. Similarly, Meyer (2015) conducted a panel study with 1,508 observations and found that institutions with more social engagement in terms of outreach to the poor earn higher portfolio yields, hence the expected trade-off between social and financial factors does not seem to exist. Interestingly, both Meyer and Quayes used two different mechanisms to achieve similar results. While in Quayes' higher financial returns lead to more investment in the poor, Meyer (2015) finds that depth of outreach increases financial sustainability due to higher returns.

Several other studies including Bassem (2012), Lebovics et al. (2016), and Piot-Lepetit and Nzongang (2014), also found no supporting evidence of trade-off. Lebovics et al's (2016) study analyzed the relationship between financial and social efficiency in a context of implicit subsidies by state and international donors. Using data from a sample of 28 Vietnamese MFIs, they found no evidence to support the claim of a trade-off. Rather their analysis suggests that subsidies on which most Vietnamese MFIs operate helps them to reach high financial efficiency, and at the same time attain social goals. Interestingly, their study also notes that while in principle larger number of poor people will be served by a financially sustainable microfinance institution, the mechanism did not assist the poor leap out of poverty. This may be indicative that at the practical individual level, higher profitability may not always serve the interest of most microfinance clients.

Incompatible Institutional Logics

Trade-off scholars based on the notion that social and financial outcomes are mutually exclusive claim that emphasis on social performance (outreach) involves additional financial costs, which entails bad financial performance (Bassem, 2012; Reichert, 2016). Some of the studies indicating existence of trade-off including Annim (2012), Conning (1999), Hermes et al., (2011), and Mersland & Strøm (2008), argue that social outreach and profitability are negatively related. They argue based on their studies that smaller loans associated with poorer clients entail higher per unit transaction cost. Greater outreach means higher financial cost which would have a negative impact on efficiency. Hermes and Lensink (2011) analyzed the impact of microfinance on social and economic situation of the poor in developing nations, and whether there is a trade-off between sustainability and outreach using new empirical evidence from eight original contributors to the World Development journal. Their analysis claim that strong evidence of trade-off exists between outreach and sustainability. Aiming for sustainability does compromise the social goals (Hermes & Lensink, 2011, p. 880). It is costlier for an MFI to serve remote rural and poorer communities as compared to urban poor clients. Their finding is further supported by Kablan (2012). Kablan (2012) studied 104 MFIs in countries of the West African Monetary Union, and found evidence that outreach is negatively related to the cost efficiency of MFIs. Also, another recent cross-country study suggests that unsubsidized MFIs may differ in terms of social performance (D'Espallier, Hudon & Szafarz, 2013).

Independent Institutional Logics (Mixed or Hybrid)

The third group technically branded the 'mixed outcome' group argue that social and financial outcomes are not necessarily substitutes and do not always coincide (Bassem, 2012; Crawford et al., 2014). Profitability and social efficiency follow their own track (Serrano-Cinca, Gutierrez-Nieto & Molinero, 2011). Financial efficiency is not an undesirable outcome for socially oriented MFIs and financially oriented MFIs can still efficiently reach the most number of clients. Social and financial efficiency could depend on a number of endogenous factors to the microfinance institution (Abraham & Balogun, 2012; Acha, 2012; Iganiga, 2008). For instance, a focus on profit could attract more clients possibly due to efficient operations and access to cheaper capital while a focus on outreach could lead to higher profits or losses with increased number of clients. Bassem (2012) who studied 64 microfinance institutions consisting of three North African countries and six Middle East countries, found evidence of mixed outcome that stems from the desire of microfinance institutions to reduce their portfolio at risk. It did not prove that having good financial performance and serving the poorest were contradictory, rather the difference stems from the desire of an MFI to reduce their portfolio at risk. Crawford et al.'s (2014) study also supports the argument of mixed outcome but for a different reason. Using data from Cambodian MFIs, Crawford et al., (2014) found that for-profit focused MFIs are no less efficient at reaching the poor than non-profit ones, and socially focused MFIs do not necessarily sacrifice financial efficiency in order to maximize their outreach (p.16). Though serving poorer clients is associated with additional cost implications (see Abate et al., 2014; Hermes et al., 2011; Kablan, 2012), the study found many Cambodian MFIs irrespective of their institutional types are becoming less outreach efficient over time due to growing emphases on profitability. Microfinance institutions can achieve outreach goals alongside continued profitability through the adoption of several approaches including technology and better government regulations. Based on mixed evidence from studies examining trade-off between social and financial performance, this review turns to relevant studies from related fields for other determinant factors of organizational success.

Why are there three camps of scholarship with competing claims about microfinance?

Studies cover different empirical evidence

From the preceding, the studies seem to provide empirical evidence in favor of the various camps. Most of the empirical studies both qualitative and quantitative provide insights on nonprofit and for-profit orientations and on social and financial objectives. At the same time, the evidences in themselves help confirm that the trade-off debate is not over, if for no other reason, there are only divergent results. On the other hand, the studies share some commonalities that raise some questions including methodological approach. The analysis of the literature indicates that cited studies relied on datasets from different countries and regions for their analysis, assume that MFIs are homogeneous within and outside of countries and regions, and with comparable products and services; and focused mainly on the two competing distinctions of “nonprofit microfinance institutions" and "for-profit microfinance institutions" in their respective social and financial orientations in investigating claims of social and financial trade-off (Pinz & Helmig, 2015; Im & Sun, 2015). Separate and collectively, these commonalities could be problematic for a number of reasons.

First, the competing orientations though helpful in advancing the strategy underserves the microfinance practice and could present ominous consequences for microfinance clients especially in developing countries where the services are most needed. Beyond the two distinctions of nonprofit and for-profit orientations and their respective emphasis on social and financial objectives, the studies (see Meyer, 2015; Quayes, 2015, etc.) rarely investigates performance outcomes among microfinance institutions sharing same institutional logics or distinguish between regions and service methodologies in cases of comparative data analysis. The studies (see e.g., Bassem, 2012; Cull et al., 2007; Pinz and Helmig, 2015, etc.) rather relied on datasets from different countries and regions for their analysis, assume that MFIs are homogeneous within and outside of countries and regions, and with comparable products and services. This is not always the case. Although MFIs are found in many developing countries, they differ greatly in their nature and importance (Ulrich & Hobach, 2014; Zuru et al., 2016, p. 456). Theory suggests that microfinance varies enormously, works differently in different regions and available to a wide range of people in a variety of contexts (Van Rooyen et al., 2012, p. 2250). As alternative approach, Balkenhol and Hudon (2011) suggest comparisons of trade-off in MFI operations are best carried out within a single country context.

Studies on Institutional Logics in Related Fields

The review of the microfinance literature in this study further confirms prior findings from scholarship in the nonprofit sector that scholars often are interested in competition between nonprofit and for-profit orientations (Abzug & Webb, 1999; Frumkin, 2002; Salamon, 2012) than on their complimentary relationship. All organizations, to some extent, demonstrate both commercial and social logics along a continuum, rather than a duality. The extent to which there are clearly distinct logics or identities for nonprofits and for-profits remains unclear (Fitzgerald & Shepherd, 2018). Though there are fundamental differences guiding social and financial motives, focusing on evidence of complementary relationship than on finding trade-off may advance the double bottom-line objective of microfinance better than the current approach. Complimentary approach has also been supported by some recent studies in related fields. For instance, Child's (2016) study in the related field of social enterprises found evidence to suggest that social enterprises in the fair trade and socially responsible investing (SRI) industries are quite dependent on philanthropic support, indicating that market approaches are not completely independent of charitable ones. There is no evidence to suggest the field of microfinance is different, though it remains to be empirically verified.

Also, overt emphasis on financial and business-like approach ignores other methodologies in investigating success of the practice. And, one reason knowledge about other determinants of MFIs' success remains relatively scarce (Mersland et al.'s, 2011). Pinz and Helmig's (2015) study is one study that acknowledges the need to include other success factors in addition to social and financial orientations in investigating the success of microfinance institutions. They have for instance suggested the need to address efficiency, financial and social performance ratios simultaneously (p. 490), and the deployment of technology. Broadening the scope of the investigation may reveal there is more than what we currently know.

Much more relevant, the review indicates prior studies overlooked or addressed only peripherally the external environment in which microfinance institutions operate. Though the microfinance literature addresses several relevant topics including social outreach (Casselman, Sama, and Stefanidis, 2015; Quayes, 2015), financial sustainability and governance (Im & Sun, 2015), there are several other factors to organizational success. This is relevant considering the multi-dimensional nature of human needs. The literature from related fields including development (Deneulin & Rakodi, 2011), social enterprises (Fitzgerald & Shepherd, 2018) and social economy (Child, 2016) underscore the import to search beyond microfinance itself in investigating what makes for sustainability in microfinance practice. For instance, economic sociologists have long indicated that economic outcomes are not just the function of markets at work but are shaped by social networks (Uzzi, 1997), states and political institutions (Evans, 1995), culture (Meyer & Rowan, 1977), and civil society (Bartley & Child, 2011; King & Pearce, 2010). The same is true of history and culture; history and socio-cultural contexts influence social and financial perceptions of people (Deneulin & Rakodi, 2011; Salamon et al., 2017). For instance, in the context of Africa, the combining effects of colonialism and foreign religions promoted nonprofit institutions that combined both social and financial orientations in service delivery to rural communities, much close to what we know today as social enterprises. In such regions, nonprofit sector organizations engaging in microfinance activity with simultaneous social and financial orientations will not be an exception. Thus, assuming all MFIs are either nonprofit or for-profit oriented, and combining data from disparate regions to determine evidence of trade-off may not be the best methodological approach. These suggest microfinance researchers could borrow insight from related disciplines to better understand the link between contextual factors and the microfinance objective.

Similarly, there is a conspicuous absence in the microfinance literature of studies applying governance and organizational theories to investigating the double bottom line objective of microfinance institutions (Battilana & Dorado, 2010; Zuru et al., 2016). Although researchers have highlighted the role institutional logics play in organizational success, and in particular of competing logics (Battilana & Dorado, 2010; Battilana & Lee, 2014; Jay, 2013; Pache & Santos, 2013; Sun & Im, 2015), microfinance scholars have largely ignored insights from the related fields of impact investing (investment that is made with the intention of generating positive social impact as well as financial returns), social enterprises (organizations combining aspects of business and charity) and evidence of hybridity (organizations with multiple logics that entails the combination of identities and institutional logics). There is a lack of research on the broader social, and institutional contexts within which microfinance institutions operate and function. Few scholars have shown interest on how integrated logics function in hybrid institutions, in particular, microfinance institutions (see Fitzgerald & Shepherd, 2018; Ebrahim, Battilana, and Mair, 2014; Zhao & Lounsbury, 2016). Almandoz (2012) suggests that organizations with high degrees of integrated financial and social logics may reap the benefits from both logics, though they may also experience disharmony and factionalism as a result (p. 1382). Appropriating an institutional logics perspective to the double bottom line goal is particularly valuable for extending the investigation beyond the current competing logics of the microfinance strategy. The next section presents a summary review of the institutional logics perspective thereby linking this literature to the role of organizational identity in the quest for the microfinance goal.

The Concept and Development of Institutional Logics

Broadly, institutional logics refers to systems of cultural elements - values, beliefs, and normative expectations - by which people, groups, and organizations make sense of and evaluate their everyday activities and organize those activities in time and space (Greenwood, 2008; Haveman & Gualtieri, 2017; Lounsbury, 2002). It emerged as part of the development of institutional theory and organizational analysis which sought to explain how institutions function to integrate organizations with other organizations in society through universalistic rules, contracts and authority (Thornton & Ocasio, 2008, p. 100). The core quest of institutional theory is to understand organizational action as something bound by more than economic reasoning and rational strategic goals (Johansen & Waldorff, 2017). In responding to this need, the institutional logics perspective posits that the core institutions of society – the capitalist market, the bureaucratic state, families, democracy, and Christianity – each has a central logic that constrain both the means and ends of individual behavior and are constitutive of individuals, organizations and society. The institutional logics perspective contributes to institutional theory by exploring "how individual and organizational behavior is located in a social context and the social mechanisms that influence that behavior" (Thornton & Ocasio, 2008, p. 122). It opened the door for a variety of levels of analysis, including organizations, markets, industries, inter-organizational networks, geographic communities and organizational fields. Equally, the idea of institutional logics provides institutional theory with a capacity to explain institutional change and agency. It focused on institutional change and analysis seeking to understand how institutional logics become institutionalized and de-institutionalized.

Most scholars would agree that the term "institutional logics" gained currency with the 1991 publication of *"Bringing society back in: symbols, practices and institutional contradictions"* by Roger Friedland and Robert Alford. Friedland and Alford (1991) developed the concept to explore the interrelationships between the three nested levels of social interaction: individuals, organization and society. To answer how different institutional arenas were both culturally and politically shaped they argued that behind "the most important institutional orders" of Western societies are "central logics". Per the pioneers, western societies have five main institutional orders including the capitalist market, the bureaucratic state, the democratic politics, the nuclear family and Christian religion. Each of these orders has a central logic that guides its organizing principles and provides social actors with vocabularies of motive and a sense of identity. A logic is "a set of material practices and symbolic constructions" (Freidman & Alford, 1991) guiding the institution; for instance, "participation" in the institution of democracy or "commodification of human activity" in the institution of capitalism. Thus, there is not a logic called "capitalism", instead there are logics comprising underlying practices and symbols that make capitalism possible (Johansen & Waldorff, 2017, p. 7). Logics are unique organizing principles, practices and symbols that influence individual and organizational decisions and responses (Thornton et al, 2012). Friedman & Alfred (1991) explain organizations or institutions as creatures of social human interaction subject to dynamism and change. Over time through social interaction values, beliefs, assumptions and rules shape behavioral choices (Thornton & Ocasio, 2008). Thus, institutional logics are a set of norms, culture and social codes that belong to a certain organization form. It functions as “frames of reference” of the institutional orders helping actors make sense of their world and construct their actions and identities (Johansen & Waldorff, 2017). Subsequent scholars amended the original five institutional orders to comprise the current seven orders of family, community, religion, state, market, profession and corporation.

Each of the core institutional orders has both material and cultural characteristics (Friedman and Alford, 1991). Institutions develop and change as a result of the interplay between both of these forces. Through various mechanisms, institutional logics may get reshaped and customized in an organizational field (Thornton & Ocasio, 2008, p. 119). An organization’s institutional logics determine both ends and means, both what is valued and how things are valued (Friedland & Alford, 1991). They constrain the choice sets available to individuals, groups and organizations, and provide opportunities for those actors to socially construct and reconstruct logics in ways that reflect their interests (Haveman & Gualtieri, 2017, p. 10). They do so by “providing context-specific practices and symbol systems that show how the culture is anchored in a set of elemental building blocks” (Tracey, Phillips & Jarvis, 2011, p. 62). For instance, the institutional order of the family is the origin of the institutional logic of Japanese corporate networks (Bhappu, 2000). Similarly, family and religion while both are not typically considered part of the economic sphere, they are directly involved in the production, distribution and consumption of services. Institutional logics shape rational, mindful behavior, and individual and organizational actors have some hand in shaping and changing institutional logics (Thornton & Ocasio, 2008).

The works in particular of Haveman & Rao (1997), Thornton and Ocasio (1999) and Scott et al. (2000) are credited for developing and positing the concept as a new approach to institutional analysis by employing institutional logics to defining the content and meaning of institutions. They sought to understand “how pluralism in institutional demands is handled in organizations, and how organizational individuals and groups are active in institutional change” (Johansen & Waldorff, 2017, p. 5). Prior to their contributions, institutional analysis focused on how cultural rules and cognitive structures shape organizational structures. The emphasis was on organizations as institutions infused with meaning, value, and legitimacy by their members and leaders (Selznick, 1957). Later development of the theory shifted emphasis to external actors that impose values and expectations on the organization (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Powell & DiMaggio, 1991). From what goes on inside to what affects institutions from outside, the emphasis remained on diffusion of norms and practices across organizations. With institutional logics, researchers directed attention on the effects of differentiated institutional logics on individuals and organization in a larger variety of contexts including markets, industries, and populations of organizational forms. For instance, the health care field is shaped by the institutional logics of the market, the logic of the democratic state and the professional logic of medical care (Scott et al., 2000). The institutional logics literature identifies two broad approaches among scholars of institutional logics (Johansen and Waldorff, 2017). While some scholars invested in developing the concept, many others have focused on applying the perspective in empirical studies analyzing relationships between agency and change. The subsequent section briefly discusses the two major trends in institutional logics scholarship.

Institutional Logics as a Metatheory

Scholars interested in the institutional logics perspective have employed the perspective both as a metatheory as well as a method of analysis – scholars who strive to understand institutional logics as more abstract social structures than institutions, thus offering institutional theory new explanations for institutional dynamics and change; and those who strive to expand the concept as co-existing in practical organizational life where the friction between logics creates agency and potential change (Thornton & Ocasio, 2008; Johansen & Waldorff, 2017). Meta-theorists focus on the typology by which logics could be identified and analyzed comprehensively and thus help institutional theory strengthen the codes of each institutional order in terms of its logic's composition and associated micro-level expressions.

They tend to conceptualize a generalized construct to be used to explain social structure at whatever level. Logics as generalized construct provide rules of actions that help actors cope with ambiguity and cognitive limitations by highlighting particular issues and problems that demand managerial attention and framing of possible solutions (Thornton, 2002). The rules comprise a set of assumptions and values about how actors should interpret organizational reality, about what represent appropriate behavior, and what constitutes success for the institution (Thornton & Ocasio, 1999). In other words, institutional logics seek to "link internal mental cognitions to external rituals and stimuli" (Thornton 2004, p.41) and connect meaning with actions.

As a metatheory, institutional logics has the potential to explain institutional change and agency. Any context is influenced by contending logics of different societal sectors. By describing the emergence of the organizational form, authors identify their norms and denominate them as logics. While individual and organizational action is embedded within institutions, institutions are socially constructed and therefore constituted by the actions of individuals and organizations (Berger and Luckman, 1967). Because logics are less tangible than institutions in that they guide institutions it is important to recognize the difference between the institutional logic and the institution it supports. Thus, logic is the result of both internal and external factors to it – family, religion, society etc.

Institutional Logics as a Framework of Analysis

The major part of institutional logics research is highly empirical and presents a multitude of interesting case studies that show logics at work. Studies applying institutional logics as a framework of analysis tend to analyze types of relationships between institutional logics; most prevalently as competing, co-existing, hybrids, or as institutional "bricolage" of two or more logics (Johansen & Waldorff, 2017). As a method of analysis, scholars seek to measure the effects of content, meaning and change in institutions using the institutional logics perspective. Because institutional logics constrain sensemaking by providing scripts for action and schemata through which organizational phenomena get interpreted (Weber & Glynn, 2006; Weick, Sutcliffe & Obstfeld, 2005), researchers focused on how institutional logics shape organizations; on how people disagree, compromise and conclude more or less lasting agreements. And, because logics exist at multiple nested levels of analysis, individuals, groups and organizations can use the cultural elements of higher-level logics to create, bolster, transform or undercut lower-level logics.

To recapitulate, notwithstanding an intricate, multilevel analytic world organizational theorists have created from institutional logics, at its core, institutions possess unique identities. Institutional logics is an extension of institutional theory that highlights how the cultural dimensions of institutions both enable and constrain social action. It is a systematic way to theorize and measure the interrelationships between institution, individual and organizational behavior (Thornton & Ocasio, p. 122). Whether the values, meaning and legitimacy are infused by their members and leaders (Selznik, 1957), or by external factors (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Powell & DiMaggio, 1991), organizations /institutions exhibit logics of action – "central logics." And those core logics regularize behavior as well as provide opportunity for agency and change. Furthermore, interrelations between logics and agency can lead to new logics and/or institutions in the form of integration, aggregation, compartmentalization or subordination (Fitzgerald & Shepherd, 2018). While traditional institutional theory was mainly interested in explaining organizational convergence due to external normative pressures, the institutional logics frame facilitates the study of different logics shaping ongoing organizational change.

The Institutional Logics Perspective

An institutional logic is the way a particular social world works (Jackall, 1988). The above review of institutional logics elaborates how competing logics could lead to new practices and institutions (Murray, 2010; Reay & Hinings, 2009). The assumptions of institutional logics suggest that logics constrain the choice sets available to individuals, groups, and organizations; and also provides opportunities for those actors to socially construct and reconstruct logics in ways that reflect their interests. As Thornton and Ocasio (2008) further explain, "the contradictions inherent in the differentiated set of institutional logics provide individuals, groups, and organizations with cultural resources for transforming individual identities, organizations, and society" (p. 100). By describing the emergence of the organizational form therefrom, researchers identify their norms and denominate them as logics. For instance, organizations who want something else than the status quo strive to incorporate unfamiliar logics, and novel logics are adopted leading to new and better future identities (Kodeih & Greenwood, 2014). That is to say, where sets of institutional logics provide individuals, groups and organizations with cultural resources leading to the transformation of individual identities, organizations and society, a new central logic or individual identity or organization is created. Equally, relationship and/or interaction between logics can also create a new organizational form (Tracey, Philips & Jarvis, 2011). In addition, an institution or organization can emerge with the sole aim of addressing an emergent situation thus creating an institution/organization of "a new central logic", an identity of its own. The obvious conclusion is that logics' friction give rise to new practices and institutions.

Conceptualizing the institutional logics of organizational forms is possible (Greenwood, 2008) and sheds light on how underpinning values and beliefs drive behavior. It encourages an exploration of the broad belief systems, values, and organizing frameworks that actors use to assign meaning and organize the workplace (Fitzgerald & Shepherd, 2018). Such investigations might unearth new conditions under which responses are likely to occur, as well as the intended and unintended consequences of those responses.

Since the 1990s, organizations and studies addressing institutional logics are large and diverse ranging from areas and sites as different as climate change, proceedings of the United Nations, local banks in the United States to business groups in Taiwan (Haveman & Gualtieri, 2017). Thornton & Ocasio (2008) document that research on institutional logics represents an impressive variety of empirical contexts, from thrifts, higher education publishing, health care organizations, colleges and universities, consumer research, mutual funds, French cuisine, equity markets and architects among others (p.99).

Consequently, the institutional logics framework has large and diverse applications. It has been employed to analyze types of relationships between institutional logics including competing (Haveman & Rao, 1997; Lounsbury, 2007; Reay & Hinnings, 2005), co-existing (Goodrick & Reay, 2011; Raynard, Lounsbury & Greenwood, 2013), hybrids (Battilana & Dorado, 2010; Pache & Santos, 2013) or as institutional "bricolage" of two or more logics (Fitzgerald & Shepherd, 2018; Johansen & Waldorff, 2017). These studies show that multiple logics may co-exist in the same field in a varied number of forms and combinations, thus simultaneously influencing organizations in that field (Battilana & Lee, 2014).

The evidence of integrated logics emerged with an increased attention to hybrid organizations that blend more than one logic in their operations or identity (Battilana and Dorado, 2010; Battilana & Lee, 2014; Jay, 2013; Pache & Santos, 2012). Scholars developed these ideas by studying how organizational identities and institutional logics appear in hybrid configurations. Almandoz's (2012) study even suggest it is beneficial for entrepreneurs to embrace competing logics. For instance, Battilana & Lee (2014) suggest combining organizational forms is central to organizational innovation and the creation of new forms. However, the extent to which logics co-exist within an organization is likely to differ based on the extent to which these logics are core to the organization, as well as to the extent to which they provide compatible prescriptions for action. For instance, when facing competing external demands, organizations can engage in compromise, avoidance, defiance, or manipulation (Pache & Santos, 2010). And when facing competing internal identities and factions adhering to those identities, managers can attempt integration, compartmentalization, aggregation and subordination (Fitzgerald & Shepherd, 2018; Kraatz & Block, 2008).

Fitzgerald and Shepherd (2018) have developed a four-quadrant typology explaining what happens to institutional identities with institutional logics (see Figure 3.1 below). From this typology, the higher the assessed compatibility or non-compatibility of the logics – the more they fit into any of the four categorizations. An organization will experience integration when both the integrating logics are compatible, and they combine to form one blended logic. Aggregation occurs when an organization internally endorses the simultaneous use of two logics – using the commercial and social logics as example – the organization embraces simultaneously the use of the two as its modus operandi. But if there is low compatibility between the logics, then there is either compartmentalization or subordination. Subordination occurs when an organization endorses two logics but do not fully implement the practices required of one logic, while retaining the practices of the other logic that is more aligned to the goals of the organization (Pasche and Santos, 2013b). On the other hand, compartmentalization involves developing a separate organizational unit in which a different set of logics and mind sets are located to avoid the clash of logics within the larger organization.

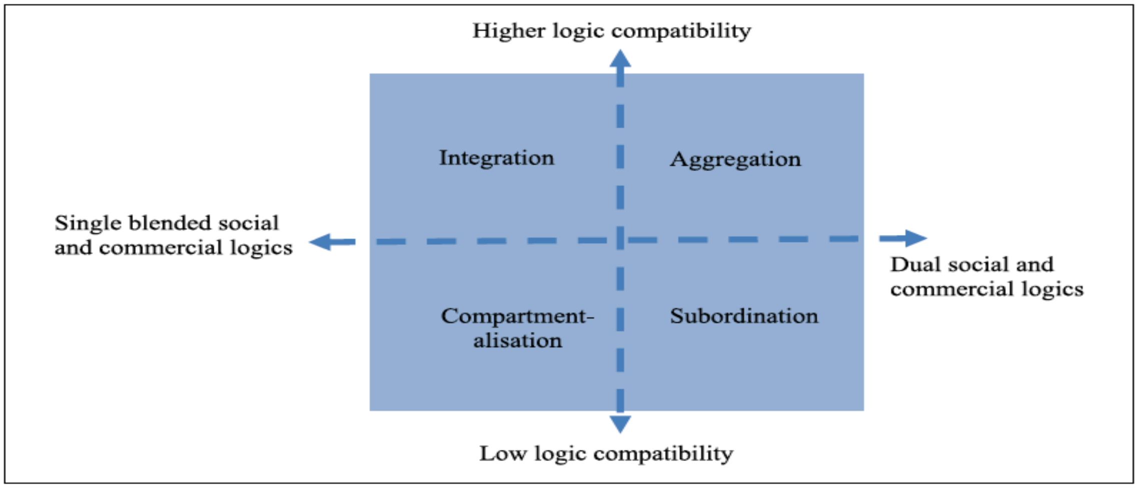


Figure 3.1 Structural options for hybrid logics
Source. Adopted from (Fitzgerald & Shepherd, 2018)

Apart from the diverse applications organization theorists have enacted and recomposed of the theory, it is pertinent to underscore that our overarching interest in this theoretical framework is not in its theory of organizational behavior and structure as in its support that institutions have logics of action. Institutions and organizations have embedded logics, and how those logics come into existence is varied based on society as an inter-institutional system with levels of association; and those logics emphasize how the organization responds to both internal and external environments. Institutional logics predicts that interrelations between logics could lead to new practices and institutions (Murray, 2010; Reay & Hinings, 2009). Ownership frames organizational principles and associated practices (Watson, 2006). Founder and ownership affect an institution's logics, in particular in the field of microfinance. Such a lens provides the theoretical framework for examining how the ownership of a microfinance bank within the context of Nigeria's microfinance scheme could promote and, in some cases, undermine the microfinance objective - sustainable provision of microfinance services to the active poor. Who or what an organization is and does (sets out to accomplish) might provide insight to how it fulfills its objectives. The interest is to investigate how the identity of the organization informs the goal of the microfinance dual objectives.

Table 3.1 Types and Characteristics of Microfinance Institutional Logics

	Social welfare logic (Nonprofit MFI)	Commercial logic (For-Profit MFI)	Integrated logics (Faith-Affiliated MFI)
Characteristics			
Goal/Priority	Create social value - poverty alleviation	Generate economic value - profit maximization	Create social and economic value – financial access to the financially disenfranchised with fiduciary obligations towards depositors and investors
Operating principles	- Clients are beneficiaries and seen as more or less deserving of support. - Provide them with financial services at less than market interest rates and empower them to be self-employed.	- Clients are customers seen as risky investment. - Provide them with financial services by generating revenues to satisfy investors with competitive returns	- Clients are beneficiaries and seen as micro-entrepreneurs - Provide them with financial services by generating revenues to satisfy investors with reasonable returns
Management Principles	Maximizing the impact of donor funds in delivering services to clients	Maximizing investors and depositors' funds in delivering services to clients	Striking a balance between maximizing access of the disenfranchised to financial services and reasonable returns to depositors and investors.
Funding source	Contracts and donations	Investors and depositor's fund	Investors, depositors, and contracts.
Tactic/ Governance strategy	Collaborative/ Unity of purpose	Competitive/ Market position	Collaborative competition / Sustainable empowerment

Source. This table is based on Battilana & Dorado 2010; Fitzgerald & Shepherd 2018 and literature review.

CHAPTER FOUR

METHODOLOGY

This study investigated how the board and management of Chikum Microfinance Bank Limited (Chikum MFB), – a bank with two institutional logics at the core of its foundation – pursues its dual microfinance objective. Chikum MFB, a faith-rooted microfinance institution was established with the goal to balance financial sustainability and social mission to empower the active poor in local communities. Located in Owerri, Nigeria, Chikum MFB is neither a commercial spin-off of a religious institution intent on revenue/income diversification nor is it a social responsibility division of a for-profit organization seeking to advance social good. Rather, it is a hybrid organization that combines financial sustainability and outreach to needy communities as the core of its identity. In the absence of institutional scripts for how to deal with the tensions of multiple logics in organizations, and in microfinance institutions in particular (Battilana & Dorado, 2010), this investigation requires a careful research design – one that does not rely on any "ready to wear" model for how to handle integrating logics (Flyvbjerg, 2011; Yin, 2014). Several steps were taken to ensure quality and intellectual rigor while applying a qualitative case study approach and an interpretive thematic analysis of the data. The study relied primarily on semi-structured interviews and document review. The data from the interview transcripts and organizational documents were compared and contrasted to render visible issues that informants did or did not explicitly articulate as per the policies and activities of the bank. Data analysis consisted of a series of steps including data transcription, generating codes, defining and naming themes. Cognizant of the positionality of the researcher (Adu-Ampong & Adams 2019), at all stages of this design, the researcher remained conscious of personal subjectivities while reflecting upon how it is both used and monitored. This chapter details the various steps employed in order to systematically apply the scientific method to address the research question, including the research design (logic of inquiry) and the methods (logistics of inquiry).

Research Design

This qualitative study examined the quest for the microfinance double bottom line objective in the context of one of Nigeria's faith-rooted microfinance banks. To examine the primary research inquiry - how a faith-affiliated microfinance bank navigates the goal of the double-bottom line – in the context of Nigeria's microfinance framework, the study adopted the interpretive study approach. The objective of the researcher is to explore, seek understanding, and interpret meaning from the perspective of those involved. Interpretive approach enables the researcher to examine the perspectives of informants within the integrated system in which the case unfolds (Glesne, 2016; Merriam, 2009; Neuman, 2011).

The study informants are real people, in real contexts, with consequential past experiences of their own, play with them, question them, combine them to conduct their daily obligations in their workplace. The research question requires an approach that is open to emerging contextual information on the policies and activities of the bank. The interpretive approach permits an interactive process aimed at capturing meaning and understanding perspectives relative to the context (Harrison, Birks, Franklin & Mills, 2017). It is open and capable of generating inductive reasoning and interpretation. Thus, the interpretive approach enables investigations into the how and why the informants define the bank's identity and explain the actions of the board of directors, staff and management of the bank. The aim is to generate a rich holistic description that illuminates how and what the bank is doing to define and attain its goals (Merriam, 1998).

Case Study Approach

Within the broader interpretivist framework, the study used a single case study design to facilitate analysis. A case study approach was chosen for a number of reasons. First, in other to understand the blending of two seemingly opposed logics the study requires a microfinance institution that combines the two competing logics – a phenomenon very uncommon in the industry. To answer the research interest and question – how a faith-affiliated microfinance bank navigates the goal of the double-bottom line, it was essential to select a microfinance bank capable of providing information on interactions between the two logics. Merriam (2009) suggest cases be selected based on the research purpose and question, and for what they could reveal about the phenomenon or topic of interest. “Context-dependent knowledge is the center of case study research” (Chowdhury et al. 2020, p.282).

Second, the case study makes it possible to understand and analyze multifaceted phenomena. This study entails examining all key sectors of the case study institution including institutional identity, human resources, pricing, products and services to understand how the units individually and collectively contribute and constrain organizational goals. A case study design meets this criterion. Yin (2014) have noted that the case study method allows investigators to retain holistic and meaningful characteristics of real-life events like organizational and managerial processes. Like Yin, Patton (2002) asserts that the case study approach enables a holistic approach in interpreting and understanding a phenomenon from manifold perspectives (Patton, p. 58-59).

Also, a single case study strategy is appropriate since the study requires the use of multiple data sources including interviews, and analysis of organizational documents to understand the phenomenon. Multiple data sources are essential for the empirical grounding of this study. Many qualitative researchers (Chowdhury et al., 2020; Glesne, 2016; Patton 2002) elaborate on how the case study strategy is consistent with qualitative methodologies by relying on researcher immersion in multiple sources (Stake 1995). "It adopts a holistic approach in interpreting and understanding a phenomenon from manifold perspectives specifying various factors engaged in a situation" (Chowdhury et al., 2020, p. 283).

Fourthly, – and most fundamentally – the study requires an in-depth information from the perspectives of the informants on how their actions influence or are influenced by organizational identity to enable analysis. Case study research permits both a deep dive into the organization for an in-depth information as well as in-depth analysis of an issue within its context from the perspective of informants (Yin, 2014). Chowdhury et al., (2020) have suggested that "where the researcher wants to know the answer of why and how questions about microfinance programs, the case study method maybe a good option" (p. 280). The significance lies on its ability to achieve the greatest possible amount of information on the bank which would not have been possible or be an appropriate strategy with a representative case or random sample (Flyvbjerg, 2006). As the study is open to unanticipated outcomes, a single case study approach is better than virtually all other research designs that could be employed.

The Case: Chikum MFB Ltd

This study focused attention on Chikum MFB Ltd, – a faith-rooted grassroots microfinance bank located in Imo State, Nigeria – established with the goal to balance financial sustainability and social mission through providing financial services to the active poor in local communities. The bank received its license to operate on November 9, 2008. In line with the Nigeria government's 2005 Microfinance Policy recommendation for grassroots and significant ownership diversification (CBN, 2005), the promoters recruited a cross-section of interested individuals and groups from the church community to contribute equity for the required paid-up capital. A group of initial twenty (20) investors including individuals and the associations of Catholic men and Catholic women organizations of the Archdiocese contributed equity to own the bank.

Nigeria's microfinance banks are government regulated equity-financed deposit taking banks that could be established by individuals, corporate organization, and nonprofit organization including religious bodies (CBN, 2011). As a financial enterprise owned mostly by individuals sharing a common faith conviction, the promoters of the bank thought of a micro finance institution that can be accessible and sustainable (profitable) at the same time. From inception, the aim of the bank is "to debut as a truly versatile financial institution that will create a niche for itself through the provision of better access to savings services and loans to the Catholic Church societies, poor households, trade groups/associations and microenterprises, thereby reducing poverty and at the same time build a reputation for safety and soundness" (Feasibility and Viability Report, p. 4). Accordingly, the mission of the bank is "to harness and make resources easily accessible to individuals and groups for creative and productive services". It envisions herself as the leading provider of financial services to micro-enterprises and poor households in every market it chooses to operate (Vision Statement). Its financial and social missions are not differentiated; rather the two objectives are intertwined. Commercial and social activities are fully integrated as every time it provides microfinance services to a client it also accomplishes its social mission which aims to give access to financial services to the poor.

The bank was first licensed as a unit microfinance bank when it commenced financial services to the general public on November 9, 2008. In 2013 it upgraded to a state level microfinance bank making it possible for the bank to establish outposts (branches) to rural communities within the state distant from its corporate head office. Currently with a staff strength of seventy-five (75) and total assets of about one billion, ninety-three million, eight hundred and fifty-three thousand and thirty-one naira (₦1,093,853,031.00), the bank has seven outposts spread across four local government areas of the state including the head office located in the heart of the state capital.

Chikum Microfinance Bank Ltd was purposefully selected for this study based on a number of reasons. First, based on its pioneer status in the field of social and financial "hybrid microfinance" practice. Established three years after the inauguration of Nigeria's 2005 new Microfinance Banking Scheme (CBN, 2005), it is one out of a total of three state level microfinance banks in Imo State (see CBN, Nov. 2019 – List of Microfinance Banks). Imo State is located in the eastern part of Nigeria, one of the thirty-six states of the federation. With a population of about five million people, the state is predominantly rural comprising mostly of small and medium income entrepreneurs. As at December 2019, the state has a total of thirty-six licensed microfinance banks including thirteen (13) Tier 1 Unit Microfinance Banks; twenty (20) Tier 2 Unit Microfinance Banks, and three (3) State level Microfinance Banks. No national level microfinance bank exists in the state as of date (CBN, 2020). Unlike its other two state-level counterparts that migrated from community banks to the new microfinance scheme, Chikum MFB Ltd shares the distinct honor of a new breed of independent microfinance institutions after the new scheme. It is neither a commercial spin-off of a religious institution intent on increasing revenue/income nor a social responsibility outreach of a for-profit organization desirous of social good. Instead, as a regulated equity-financed deposit-taking financial institution with religious institutional root, its financial and social missions are not differentiated, rather the two missions are intertwined. Its commercial and social activities are fully integrated as every time it provides a service to a client it also accomplished its social mission which aims to give access to financial services to the active poor.

The bank was also chosen because the researcher has some prior knowledge of the bank as a former member of the board of directors. Some familiarity with the case study institution is crucial for informed inquiry into the bank, for access to study informants and to documents, and for the analysis of the findings. Qualitative inquiry emphasize proximity to how others think, act and feel as vital to understanding reality (Chowdhury et al., 2020). More fundamentally, the bank was purposefully chosen for its potential to offer explanations to how a microfinance bank could meet the challenges of dual objectives.

Methods

The methods employed in this study primarily relied on two data sources: interviews and organizational documents. The logistics of the study entailed identifying interview participants and documents, the collection of the data, and the subsequent analysis. The data from the interview transcripts and organizational documents were compared and contrasted to render visible issues that informants did or did not explicitly articulate as per the policies and activities of the bank. Data analysis deployed the thematic data analysis procedure (Braun & Clarke, 2012; Crowe, Inder & Porter, 2015) to analyze transcript data, generate codes, define and name themes. Cognizant of researcher bias (Adu-Ampong & Adams, 2019), the researcher at all stages of the study remained mindful of personal subjectivities while reflecting upon how positionality is both used and monitored. The above processes associated with the method is detailed in this section.

Data Sources

The main data sources for this study were interviews and organizational documents. The perspectives of those who operate the bank is essential to understanding both how and why the bank carries out its obligations. The interview approach was adopted as the primary data source for this study because the goal is to understand the actions of the bank through the perspectives of the operators. While observations, questionnaires and surveys are other possible sources of qualitative data collection, Flyvbjerg (2011), Stake (2006), and Yin (2014) attest that interviews are the most dominant and the most preferred data collection method in interpretive qualitative studies. The operators of the bank were interviewed to gain insight into how the bank's identity fosters and/or impedes the microfinance double bottom-line objective (see Appendix 4.1: List of interviewees). Interviewing the actors of the bank allowed the researcher to capture the richness of the informants' experiences, obtain detailed descriptions and verbatim quotations on the bank to enable in-depth analysis for meanings to emerge (Arsel, 2017; Belk, Fischer & Kozinets, 2013; Chowdhury, Ahmmed & Hossain, 2020). Key areas of interest are how the bank's products and services, lending, hiring, pricing and citing of outposts (sources of evidence of commitment to outreach and profitability) reflect underlying institutional logics. If the bank is successful in balancing financial and social objectives, we would expect that the bank will hire individuals with expertise in and a preference for offering sustainable products and services focused on the needs of the active poor. For instance given the particular role of directors in the stewardship of organizational identity and mission, the researcher asked the directors to share about the role of board members in recognizing and managing risks of goal displacement and mission drift.

Document analysis is another recognized source of data collection (Harrison, Birks, Franklin & Mills, 2017; Alison, 2014; Yin, 2014). Document analysis was used to supplement interview data. Internal documents including minutes of board meetings, policy manuals, memos, and audited annual reports were reviewed to triangulate data from interview transcripts (see Appendix 4.2: List of reviewed documents). Institutions promote and entrench espoused values through formal documentation; the expectation is that key policy documents including mission statement, human resources, operations and marketing manuals (sources of evidence of commitment to espoused values) will emphasize the complementarity of social and financial goals.

Semi-structured interviews. The interview data collection process followed a semi-structured interview format. The semi-structured format enabled the use of prior understanding and themes built around the research question to guide the interviews. Informed by theory and literature, I had some expectations of where to focus the interview (see Appendix 4.3, Interview Protocol). It consists of a description of the research project, an explanation of interview procedures and an invitation to the interviewee to ask questions about the study and the study procedures (Arsel, 2017). The aim is to keep the interviewer focused and cover all prior identified relevant concepts; give a sense of control and reignite or redirect conversation when there is an extended digression (Wallendorf & Brucks, 1993). While each interview took its own form, the protocol ensured that the interview remained focused on the overarching purpose of an evolving research question. It helped to avoid Arsel's (2017) timely warning that "interviewing people without engaging in some theoretical and methodological preparation … can end up with interviews that might lead you to more noise than data" (p. 940).

The interviews were carried out during the months of August through December 2019. A total of twenty-two interviews were conducted with directors, ex-directors, managers and front-line employees (see Appendix 4.1, List of interviewees). I initially envisaged to interview the customers of the bank. A re-reading of the research interest determined otherwise. Their input will not provide insight to the study. While customers may know and use the products and services of the bank they may not know how and for what purpose the bank is providing such services; they do not possess the requisite knowledge to comment on the activities of the bank in relation to logics of action.

The bank has a current staff strength of seventy-five (75) employees including those in management positions. Though the seven (7) heads of key management positions and members of the credit and marketing staff were the primary interview targets, the intention was to interview as many employees of the bank as are possible to a point of saturation. However, not all employees wanted to be interviewed, two of those who initially agreed to be interviewed later changed their minds and did not show up. In one instance a head of department delegated the next in command to stand in for him. The researcher later learnt after the interviews that the individual was thinking of leaving the bank and would not like to entertain a conversation that might prematurely disclose his intentions. While there was no formal attempt to find out why some declined to be interviewed, the researcher's positionality as one who had past association with the bank could have played a factor especially with the front-line employees.

Though efforts were made to keep interviewing schedules and create conducive environment for interaction some of the interviews especially with credit and marketing staff were rescheduled a couple of times to accommodate interviewees' emergent needs with their customers. Some interviews were rescheduled when heavy rains prevented the timely arrival of interviewees to the venue or the pounding of rain drops on the roof made it difficult to audio record the conversation.

One major challenge however was the insider-outsider status of the researcher who also had to personally conduct the interviews as the researcher. This could have created some nervousness for some of the employees. The researcher tried to make the best use of his insider-outsider status. I highlighted my insider status in certain contexts and simultaneously downplayed it in certain others. The emphasis was on the researcher's past affiliation with the bank and his current status as a doctoral candidate studying in an elite Catholic University in America. It resonated same for both directors and staff as there is both an implicit and explicit respect for the well educated in the Nigerian society. The official letter from the University of San Diego Institutional Review Board established the researcher as an outsider deserving of their time, information and respect. It both enabled interviewees to share how and what they do as well as constrained some to freely express their thoughts. During the interview when I noticed that the interviewee could be withholding information on the basis that being connected with the bank entailed having implicit knowledge of certain things, I had to downplay my past association with the bank for the interviewee to provide more detailed answers and explanations by pointing out that it has been more than six years since the researcher left the bank. Knowledge of the language and vocabulary of the field also enabled the researcher to carry insightful probe into what the bank was doing.

Archival Materials.

In addition to the semi-structured interviews, formal organizational documents including board and board committee minutes, policy manuals, operations manuals, internal memos, audited annual reports and website postings were reviewed to augment interview data. Because no single source of information can be trusted to provide a comprehensive perspective, Patton (2002) encouraged the use of multiple data sources to validate and cross-check findings. First, the informants comprise various strata of people associated with the bank ranging from directors to marketers, there were reasonable expectations of mixed and inconsistent responses. On some issues the views of the directors seem to differ and or conflict with that of the managers. For instance, the interview showed evidences of disagreement between some board members and an ex-managing director over what kind of individuals to be recruited and how best to achieving the organization's goals. The document analysis helped to supplement and validate information between interviewees and between interview data and data from reviewed documents. Patton (2002) and Neuman (2011) noted interview data could have limitations including responses due to personal bias, anger, anxiety, politics, recall error and self-serving responses. The document analysis helped to understand where particular snippets of data appear to be common themes and those that are different between the sources. And "because new dimensions tend to reveal where people did not always act consistently" (Gibbs, 2007, p. 94), document analysis provided a behind the scenes look at the bank about which the researcher might not ask appropriate questions without the leads provided by the documents.

Informants and Interview Protocol

Representativeness is not sought with regard to participants, however, understanding the operations and activities of the bank requires interviewing individuals in different key roles. For instance, the positions of seven directors and heads of key seven department (Risk Management, Audit and Internal Control, Credit and Marketing, Operations, Admin/Human Resources, Finance and ICT) are mandated by the regulatory body for the effective running of microfinance banks in Nigeria (CBN, 2011). This provision provided the basic structure for eliciting information from all key sectors of the bank essential to the research interest. A total of twenty-two informants were interviewed including all the seven members of the bank's board of directors, two past directors, seven heads of department, two operations staff and four credit and marketing staff.

Interview protocol. The approval for this study was granted both by the relevant authorities at the University of San Diego and by the Board of Directors of Chikum Microfinance Bank Ltd through the Institutional Review Board (IRB). The actual interviews started with the permission to address the entire staff of the bank in one of their daily briefings before the commencement of work. The researcher used the opportunity to provide a description of the research project, an explanation of interview procedures and an invitation for the staff to ask questions about the study and procedures. The consent form highlighted what the study is all about, the consequences of participation, confidentiality of information and of no recrimination from participation (Arsel, 2017, Patton, 2002). Participants were asked to provide explicit consent to be interviewed. Written and signed informed consent was received from each informant.

The semi-structured interviews followed an informal interview approach guided by an interview guide (see Appendix 4.4 Interview Guide). The interview guide outlined key points of exploration, provisional questions and planned probes and transitions. It was developed partly from theory and literature review. In line with Zilber's (2016) insight that "institutional logics do not deterministically direct activities and behaviors within organizations but are rather worked out within a hermeneutical circle" (p. 151), the theoretical framework of institutional logics (Fitzgerald & Shepherd, 2018; Friedland & Alford, 1991; Greenwood, 2008) was adopted as lens. The realization of the microfinance objective is contingent upon key organizational factors – governance, funding, clientele, products and services, and regulatory requirements, – that shape how the microfinance institution responds to the challenges of meeting its statutory obligations. The assumptions of institutional logics predict that interrelationships between internal and external factors can lead to hybridization of logics and or new institutions of new logics (Johansen and Waldorff, 2015). Such a lens was useful to understanding how this microfinance bank (MFB) organize and function to accomplish its organizational goals.

The interview guide was semi-structured based on a mix of close - and open-ended questions. The open-ended questions were used to maintain a balance between providing enough openness for the informants to tell their stories and enough focus to allow the interview structure to work (Patton, 2002; Seidman, 2013), essentially permitting the empirical grounding of the study. It consists of the questions to be explored in the course of the interview to ensure that some basic lines of inquiry are pursued with each interviewee (Patton, 2002). Some of the questions include: Discuss in detail what your bank does to encourage outreach to the active poor. How would you describe the bank's commitment to the active poor in relation to the cost of providing them with services? What does the bank do to encourage sustainable outreach; how does the bank socialize the employees to embrace its mission? What do the directors do to ensure that the staff are committed to the mission of the bank? etc. The recorded interviews were transcribed to generate the primary data for the investigation.

The Interview Process

All Interviews with the executive directors and ex-directors took place in various locations. Primarily for their convenience because of personal engagements and zones of comfort, the directors were interviewed in their homes or offices with prior appointment.

Also, for their convenience because the interviews took place during office hours, all the staff and management informants were interviewed on pre-scheduled dates in a reserved room at the bank's corporate office. The interviews were scheduled at least four to five days ahead of time. To ensure punctuality and avoid incidents of no show, I sent text message reminders on the eve of interviews re-confirming time and venue. It created a sense of responsibility and reminded informants of the importance and value attached to the exercise.

The interviews took place in the context where the researcher is fluent in the local language in this case Igbo and pidgin English. However, all interviews were conducted in English language, which is the official language of communication in the country. The shortest interview was 30 minutes while the longest lasted 70 minutes. I interviewed each informant at least once (See Appendix 4.1: List of interviewees). Where the need arose for additional interview it took place by phone contact and were primarily to elaborate on issues or to clarify meanings that did not seem obvious at the time of transcription.

The interviews started with very general questions about the bank and the informants' job responsibilities to very specific questions on the activities of the bank. I customized interview questions to informants which included questions on career background, experience with the microfinance industry and with the bank in particular. For instance, while board members and heads of departments were asked to respond to questions on policies and governance, the Operations, Credit and Marketing staffs were particularly important as the primary interface between the bank's products and services and the bank's clients.

All interviews were digitally recorded using a digital recorder for quality. All the recordings were with the prior express permission of the informant before the start of interview. The audio data were later transcribed into text data. The researcher mainly edited for brevity, removing any words or clauses that are not essential for understanding the overall meaning of a phrase or sentence. The transcribed interview data generated a total 225 typed pages of single line spacing using Times New Roman 12-point font. The transcribed data formed the dataset for the study.

Review of Organization's Documents

An analysis of formal documents of the bank served as a complement to the interviews. My past association with the bank and her directors gave me access to documents and archival data sources. Most of the bank's formal documents were in the custody of the company secretary, and the chairman of the board had personally addressed management and requested cooperation with the researcher to the extent permissible. I either collected original copies or made copies of documents including feasibility studies, policy manuals, board and board committee minutes, and five years of audited financial reports (2013 – 2017) (see Appendix 4.2, List of reviewed documents). The data from the interview transcripts and documents review were compared and contrasted to render visible issues that participants did or did not explicitly articulate as per the policies and activities of the bank.

Data Analysis Procedure

Crowe, Inder and Porter (2015) elaborate on two methods of data analysis – thematic analysis (TA) and content analysis (CA) – that enable researchers capture meanings within qualitative data. While thematic analysis is a process of interpretation of qualitative data that enables finding patterns of meaning embedded in participants' responses, content analysis follows a descriptive process in order to represent qualitative data in clusters of participants' responses (Crowe et al., p. 619). Though TA tends more towards inductive approaches to uncover latent meanings, and CA tends more towards deductive approaches to identify manifest meanings (Figure 4.1: The Analysis Continuum), the two methods are not mutually exclusive and can be considered on a continuum. However, they serve different research purposes, providing two different ways of understanding meaning and experience. Both approaches to analysis were used to produce a robust understanding of the activities of the bank. While the deductive approach enables analysis using the assumptions of institutional logics, the study deployed the inductive approach to help draw conclusions from the meanings and perceptions within the interview transcripts and reviewed documents. The rationale, Braun and Clarke, (2012) noted is that thematic analysis is "a method for systematically identifying, organizing, and offering insight into patterns of meaning (themes) across a data set... a way of identifying what is common to the way a topic is talked or written about and of making sense of those commonalities" (p. 57). It is flexible and allows the researcher to focus on the data in numerous different ways.

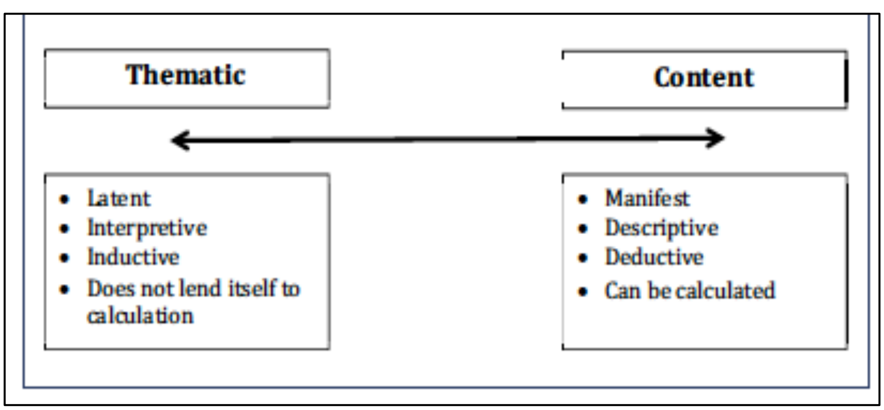


Figure 4.1*: The Analysis Continuum. (Adopted from Crowe et al., 2015)*

Thematic analysis. Thematic analysis (TA) consists of a series of steps, including data transcription, generating codes, searching for themes, defining and naming themes and ending with synthesizing themes (Crowe et al., 2015). An interpretive TA was conducted on the interview transcript following the process described in figure 4.2. Following these steps, the study analyzed the interview data. The first step was the transcription of the interview data. This involved transcribing the audio data into text data. While there are many different styles of transcription including electronic qualitative data management systems (see Edwards and Lampert, 2014; Kelle, 2004; Seale, 2000), qualitative researchers attest that manual systems are equally effective if not the most desirable for some cases (Braun & Clarke, 2012; Crowe et al., 2015).

The interview data were transcribed manually by typing text into a Microsoft Word file created for the purpose. The transcript data was checked back against the original audio recordings for accuracy. The aim of manually transcribing was to develop a thorough understanding of the data through the whole gamut of transcription. Braun & Clarke (2012) suggest that manually transcribing data may help to familiarize self with data and facilitate the close-reading and interpretative skills needed to analyze the data. Notes (writing comments to highlight items potentially of interest) were made during transcription as well as during reading and re-reading of the transcript.

Generating codes. The next step is generating codes. This involves reading and re-reading comprehensively the entire dataset to identify data items that may form the basis of repeated patterns across the dataset. Twenty-five (25) initial codes were generated by extracting significant statements made by various informants focusing primarily on the research question rather than on the interview prompts. For instance, while reading the entire transcript, I focused on what the informants shared in relation to the services the bank is providing, who benefits and how sustainable they are. Additional materials not directly related to the research question that could provide a context to understanding the rationale behind what the bank does were equally noted. The abstracts formed the initial twenty-five codes.

Coding technique. I coded the interview transcripts manually by cutting and pasting text into a Microsoft Word document file created for this purpose as electronic qualitative data analysis software offered little help with the main analytical work. I color coded data abstracts and assigned codes that emerged organically while examining the dataset (Exhibit 4.1: Codes with data extracts available on a separate file). Throughout the coding process, I referred to the entire interview transcript. Codes were clustered into related ideas using a coding matrix approach similar to the Miles and Huberman matrix strategy (Miles & Huberman, 1994. 240-241) (see Figure 4.3 Initial thematic map, showing 25 codes). Miles and Huberman (1994) matrix chart allowed for a visual overview of codes, categories and themes derived from the twenty-two informants.

Searching for themes. The next step is searching for themes. This phase involved first sorting and collating the twenty-five initial codes into categories. All the data abstracts were systematically reviewed and associated to nine categories or sub-themes including “dedicated to mission and goal”, “we tailor our products and services to meet the needs of the active poor”, “human asset development”, “innovative/strategic product pricing”, “operational efficiency”, “organizational niche”, “shareholders return on investment appetite”, “we focus on profit not profit maximization” and “outreach through outpost expansion” (see Figure 4.4 Developed thematic map, showing 9 sub-themes).

Chowdhury et al., (2020) noted, “the case study begins with assumptions using possible theoretical lenses and data that is analyzed through an inductive approach by establishing patterns and themes” (p.282). The sub-themes evolved from coding the data on how the bank addressed issues of outreach and sustainability. However, grouping such responses together does not mean they are exactly the same or have the same meaning, but because they have something in common which consists of differences. Some codes did not form obvious categories and could not be clustered into any distinct category and were noted.

Next, the categories were used to explore relationship to each other and to the context in which they emerged to generate overarching themes. Fereday and Muir-Cochrane (2006, p. 90) had warned that fabricating evidence can be a common problem in the process of interpreting data due to unintentional, unconscious “seeing” of data that researchers expect to find. Thus, the previous stages were again closely scrutinized to ensure that the themes were representative of the initial data analysis and the assigned codes. As indicated by Boyatzis (1998), a theme is “a pattern in information that at minimum describes and organizes the possible observations and at maximum interprets aspects of the phenomenon” (p. 161). It captures something important about the data in relation to the research question and represents some level of patterned response or meaning within the data set (Braun & Clarke, 2012). Basically, I reviewed the coded abstracts to identify areas of similarity and overlap between the codes. I collated or clustered codes; collapsed or clustered codes that seem to share some unifying feature together so that they reflect and describe a coherent and meaningful pattern in the data (Crowe et al, 2015). Five key themes were generated from this analysis regarding how this microfinance bank pursues the microfinance objectives: a) shareholders’ avowed commitment to founding mission; b) human asset development; c) pro-active poor products/services delivery; d) innovative/strategic product pricing) and, e) institutional competitive advantage (see Figure 4.5, Final thematic map, showing 5 main themes). Definitions of the five main themes are attached as Appendix 4.

The second phase of the analysis entailed comparing expoused values with the actual performance data of the bank. To note evidence of the existence and extent of double bottom line in the MFB, the five-year audited annual report of the bank was analyzed to understand differences if any, between what the interview data claims and the actual performance results of the bank.

Positionality. Qualitative inquiry emphasize proximity to how others think, act and feel as vital to understanding reality (Chowdhury et al., 2020), making the role of the researcher also pivotal to the final outcome of his/her investigation. Reality depends on and are co-created by the researcher who perceives and interprets the subject matter through his/her worldviews (Harrison, Birks, Franklin & Mills, 2017). This researcher's concern and passion for the microfinance practice was the motivation for this study. My previous work experience with rural communities in microfinance provisioning was a great asset to this study as qualitative researchers cannot conduct research from a neutral position (Blaikie & Priest, 2017).

This researcher is a Nigerian who was born, raised and worked in the eastern part of Nigeria most of his adult life. The bulk of his work experiences revolves around accessing and managing financial resources for church institutions serving rural communities. In the process he helped to establish and was appointed a board member of the microfinance bank of this case study. In 2014, he resigned his position with the bank and migrated to the United States of America to pursue postgraduate studies at the University of San Diego. Returning to the bank six years after to conduct a research project clearly qualified him simultaneously as both an "insider" as well as an "outsider" to the case study institution.

The researcher's "insider-outsider" status enabled familiarity and credibility critical for this study. Familiarity with the context and subject matter facilitated understanding the task and vocabulary used in the field. The researcher's past association with the bank as an ex-director and a member of the local clergy working with rural communities established the researcher as a professional insider while returning back as a research student from a reputed Catholic University in America established the researcher as a professional outsider deserving of their time, information and respect. Insider-Outsider status imputes credibility and approachability in which the researcher is perceived as both credible and approachable (Adu-Ampong & Adams, 2019). While credibility refers to the researcher's ability to establish self to the informants as worthy of the time to be invested in the research; approachability relates to the extent the researcher is not perceived as threatening to the informants. Nigerians in general have the cultural tendency to accord imputed credibility and acceptability to the clergy and the well-educated class in the society. For instance, having "travelled outside" for further studies, the entrenched colonial perception of "foreign is better" characterized the interviewer as "expert" and credible. Some informants including the directors saw the researcher as one who has come to "improve" things. A doctoral candidate studying in America projected the researcher as an expert who could help transform Nigeria's microfinance practice, or in particular project their bank to an international limelight. And as one who was once with them the researcher was characterized as approachable.

Though the "Insider-Outsider status" enabled interaction and interpretations between the informants and the researcher it could equally constrain the research encounter. Glesne (2016) suggest researchers direct their attention beyond individual or subjective selves to help guide the research process, content and possibly interpretation. Conscious of researcher bias and of the "insider-outsider" status' ability to enable and constrain the research encounter, I actively engaged in reflexive analysis through all the stages in developing and implementing the study. Adopting reflexivity allowed the researcher to reflect upon, examine critically, and to critique self not only as an object of the inquiry but also in relation to the way the researcher analyzes the data. I remained mindful that researcher bias could cause researchers to jump into irrelevant conclusions and/or simply produce partial findings (Machi & McEvoy, 2016). The overarching goal was to be attuned to intersubjectivity as to realize the benefits of objective inquiry.

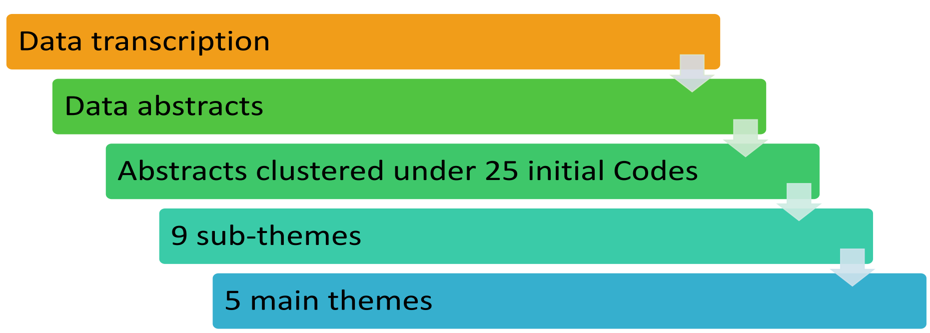


Figure 4.2:Thematic Analysis Process

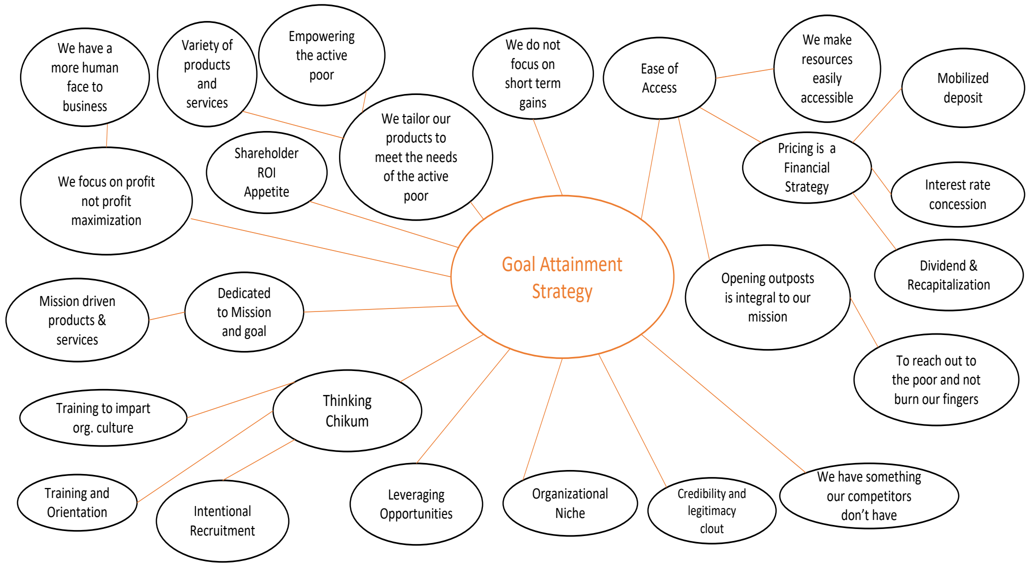


Figure 4.3: Initial thematic map, showing 25 codes

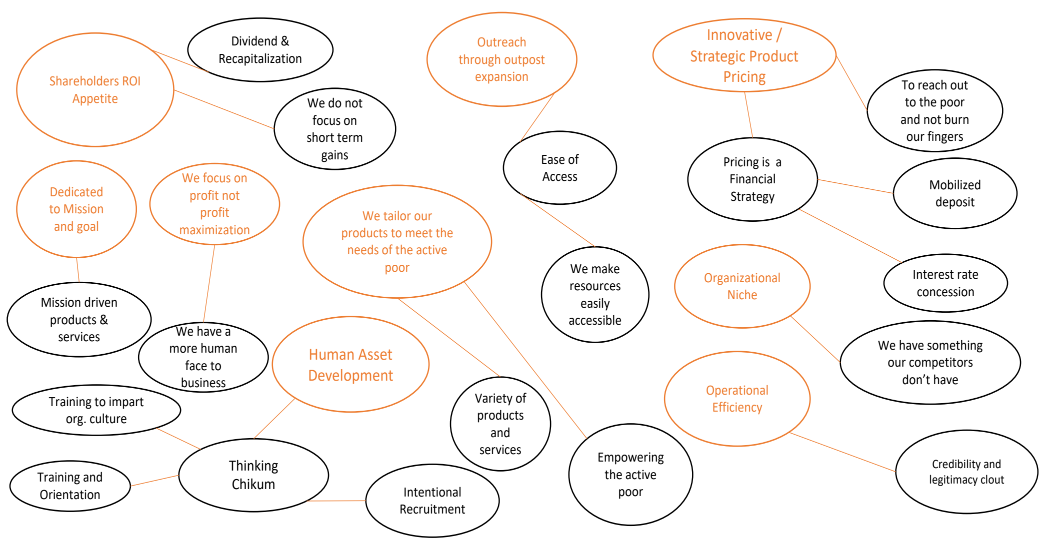


Figure 4.4: Developed thematic map, showing 9 sub-themes

Figure 4.5: Final thematic map, showing five main themes

CHAPTER FIVE

FINDING

"Ours is a microfinance bank with a more human face" _ Chairman, Board of Directors

"We focus on profit and not profit maximization" – An Executive Director

This chapter details the findings of this investigation. The study investigated how the operators of Chikum Microfinance Bank Ltd sought to achieve sustainable microfinance practice. Social (outreach) and financial (commercial) goals are the "two legs" of the microfinance practice. A successful microfinance practice promotes simultaneously social and financial goals, also known as the double bottom line (Conning & Morduch, 201; Pinz & Helmig, 2015). Using a case study design, and the analytical frameworks of institutional logics as lens the study investigated how organizational identity (integrated logics) could foster and/or impede the pursuit of social and financial goals in Chikum Microfinance Bank Ltd. The findings indicated that the bank is intentional about achieving the dual objectives. Five key themes were generated from the study, and collectively they explained the bank's goals attainment strategy: (a) shareholders' avowed commitment to founding mission; (b) human asset development (c) pro-active poor products and services offering; (d) innovative/strategic products pricing, and (e) institutional competitive advantage. The conclusion that was interpreted from the themes was that the bank pursued both financial and social goals through integrated services approach. However, integrated services presented internal and external challenges. In presenting each of the five themes in detail, we illustrate how some of the data features provided the basis for our interpretation as well as answered the research question.

Finding 1: Shareholders' Avowed Commitment to Founding Mission

Shareholders' avowed commitment to founding mission relates to the shareholders' commitment to mission goal primarily through controlling investor appetite for investment returns, investing for long-term gain and focusing on profitable returns as against profit maximization. The results showed that commitment to founding mission for the shareholders entails first making financial services available to the active poor, which also is the overarching principle behind all aspects of the bank's activities.

Control of Investor Appetite

The data analysis revealed that during the formative stages of the bank the promoters considered the potential influence of shareholder's self-interest on the mission of the bank and decided on who should invest in the bank. They recognized and worked to prevent conflicts which might arise from self-serving investment goals with organizational goal, in particular, appetite for investment returns common with financial investors. Financial logic, which is based on the supreme authority of shareholders' interest would likely lead "financial directors" to seek to maximize their investment self-interest over the social mission of the bank. As safeguard, the promoters championed by the Archbishop of the local church decided to exclude "wild money directors" – a term used by Juan Almandoz to describe financial investors whose only investment interest was in seeking high rates of return (Almandoz, 2012, p. 1386). Securing the cooperation of all investors required the integration of their multiple goals into the Archbishop's vision. Prospective investors received prior information on the requirements and expectations if they decide to invest in the bank. One of the initial shareholders provided insight on the decision, describing how he became an investor.

> …those of us who invested did out of our own volition. We are not compelled the few of us, you know the Archbishop and his charisma and his attitude towards public things. He will be careful. Definitely if he wants one billion, two billion he knows who to approach to give him the money. But these people are they really what he wants, can they afford to play down or slow their appetite because anybody who has that appetite of one billion will be needing two million and that is not what the Archbishop wants. So, he has to balance the investors, when he was looking for investors – people yes, they are good people, he also had that in mind (JN-ED).

The shareholders consist of investors who embraced the dual blend of social and commercial value creation. "We have the major shareholders that have more of the nonfinancial objectives as its own core value" explained another director who is a minority shareholder. "And then you also have some of the minority shareholders that have recognized the need for this nonfinancial objective to be met. They recognized that before investing. So, they are not too conscious of dividend in the short run provided the organization will be sustained" (DA-ED).

A similar perspective was expressed by a director representing a group of shareholders, and was not a member of the board at inception; "from the onset, it does appear at the foundation of the bank the mission was well spelt out and they (shareholders) were comfortable with that because severally in our meetings some of the directors who do not have much to do with the church, who do not represent a church body or standing in for a group have always emphasized let us not deviate from what we have as our mission in this board - looking at how to reach out to the poor" (BO-ED).

Investor controlled appetite for return on investment was observed in the attitude of the shareholders on dividend and recapitalization. Shareholders are unanimous in first growing the bank to an enviable level before distributing declared profit. "We have not been receiving dividends because we are more interested in growing the bank. We were receiving dividends some time ago, but we said everybody should slow his appetite, let us first of all develop the bank... And we tried to sell that idea at the AGM to the other investors … and say look why not you re-invest and reinvest until we come to a stage where we are able to do certain things without feeling it. That is what we have been doing so far…." (JN-ED).

However, the decision to suspend dividend sharing should not be interpreted to mean that investors are not interested in making profit because as one of the executive directors explained; "if you are now operating without profit how do you meet up? And again if I am an investor, you need dividend and the calculation of dividend is based from the profit you have made…, the individual, everybody that is asked to put in money is putting money for a purpose and that is why you must have to make profit (JO-ED).

The aim of controlled investor appetite is to be able "to move and increase our capital base, increase the number of our outposts. Where we have our presence, we will be reaching out more, we will have a higher reach to customers, to the active poor which is you know … do more impacting on the communities where we are" (OO-MD). The shareholders do not see their decision as an act of charity, rather it is a commitment "to do business with a more human face" (AO-BC), to first invest on the people and wait to reap the benefits. “When you establish a business, you might not reap the dividend of the business immediately, it takes some time and over the years you will pay off the capitals and assets you invested there” (BO-AM).

Investing for the Long Term

Controlling investor’s appetite for returns on their investment is an organizational strategy to enable the bank to pursue long term growth. The data analysis revealed that Chikum’s shareholders are committed to the strategy of investing for the long term. “Each time we have had the AGM, the management meeting, there has been the issue of dividend coming up,” the chairman of the board explained. “What I have seen so far is that there has been a request on the part of the shareholders to plough back whatever dividend they would have taken away into the bank to help it grow further and better so the bonus will be more appreciable and appreciated in the long run… that has been the trust rather than wanting to just share the bonus and work away with it” (AO-BC).

Sustainable social and financial goals are at the heart of the bank’s road map to success. However, seeking funding from any available source for capital growth would derail the vision of the founders. Shareholders’ commitment to long term investing enabled staff and management to focus on activities with greater future benefit. “The issue here is sustainability and of meeting the overall objective of the owners. If you look at … on the short term it could be seen to be conflicting in terms of profitability … by the time you grow these people you now have more and more people and the volume of that will compensate the financial short term deficit” (DA-ED). For the owners of the bank, it is a win-win strategy that fulfils in the “short-term” the needs of individual microfinance clients and in the "long-term" the promoter's need for outreach and operational sustainability.

Profitable Returns versus Profit Maximization.

Another strategy to goal attainment is emphasis on profitable returns as against profit maximization. Interview data show the bank's policy is "to provide microfinance services with a more human face" (AO-BC). "The essence is to touch on the lives of people, to reduce the poverty rate, to assist the vulnerable people in the society. And we are not targeting to getting all the money in the world, just the one that can enable us to move" (JO-ED). To achieve its organizational goal, the bank recognizes that the path to financial sustainability is not synonymous with profit maximization. At the same time, outreach to the active poor is intimately connected to financial revenue. The interview data indicates the operators of the bank believe that focusing on growth does not take away resources, it is the bank's core existence because the beneficiaries of their services are also their only customer. By focusing on financial services to the active poor – the one customer/stakeholder that fulfils its social and financial objectives – Chikum MFB uses depth of outreach to achieve profitability.

The operators of the bank understand profit-oriented approach can lead to the abandonment of the poorest segment for the better-off clients to get better returns (Ashta & Hudon, 2009; Hermes et al., 2011; Mersland & Strom, 2010) and provided some safeguard. An executive director offered explanation, "that is why I said that we are not into profit maximization, but we look at profit making. If we are to maximize profit we will go to the highest; but since we must survive, we take a middle course that will keep the business floating and at the same time keep the customers satisfied and our mission achieved” (BO-ED). While “some people are talking about some shylocks out there who want to make it almost impossible for poor people to access loans because of the high rate, because they are very greedy” another director explained, “Chikum because of the background it has, it is kind of like comfortable with average minimal gain that continues to sustain the business” (JO-ED). The director associated profit maximization in the industry to greedy investors whose only interest is to make money.

> You know most of the microfinance banks are owned by individuals and you know that human beings especially our people the way we are, some of us are over profiteering, they want to maximize their profit, they are not burdened….But our own we are looking at how it is going to affect our customer, how the business is going to move and again if we can get a little profit at least to maintain the bank… We talk of reasonable profit, but not over profiteering. (JO-ED)

Reasonable profits are very possible and attainable through operational efficiency and integrated and innovative services delivery. Chikum combines a number of innovative products and strategies including technology, outpost location, product pricing, and hiring from outposts’ catchment areas amongst other measures to attain organizational goal. All these strategies are consistent with the bank’s long-term approach to balancing outreach with profitability.

Tensions between Mission and Daily Demands

However, commitment to founding mission does not mean that the decision has been a smooth sale, that Chikum is completely immune from mission drift. There have been occasional pressures even from within to give priority to profit seeking over social mission. One executive director shared that “sometimes the managers want to say, no, no

I need to invest in bigger projects so that I can have higher income. Fine there is no doubt about it, but you have to consider the other objectives of microfinance bank. It is micro, small, it is not macro" (JN-ED). Some managing directors would prefer better-off clients or different employee mix to get better returns. One ex-managing director of the bank voiced her opinion that the directors need to understand that microfinance cannot be successful in the manner the directors conceive of it. This manager like some of her predecessors came from the conventional banking background to head the bank. She expressed her objections with some of the bank's policies with this statement; "you see when you have directors that are very knowledgeable, because Chikum have directors that are very knowledgeable in their own fields… and say use the Grameen bank model, and do like the Grameen bank people, we forget that we are in different countries. This is a country, and now this is your own country. The reality on ground, that is what you see, whether we like it or not … that is difficult" (CE-XMD).

On their side, the directors are convinced of what they want; they appeared to be resolute on the task they set for themselves. An executive director described their efforts in a board meeting to focus the attention of a managing director on the thinking of the directors about growing the bank:

> It is so difficult because he (managing director) wants immediate result. We have employed him, he wants to make sure that if the bank has made 20 million profit this year, he has come in he wants to make 25 million. So, he needs immediate result. But we are telling him you have to balance the result as against the image of the bank; against the image of the organization that set up the bank, and that is the Archbishop (JN-ED).

It wasn't quite obvious why the managers would differ from the directors in what seemed so obvious. It is assumed the staff and management of the bank would comprise of those who share the bank's mission or those incentivized to join. The ex-managing director interviewed for this study provided a clue to what could be an explanation.

> No, you see everybody has his own area of specialization and that is what is impotant. Like I mentioned earlier, I was coming from a commercial bank that was affiliated with retail marketing…. So, it was not a problem, but what I see is that when somebody has an area of specialization, it is good to allow the person to show that area of specialization so that things don't go away (CE-XMD).

This can be explained either that the managers assumed that as managers they were the ones to chart the course of the bank or underestimated the intent and commitment of the directors to the mission of the bank.

However, it seemed that the promoters are succeeding in sustaining the focus. The bank has refused to charge exorbitant rates for their services or to target wealthier and more profitable segments of the market. The head of audit and risk management touted the bank's achievement with low-end customers. "… [i]f you check our customer base here you find out that over 70-80% of them are the active poor people. It is not as if we cannot deal with the big organizations, but we are more interested in the poor. Instead of giving a loan of five million to one individual, we spread the risk and if you spread the risk I think it is better for us in the sense that if you give one organization or one person five million naira and the person goes away with your money you have lost the whole five million naira but when you spread the risk giving to the poor may be out of that five million naira you give them fifty, fifty thousand naira or hundred, hundred thousand naira, you give it to a couple of people" (EE-AM). The implication is that loan risk is not unique to micro borrowers. Macro borrowers also are susceptible to credit risk. From the proceeding, data analysis showed that shareholders' avowed commitment to founding mission is pronounced and contributes to retaining the focus of the bank on easy and accessible financial services to the active poor.

Mission Driven Products and Services.

Shareholders' avowed commitment to founding mission also encouraged the promotion of mission-driven products and services. Interview data indicated that mission driven products and services demands focusing first on identified needs rather than financial gains. The promoters shared a strong conviction that outreach to the poor though capital intensive in the short term, is both financially profitable and empowering of the poor in the long term. "The bank takes decisions that are based on things that may not have to do with making money immediately" (LO-CS). It is through first satisfying needs that the bank makes its money, in this case the needs of the active poor. The company secretary shared the example of the decision to open one of the bank's outposts in a particular rural community,

> You see by the time the opening of Amaimo outpost came up, the SWAT business analysis was done, the initial business analysis would not have allowed the bank to open an outpost at Amaimo, however you look at it as a way of giving back to the people and started the Amaimo outpost…. Yes, the bank would not have gone to Amaimo, but there was the need to reach out to more people and we started from Amaimo. And when we look at it Amaimo connects to several axis. (LO-CS)

Evidence from interview data showed that Chikum MFB's commitment to mission-driven products and services continue to receive on-going emphasis by the bank's executive directors who demand that management respect the mission of the bank. The analysis indicated that for the directors, the financial success of the bank depends on its acceptability as "the people's bank" rather than on high interest rate.

Finding 2: Human Asset Development.

Human asset development outlines the ways the bank recruits, trains and inculcates organizational culture to its employees to meet organizational goals. The bank is intentional with who joins the organization. Employees comprise of those with conventional banking background, microfinance banking background, those from other related disciplines and fresh graduates from the university. The justification is that commercial microfinance banking is new and evolving, without any institutional script for how to provide commercial services to the active poor. For the same reason, job candidates with extensive experience or training in commercial microfinance typically are in short supply (Battilana & Dorado, 2010). The bank believes the right approach to good-fit employees is through training and orientation aimed at socializing recruits to think Chikum and her unique approach to serving the active poor. The analysis also indicates that despite some reasonable success the policy has also encountered resistance from some staff members.

Intentional Recruitment

Chikum MFB Ltd is open about the centrality of their organizational identity and intentional about how they recruit, train and orientate employees into the bank. To keep the mission on course and ensure good-fit employees to sustain their operations the interview data revealed that Chikum MFB Ltd hires individuals educated enough to appreciate the challenges of a commercial microfinance organization, then augment it with training and orientation. The Board chairman echoed the reason for the emphasis, “It (Chikum MFB) was a movement of concern for the people which is not without some sense of compassion. At the same time, it wasn’t just meant to be a charity outfit where you just come and take money” (AO-BC). For the promoters of the bank the founding mission is not a feel-good mantra, the bank “was meant to serve as a stimulus for both educating and empowering people to do business in a more regulated and organized way” (AO-BC). Employees comprises of recent university graduates, those with commercial as well as microfinance background. The rationale is that commercial microfinance is relatively new, experienced microfinance workforce is limited. “So, the important thing is for the bank, in this case Chikum microfinance bank to inculcate its own culture into whoever is coming whether they are coming with the microfinance background or the commercial bank background or whether they are coming fresh from school, you must have your own culture. You teach them what you value” (RO-XED).

Another interviewee expressed similar views, “commercial banking is totally different from microfinance banking and you have to source from the same market with commercial banks for microfinance employees. So, you have to emphasize more on the training of the staff to be able to let them understand the characteristics of the customers they are going to serve, the peculiarities, the needs, the respect, which is totally different” (DA-ED). Chikum MFB has to train its workers to operate as the organization thinks fit to accomplish its goals. In particular, in addition to the general microfinance environment, the employees needed to understand the peculiarities of the bank as a bank with a unique mission. “Chikum has a culture, there is a culture in Chikum and that culture we have tried to maintain and not to get watered down even with fresh employment and of course exit of staff which is something that is a normal phenomenon and that we do via trainings" (OO-MD).

In advertisements for employment into the bank, Chikum targets individuals with interest in working in a microfinance institution. To get the job, respondents had to go through the highly formalized and selective hiring system that has been developed over the ten years of the bank's existence. The process included an initial screening of CVs, an exam, an orientation course, and six-month trial period. According to the bank's managing director,

> What the bank has done and is still currently doing is trying to employ people who have an idea about microfinance banking, and even employing those who may not have an idea about it. However, there is training and retraining and retraining because the microfinance banking terrain like we have agreed is certainly slightly different. …So, in employing staff we have tried to employ staffs who are experienced, we have a good number of staff within the country who are experienced in microfinance banking trying to source for those experienced staff and also get some fresh hands and also train them. We do constant and periodic training (OO-MD).

Investing in Training and Orientation.

All employees received training at the time of joining the bank. Initial training is usually the most intensive delivered during a two-week orientation conducted when someone is hired. During the first week new hires were trained on the history and culture of the bank aimed at gaining their commitment to the organization's mission.

> What we do mainly is that we make sure we give our staff quality training and make sure we don't recruit anyhow. We take our time to do the recruitment, to make sure that we filter people from the entry point – application process - and take those that you examine and feel yes, this person has the passion for this job. We start from there and when they come in we also train them before they join the organization like if you look at the training center there now there are some people there now, they are getting them some training, we tell them about our mission and vision, how we operate generally (EE-AM).

Successful recruits are hired on a six months probationary period, after which their employment is confirmed or terminated based on established criteria for confirmation. Follow up training can be organized once a month or as needs arise. "The bank encourages the staff to go for external training as well as internal training to keep the staff abreast of latest development as regards running of microfinance institutions, what is happening in the society. So that is the only way we can move forward" (JO-RM). To motivate employees to enlist in routine training the bank encourages promotion from within. The human resources policy provides for front line employees to progress to middle manager positions.

> We have periodic reviews of the staff, periodic reviews of performance of staff and trainings and re-training and of course we also do postings to ensure that the customer has a feel of the different departments and units so that you don't stagnate in one unit. We make it such that staffs are moved around different units so that they can you know ehm so that we can operate more effectively (OO-MD).

However, there is an exception to the policy of promotion from within. Top management positions are typically filled by any qualifying candidate from within or outside the bank. Interview data showed that from past experience, the bank has favored those with commercial banking background for top management positions. The bank prefers individuals with commercial banking background for top management position because according to one of the ex-executive directors, "for somebody to be a managing director of a microfinance bank s/he must have handled banking at a lower level (must have grown from the ranks), have grown up through the ranks. That is where you get better people. This is why sometimes they go back to people coming from the commercial bank, because they have grown up to that level. They are believed to know the system very well to carry the bank to where you want to. It is not easy just getting somebody and planting that person at that level. It is not easy" (RO-XED).

Hiring managers with conventional banking experience did not always deliver the desired result. The policy seems to have recorded with success at the beginning. An interviewee who joined the bank from the time it opened noted the change. "I think few years back and now there are…so many things changed from what I met when I came in. Like when I came in then it was like a neutral ground you are free to operate easily, no staff sees himself or herself as more superior than the other and it gave everybody a sense of belonging to go out there and do the job. … But over a little time now things have changed" (JC-CS). Bringing in people from the outside in particular at the top management position has led to persistent tensions between incoming managing directors and the board focused on the overall vision. Some of the tensions was observed in the following comments of a manager who voiced frustration at not being able to have freehand to certain kinds of employees given her position and expertise as a professional banker,

> it is possible to get and build your own culture. But there were a lot of interference. In a way, ehm because if you are handed the mantle and said drive this, do this as long as money is not really involved or anything. I should be able to tell with years of experience I have dealing with people being a supervisor, being a manager and all that and I have run successful business. I should be able to say okay fine, this crop or this set of people will not fit into what you need (CE-XMD).

In a ten-year period, the bank had hired five managing directors, three of whom with conventional banking experience and the other two with a mixture of both conventional and microfinance backgrounds. The average stay of the previous four managing directors was less than one and a half years which could be linked to lack of shared value or synergy. Implementing a policy of hybrid workforce can help the organization balance its social and commercial objectives if proper structures capable of handling concomitant conflicts arising from retooling ingrained habits exist. However, interview data revealed mismatch between the board and some managers on how and means of achieving goals. Either top management failed to embrace fully the vision of the founders, or they were incapable of inculcating same to the staff. Training and orientation have not produced the good fit workforce it was intended to bring due in part to the high turnover rate of managers.

Finding 3: Pro-active Poor Products and Services Delivery.

The data analysis indicated Chikum MFB Ltd is committed to systems designed to developing integrated services to microfinance clients for organizational goal. Pro-active poor products and services delivery outlines variety of products and services tailored to encourage a savings culture, build long-term customer commitment, provide collateral substitutes for microcredit facilities, and enable ease of access through outpost locations and integration of non-financial services for optimal result. The essence is to meet the diverse needs of the active poor population. The interview data analysis showed these varied products and services as being linked to overall strategies aimed at advancing the bank's mission.

Financial and Non-financial Products and Services.

Based on the understanding that the challenges of the active poor are not merely access to credit alone, the promoters of Chikum MFB Ltd embraced the broad concept of microfinance. The broad concept involves the provision of both financial and nonfinancial services consisting of micro loans, deposit savings, fund transfer, financial education, formal and informal appraisal of borrowers, collateral substitutes for loan disbursement, training and technical support. The bank's Managing Director outlined the variety of products and services the bank currently makes available to its customers in this lengthy description:

> We offer everything… we have several products where we have several terminologies. We have products where we are targeting savings accounts. We also have the fixed deposit accounts where we encourage the customers to place funds, idle funds that they are not using, or they don't have use for at a period of

> time immediately at a certain interest rate with us. We also offer salary administration... We also offer cash pick-up services ... to ensure that our customers do not have cash lying about in their business premises and not secure during the weekends. We also do daily cash pick up what we call like an isusu kind of contributory kind of accounts. We also do loan services. We provide loans what we call credit facilities to business to help build up their services. We also do loan services to salary earners…. We also do transfers though locally like I mentioned because by CBN guidelines we are not supposed to do foreign transfers. We also do “standing orders”, we have standing orders whereby we have customers who issue us standby order instructions to make monthly or bimonthly payments depending on how they want it, others for transfers either from their salary accounts to some savings that they do. And it goes on. (OO-MD).

Microfinance clients and their needs are varied and include market women, traders, shop owners, produce sellers, artisans, and low-income government workers. Chikum MFB’s wide-ranging financial products’ offering speaks to the bank’s client-focused services designed for the microfinance client population. Client-focused services entail not only making available a basket of financial services that addresses the financial needs of microfinance clients, but it also demands the integration of financial services with nonfinancial services related to those needs. It has been noted that for microcredit to be useful, the poor need a range of other nonfinancial products including financial education and business development (Ashta, Couchoro, & Musa, 2014). Data analysis revealed the bank recognizes the challenges of the active poor are not only a lack of funds, but in addition, the need for nonfinancial supportive services that enables credit clients and micro entrepreneurs to better deploy and manage the funds. According to a credit and marketing staff, "we also advise them on how to establish their businesses like there are so many of them that are into businesses that doesn't know how to manage it. There are some of them that have money, but they don't know how to make use of that money, there are some of them that have started something, and they don't know how to establish it" (RO-CS). The chairman, board finance and general-purpose committee highlighted the value Chikum MFB Ltd accords the nonfinancial component the bank attaches to its financial products.

> You know there is an aspect that is not very much emphasized. The poor, yes, they need money, but it is not all about money. They also need some intellectual empowerment. When people have an idea of business or conceive an idea, one is to ask for money, but the other is to have clear idea of what they are about to do (BO-ED).

He goes a step further to explain what the bank does in practice when clients approach the bank.

> So, coming in contact with the bank, the bank will help you to streamline what you want to do and see if it is workable or not. That is why in the bank you talk of the risk department that will come in as you apply for facility, look at what you are applying for, will it really carry the business you are trying to do. And this idea you have conceived is it workable. You know one thing is to picture something another is to translate it into reality. There are a lot of challenges and

> from experience the people who are working in the bank are better placed to tell you, no, this is not going to work here or there (BO-ED).

In addition to business education and risk management, the operators of the bank also provide other nonfinancial services that include training and technical assistance related to financial management, bookkeeping and group formation for group bargaining power. In particular, the interviewees referenced the services offered to market traders and the members of the Catholic Women Organization (CWO) as cases in point. The CWO are an umbrella body that empowers and protects the interest of women in the Church and has substantial influence both within the church and in the wider society. The organization is also financially invested in the bank as one of the bank's group shareholders. The bank offers loans and provides appropriate technical and business assistance in self-help programs to individual members of the CWO organization. Prospective loan applicants are encouraged to form small groups to receive funding for their micro economic activities.

The bank plays an active role in matching prospective borrowers to avoid social animosity among them. Group sizes range from three to ten members per group. With the technical support from the bank's staff their businesses are nurtured and grown into profitable ventures. The grouping enabled the bank to disburse loans in lump sums that the group members in turn share individually according to their individual needs and strength. It also makes it possible for the group members to cross-guarantee each other. An interviewee offered insight on how the bank assembled one of such groups and the services provided to them:

> Currently there are some services we are giving to women in the church. We went to the church telling the women that they can come because using the church as an umbrella they are sort of a co-operative in the church, they can come as a group with the surety of their executive. If they come, these women are from St. Lazarus, from St. Georges they come together, they want like ₦100, 000 but they don't have the same strength, for example this person want ₦10, 000 the other person want ₦30, 000, and this other person want ₦40, 000 etc., we spread it among them and by the time you calculate it, you are getting like ₦100, 000 for one set of group (VI-IM).

The interview analysis revealed that such group lending arrangements has multiple benefits to the bank. First, it increases the bank's number of micro borrowers, positively influencing the bank's depth of outreach rating. Depth of outreach is an important rating index of a microfinance institution's level of commitment to the very poor. Second, group-member cross-guarantee helps mitigate loan risks as delinquency could result to social shaming from the group. In the case of the CWO group, the linkage with the CWO organization leadership provides a second layer of protection for the bank. Also, the bank equally benefits from the reduction in transaction costs associated with lending to small scale individuals. As a whole, nonfinancial services profit both parties, it is a service that provides benefit to both the borrower and the bank lending the money. It helps the borrower succeed with his idea as well as safeguard the bank's money entrusted to the borrower.

Although some have argued that training and technical assistance are costly to provide and may undermine financial self-sufficiency such services are beneficial for microenterprises. In the case of Chikum, the analysis showed it has increased its outreach and profitability. Dichter's (1996) study indicated that business that act in their own self-interest and stop providing nonfinancial services to achieve financial sustainability might not be building sustainable development for the poor because without other inputs than credit, many micro-loan recipients have enormous difficulty making productive use of these small loans. The prominence of non-financial services and connections to community organizations show that the bank invests significantly in mission-related aspects to complement and balance financial objectives.

Outposts Location Strategy.

Outpost location is another strategy for mission goal attainment. Coupled with varied products and service offerings, is making financial services easily accessible through the policy of outposts expansion. Staff uses the terms "outpost", "outlet" and "branch" interchangeably. Outposts serve as branches but are not the equivalent of a bank branch. Chikum MFB Ltd endorsed outposts for economic and operational reasons. Though the bank is licensed to have branches, it rather uses outposts because of the cost implications. Albeit, outposts have limitations which includes the inability to host a vault. Cash have to be moved between head office and the outposts on a daily basis. Outpost expansion and strategic positioning are integral to attaining organizational goal. First, to be able to operate in more than one location essential to meeting mission goal, Chikum MFB Ltd invested heavily to attain the status of a state-level microfinance bank. The Central Bank of Nigeria has different requirements for participation at any of the three levels of microfinance practice in the country (CBN, 2011). For Chikum MFB, easy and accessible financial services to the active poor demands operating from more than one location. The managing director explained the necessity of outpost locations in these words, “we are not only in one location because obviously if we are trying to reach out to people, we can’t conveniently do that from one location. The bank has been able to over the years have about six other outposts in addition to where we are, where we call the head office” (OO-MD).

According to one of the founding directors, the active poor will not be able to access financial services if it is not within their reach. Since setting up outposts are fundamental to mission goal

> “…. we now tried to sale this idea to the managing director, the board has sold this idea to the managing director to form a lot of outlets, to go to the villages where the big banks or the commercial banks cannot get to because that is the whole concept of micro financing, for example we set up an outlet at Amaimo where within the ten to twenty kilometer around there is no commercial bank around and the people are yearning, these are the little, little people, and apart from even helping them financially their relations outside the country or in the big towns want to send them money at home” (JN-ED).

A branch manager in charge of one of the outposts expressed similar understanding adding that multiple outposts give competitive advantage. “We have made sure that we have branches scattered because if you assume that everybody will come from Amaimo to Chikum is enough to make sure that they don’t get access to our facility. And we know that. So, we have gone as far as a bank planting a location like Amaimo to make sure that those funds are accessible to Ikeduru, Amaimo and its environs. We have planted another one at World Bank which is taking care of Umuguma, Irete, Avu etc., that axis. We have another one at Douglas, so there is no need of saying I have to close shop and come to Chikum Whetheral enter hold-ups and all that" (CA-BM).

Outpost expansion is integral to Chikum's mission of easy and accessible financial services to the active poor. Most microfinance clients reside in the suburbs where there are no banking facilities, or their trade activities prevent them from leaving their shops to carry out banking transactions. Outpost's expansion makes it easier to reach more people and for the bank to be near to where the needs are and for credit and marketing staff to monitor the progress of loan-supported businesses of their loan clients.

Second, the outposts provide safer and profitable alternative to a large informal sector activity that uses inefficient traditional saving methods. People in poorer societies as well as poorer communities within richer societies often save in very traditional and informal ways partly due to their lack of access to mainstream banking services (Struthers, 2011). For the operators of Chikum MFB the policy of multiple outposts is also a business strategy for sustainability.

> "The locations that have been created have markets that were looked at before citing those outposts in those locations and the idea is to reach out to the communities and to the unbanked, and to the poor, the active poor around those areas and ensure that banking services are brought to them and see how that can also impact on their businesses and their personal lives" (OO-MD).

In addition to providing better savings alternatives to those without access to financial institutions, the strategy also promotes the federal government's efforts at integrating the informal sector into the mainstream economy. By encouraging their customers to save their money with the bank, which also serves as collateral for certain levels of borrowing, the bank succeeds in mopping up excess cash from the informal economy into the formal economy.

However, the strategy of multiple outpost locations is not without some challenges. There are security issues related to safety of cash movement between the outposts and corporate office, lack of adequate technology for interconnectivity, and operational cost. An executive director with conventional banking background described some of the challenges, "we have six outlets, to be able to run them synergistically that is key, so that wherever you are, in whichever branch you are let the connectivity be there to be able to have access to anything. And then even look at what we call on-line banking, well what we call on-line banking here is just paying and receiving but to be able to do real time banking, being able to fill your form from where ever you are, you don't need to walk into any branch of Chikum to do that. Fill the form on-line" (OI-ED).

The strategy of outpost expansion is capital and labor intensive and has not been well received by some top management personnel who would prefer to invest the money serving higher end customers for higher profit margin. Having more branches creates higher overhead costs while improving access for low-income customers. Fewer branches would increase profitability and may also allow the bank to concentrate efforts on more profitable customers. The data analysis indicates that the directors have consistently resisted pressures to embrace such a mission drift. According to the chairman of the board, "The Chikum microfinance bank is an initiative that was born out of a desire to make funds available to the under serviced or underserved population of the Archdiocese of the community in which we live, and the population of the state of Imo who place a high premium on the credibility of the church … to start up the microfinance bank and it has proven to be helpful to quite a considerable constituency" (AO-BC). Rather than place emphasis on high-end clients, the directors encouraged management to embrace an integrated approach to meeting organizational goals. Integrated approach in this instance means harnessing the strengths provided by the identity of the bank while mitigating its shortfalls.

Integrated Practice.

Integrated approach is not easy either. Commitment to integrated practice has long been identified as a source of normative tension and conflict even in organizations focused on maintaining the balance between social and commercial goals (Battilana & Dorado, 2010). Interview data offered evidence of tensions between board members committed to putting the bank's hybrid identity to positive outcome and managing directors who subscribe to only a side of the coin – a tension caused primarily by a lack of willingness to integrate social and commercial orientations. The executive directors viewed such tensions as evidence of poor understanding on the part of the managers about the essence of the microfinance practice or of the primary objective of the promoters.

Collateral Substitutes.

Collateral substitute is another microfinance service to the poor provided by Chikum MFB. Financial institutions including microfinance banks use collaterals to mitigate credit risks. The inability to provide collateral is a key barrier to accessing micro credits for the active poor. To mitigate credit risk and enable microcredit access to their loan customers, Chikum MFB offers a range of collateral substitutes. An executive director provided explanation to Chikum's collateral policy and the need to customize the requirements for different classes of borrowers.

> And we told the managing director that the "conditionalities" if I can put it that way of granting loans to somebody in Owerri may be has to be different from the "conditionalities" for those in the rural areas because they are the ones who need, who don't have anything going on for them except for the local marketing. So, you have to be very careful, don't begin to ask the woman in the village to go and get guarantor of a civil servant because there is no civil service in Amaimo… So what I am saying in effect is that while they are trying to protect, because microfinance is owned by investors you also have to protect them, you don't have to start dashing them money otherwise you will have many bad debts and that will affect the running of the bank and no investor will like to hear stories. (JN-ED).

Some of the recommendations came from the input of those working in the front line. A credit and marketing staff stated how input from the bottom makes the difference. "For us to be able to do it, I think because every work lies on us the marketers because we are the face of the bank, because we are the ones interacting with these customers, we are the ones that recommended them to the bank, they should lessen the requirement because we are the one that is supposed to be with the customers, knowing when they want to default. Because if a customer wants to default; as a marketer, as the person that is going to him or her you should know" (RO-CS)

In microfinance banking, credit risk is one of the greatest challenges to financial sustainability. Chikum has to protect itself from loan loss. "And also in terms of the collateral requirements; we also look at that, but in looking at that, we look at the risk-mitigants to make sure that while you are relaxing the requirements, you also ensure that at the end of the day the institution does not suffer a loss, unnecessary loss towards such" (DA-ED).

The data analysis showed that Chikum MFB adopted several measures for credit risk management. To mitigate incidents of loan loss Chikum MFB combines a number of measures including guarantor requirements, group lending, savings deposits, and dynamic incentives. The innovation about these collateral alternatives is that they are tailored to suite the borrower's unique circumstance. They are not the same for all customers; rather the bank has the flexibility to demand a collateral substitute relative to the borrower. For instance, for guarantor requirements, while market traders could be asked to guarantee their loans with the original copy of their shop lease agreement, and salary employees to domicile their salary account with the bank, individual borrowers may be asked to provide attestations from their community or church leaders as guarantors. Operating some forms of savings deposit can also certify the need for collateral. For instance, ROSCA, a savings account product also serves as a collateral substitute for the account holders.

> "Rotatory Savings (ROSCA), yes and by the grace of God Chikum is the pioneer of ROSCA especially in Douglas market, it is selling. It is their own money; it is their own savings. They will begin like deposit ten, ten thousand every month. By the sixth month they are eligible to get 80% of their own savings as loan and at the same time that money that they are given serves as cash collateral. So since they are not banks, they won't understand the dynamics – ROSCA" (CA-BM).

Group lending serves as collateral substitute when group members serve as cross-guarantors to each other or the parent body undertakes to suttee the members of the group.

Dynamic Incentives.

In addition to savings deposit, group lending and guarantor requirement, Chikum MFB used dynamic incentives to secure high repayment rates. Dynamic incentive is a form of progressive lending whereby the borrower receives progressive increase in loan size upon satisfactory repayment of the previous loan. With progressive lending once people prove that they are a low risk of default, they can then progress to other forms of financial investments such as larger loan size, longer-term savings and insurance. One downside however is that dynamic incentive wanes in the presence of competition. It thrives in locations where mobility is relatively low (Idolor, 2012) as is the case in rural communities. Interview data indicated Chikum combined dynamic incentives with competitive pricing to dominate the microcredit market.

Finding 4: Innovative/Strategic Products Pricing.

Innovative strategic products' pricing focuses on financial and marketing strategies "to reaching the poor without burning our fingers." (JO-ED) The analysis associated lower interest rates, aggressive deposit mobilization, interest rates concession, and focus on long term gains as components of Chikum's innovative/strategic products pricing. The study found that controlling operational expenses through innovative approaches including hiring from outpost catchment communities, enlisting support of host communities and quality asset management (investment of liquid assets in Treasury Bill) helped to control transaction expenses and increase profit margin.

Product Pricing as a Financial and Marketing Strategy.

Interest rate strategy: Data analysis showed that Chikum MFB has an established policy of cheapest interest rate strategy. The bank's cheapest interest rate loan policy echoes the bank's image as a bank for the active poor. The bank uses it also as a business strategy. As part of the bank's mission to make financial resources easily affordable to the active poor, cheapest interest loan rate "goes back to our mission and the mind of the people that started our bank. Our bank actually has a church background with the chairman of the board of directors as the Archbishop of Owerri, Most Rev. Dr. Anthony J.V. Obinna. The reason for opening the bank cannot be overstated. But if you are to help people and then kill them in the process, you have not helped anybody. You have only helped yourself. That is why we have tried to maintain a conservative rate. In order to help businesses grow at the same time the bank also will be making profit (LO-CS).

However, as a marketing strategy, the bank does not arbitrarily offer interest rates that are lower than their competitors. Chikum MFB structured its cheapest loan interest rate based on their analysis of the market and their perceived competitive advantage. First the bank takes advantage of the provisions of the regulatory body – the Central Bank – to determine their loan interest rate. From the data analysis the Central Bank of Nigeria (CBN) establishes interest rate guidelines and allows individual microfinance banks some leverage on fixing their own rates. Interview data from one of the bank's ex-managing directors revealed how Chikum arrives at interest rates using the CBN's guideline. "CBN had to bring out the guideline for interest rate for every bank including microfinance banks. Usually, they streamline what they call processing fee, management fee. When they do that, then they now leave the interest rate to be negotiable. ... It is left for it to be negotiable…. And it is difficult to ignore certain things because you cannot be increasing your expenses and leaving your income, you cannot sustain that. You need to do something. It is either bringing down your expenses and bringing down your interest rate or you raise them up, so that it balances out" (CE-XMD). The Central Bank fixes the processing fee and management fee for all microfinance banks. The negotiable component which also explains differences in rates between banks is the function of each individual bank's cost of capital and operational efficiency. A bank's source of fund and operational efficiency are two key factors that could explain what the bank charges as loan interest rate.

In Chikum MFB, cheapest interest rate policy is a marketing strategy,

> … the rate reduction is not a strategy to shoot ourselves on the leg, we also look at being competitive; we have lots of microfinance banks who are charging slightly higher than what we are charging. However, we are looking at having to make our services reach out to more people because the more people we can get with the reduced interest rate the more we can also increase the business that we are doing (OO-MD).

To ensure that Chikum MFB is really offering the cheapest interest rate in the market, the head, Credit and Marketing department provided the explanation that was also corroborated by other interviewees. "We normally do a market survey of what the competition is doing before fixing the price or adjusting the pricing in terms of the interest rate so that it is always the cheapest in the industry at every point in time and we still sustain that and maintain it" (KO-BM). Because the market is there, the demand is high, with the cheapest lower interest rate "you use volume to take care of the shortfall, because if you increase the volume of loans you will be able to recoup whatever difference in terms of what may have resulted in the drop in interest rates" (BO-ED). In addition to the "game of volume", the bank takes advantage of her operational efficiency. According to the chairman board credit committee, "you also look at operational efficiency to make sure that your cost is not, your operational cost is efficiently managed. So, with that you will be able to more than compensate for any drop in the interest rate" (DA-ED).

After Chikum determines what the competitor is offering, it then determines what to offer as rate, usually a few percentage points below the comparable market. For instance at the time of this interview, while their competitors were charging between 4% and 6% interest rate, Chikum's interest rate was 3.5%. According to the company secretary, "It is a bit dicey… Look at the interpretation, if you charge at a rate though not below market rate at a moderate rate you attract good businesses, people who want to grow with the bank as the bank grows… And also, when you do this you are able to reach poor people. The profit that you would have made with fast rich people in charging 5% or 6% or whatever percent, you may not get it at once. But if you charge 3% you will be able to reach out to more people. Those people that are doing more businesses will become regular customers to the bank. As the bank grows their businesses as well grows. And because whatever profit you make at that point it will continue to gradually ascend up. That is the point behind it. It is a good point" (LO-CS).

In addition to reaching out to the poor and taking advantage of volume, cheapest interest rate policy serves to increase customer loyalty. It serves as a long-term market strategy in the sense that "we wanted not just to win for now, but also the cumulative effect that will come overall. Customers compare; really, they will ask, these ones gave me 5% but these ones gave me 3% … the word of mouth effect because for each market they know themselves. We wanted to bank on that and draw people in which we have achieved to a very large extent, to a very large extent. That is why we were able to cash in and move out in our outlets" (OI-ED).

Deposits Mobilization.

Chikum identified the financial benefits of deposit mobilization for the sustenance of its operational services. In a society of large informal financial sector and based mostly on cash transactions, Chikum saw an unmet need for reliable savings products. Interview data showed that Chikum MFB uses a variety of savings products to mobilize deposits from the general public. "We are interested in cash deposits, which are deposit mobilization; there are some special products like this daily contribution, "isusu" as it is called. Anybody might decide to and say I want to save for so, so and so number of months or years; at the end of that month or year collect whatever amount you have saved and we also make sure the interest is high so that it will attract people to do that" (EE-AM). Other savings account products include corporate savings, individual/personal savings account, salary account and target account designed to enable customers accumulate funds for a particular event like rent, school fees payment or economic projects (KO-BM). For instance, the bank's mobilized deposits stood at 584.31 million in 2016 and 614.38 million in 2017 from a customer base of 27,755 in 2017 and 25,181 in 2016 (Audited Financial Report, 2017). Savings accounts represented 48% (14,288) of all customer accounts in 2017 and 48% (12,987) in 2016. Mobilized deposits served to provide funds for on-lending and also to increase profit margin through secure investment in Treasury Bills. The 2017 audited financial report revealed that while the bank dispensed 68.83 million and 46.58 million respectively on micro and macro loans, the sum of 575.50 million of mobilized deposits was invested in Treasury bills. The point to be made however is that on one hand, the various forms of savings products encouraged a savings culture, financial discipline, and provided collateral substitutes for customers. On the other hand, Chikum used the products to mop up cash from the society to satisfy loan requests, secure loans and invest in Treasury bills.

Concession Interest Rate.

In line with the social mission component, Chikum engages in financing negotiations with third party groups or individuals desirous of assisting the active poor in a sustainable manner. The finding indicated that Chikum used the benefit of its identity – integrated financial and social orientation – to provide concession interest rate products to identified customers. Our interview evidence and documents review indicated that concession interest rate beneficiaries pay interest rate lower than the normal loan customer because a third party has offered to pay the balance of full interest rate for the recipient. The third parties individual or group are people who arrange with the bank to empower identified individuals or groups without the beneficiary knowing about the agreement with the bank. The bank will charge the market rate on the loan, but the recipient pays no interest or a concession rate which is lower than the bank rate because the difference has been covered by the third party. An interviewee described concession interest rate:

> … like there are people we know that are not paying the same interest rate, they are receiving interest rate concession. For instance, an individual from some place will come and say I will deposit this amount of money for you to give them this other amount of money. Before the expiration of the loan they can finish paying back the loan, but I don’t want them to be charged the prevailing rate. … Even some will go to the extent of okay let me pay the management fee, the upfront charges for these people. I don’t want them to suffer, let me even pay the interest rate even though it is a reduced interest rate let me pay it, take care of the upfront charges, let them just pay the principal amount of the loan (VI-IM).

Finding 5: Institutional Competitive Advantage

Institutional competitive advantage focuses on the bank’s institutional integrity and reputation, credibility and legitimacy clout, state level status and operational efficiencies. The interviewees discuss the reputation of the directors, association with the local church body and the bank’s market share. The data analysis revealed that the bank is very mindful it has something the competitors don’t have and are not in the position to easily acquire.

Credibility and Legitimacy Clout.

Chikum MFB Ltd has good reputation and optimizes the benefits of her credibility and legitimacy status. Factors that confer credibility and legitimacy include founders’ reputation and or affiliation with higher status organizations (Baum & Oliver, 1992). Evidence from interview data and reviewed documents suggested that the bank’s institutional integrity resulted in greater acceptability and trust especially in a society where the integrity of the overall banking sector is in question. An executive director who described the bank's identity as a trademark shared that people perceived the bank to be a credible and reliable institution.

> I will call that our trademark. For the fact that we have a trademark – the church – in a place where people are skeptical and suspicious of others it is an advantage. They have some confidence to deal with you and to do business with you, knowing that "the person" they are doing business with can be reached, has integrity is reliable and also has what it takes to sustain the business both by human resources and financial resources. So that is an advantage really (BO-ED).

Another executive director highlighted the reason for the legitimacy the bank enjoys. It is "because of the way things have gone wrong in the society, trust has become a major, major challenge. The affiliation with the faith gives it a unique advantage relative to other institutions in terms of trust because banking is a trust based service, if the trust is not there the depositors in particular will not in the long run keep their money but once they know that there is a trust there" (DA-ED).

In general, customers perceive the bank as a reliable institution, operating on the principles of trust, generosity and ideology, in particular, the bank's identification with the local church (Interview note, Sept. 2019). A credit and marketing staff spoke of her experience working for the bank, how the name of the bank and its founders opens the door of business in particular with savings clients. "So the church gives us that soft landing, it is something that many in fact all MFBs in Imo State run mad about, and that is why we are different, that is our edge, that is why they envy us, and that is the confidence we have in the market. You don't need to talk two times, just we are Chikum, we are from the Archdiocese, you see them trouping in, that is the advantage we have in this ROSCA product" (CA-BM).

Leveraging Opportunities

The unique identity of the bank as a hybrid institution combining social mission and commercial skills made it possible for the bank to enjoy "third party patronage" and create differentiated products with those who need reliable structures to empower the active poor. Third party patronage was observed with individuals or groups who solicit the bank to act as their proxy to provide credit facilities to the active poor of their communities (see concession interest rate product). Individuals who want to empower and support their relatives or micro entrepreneurs in need of start-off capital but do not want such financial assistance to be misunderstood as charity by the recipients approach the bank to dispense those funds. The individual negotiates with the bank, opens an account and deposits the fund with the bank, then the bank uses its structures to dispense the loans. The target group or individuals are marketed to approach the bank for loans at concession interest rate unaware of the source of the funding. One of the bank's longest serving employee who worked in the marketing department detailed how it first started.

> Actually, the first one we got is a woman leaving in America, she did it for her people in Amaimo. We didn't really go out to look for the customer, the customer heard about us; she came down one time she visited and made such proposition how it will work. Actually, that first one we did wasn't 100% cash backed. She just paid in little money which we put in fixed deposit and we now gave money to her people, the first experience wasn't very ok anyway but we got the money after

> some struggle but subsequently the last two people that also had that agreement with us, they had 100% cash deposited for that transaction (VI-IM).

The money the individual or group deposited to the bank serves as cash collateral and the bank will issue micro loans to the loan recipients as in their usual credit transactions though at a concession interest rate. The loan recipient knows nothing about the agreement between the bank and the depositor. The bank calls it “concession interest rate product”. In the arrangement the bank does not lose any interest income and also the loan recipient receives loan at below market interest rate because the depositor absorbs all or the balance between the bank’s rate and the concession interest rate the recipient pays. An outpost branch manager indicated how the product is an on-going service in the branch,

> Yes, we have, right now we have about two individuals and one is an NGO and then another one is an individual who comes and says ‘we want you to help people. They now place their funds with us and say ‘I want you to extend loans to these people, charge the interest and service charges I will take care of them but I want you to give them this money so that they can pay the principal amount only while I take care of the interest (JC-BM).

Two things to be highlighted here about concession interest rate. First, in addition to what was discussed above on pricing strategy, the sponsors of concession interest rate are convinced of the confidentiality of their transaction with the bank, and second, they trust their deposits are safe and that the bank will challenge the recipients to make judicious use of the funds. According to one of the interviewees, “they don’t usually come like that and we don’t just open our mouth to start saying it, they will tell you this is an arrangement between us and them, I want my people to look at it that they are actually borrowing from the bank, because if I go to my village and give them the money, they can't pay back and they will feel like it's a free money and anything that is free cannot bring out anything useful. They will just eat it, some will use it and buy shoes and all of those, so instead of going to their village to share the money, they will now make them look like a bank's loan and when you've taken something from the bank, you work hard to ensure that you multiply that money given to you" (VI-IM).

Another form of third-party patronage comes in the form of providing logistics for outpost expansions. Good-spirited individuals and groups identified with the bank to advance its mission. An index case referenced by almost all the interviewees was the bank's latest outpost in a community called Amaimo. Though there were other strategic considerations including lack of conventional banks in the area the decision was influenced by some concerned indigenes of the area who felt they needed the presence of the bank in their locality to help empower their people. The chairman of the board described the decision to open the outpost in these words:

> What has happened to take the example of Amaimo is that there are individuals in that community who are interested in empowering members of their community. They use their own financial leverage to attract the institution first and foremost to the community so as to make it possible for the population to have access to the microfinance bank…I realized that it was with their help that their less endowed brethren could have such a bank in the community. It kind of became a win-win situation. For us it wasn't so much the poor people that attracted the bank in the first instance, it was those of their brothers and sisters who were out in the big

> cities that felt there was a need for such a microfinance bank so that those at home could have access to it (AO-BC).

Through such partnerships the bank receives goodwill from the community including security of assets, positive publicity, and business patronage because the bank is perceived by the host community as one after their interest.

These kinds of arrangement are possible because for instance, “the sponsors of concession interest rate are more comfortable dealing with us as a church-related financial institution than any other place because one – confidentiality – they don’t believe that may be when they come here after having discussions with them we will go at their back and tell the customers this is what your person wants to do. And if they put in their money here they have trust on the Archbishop that whatever money that they are keeping here that nobody will swallow the money and go away even if anything should happen in the event of the business, or a staff misbehaved or something like that the Archdiocese will not allow such money to go down like that so that’s why they are more comfortable dealing with us than most of these privately owned financial institutions” (VI-IM).

Notwithstanding, there are potential drawbacks associated with the bank’s strong ties with the church. For example, the data revealed that some customers erroneously felt that the bank was a charity extension of the church and would come to take loans without intending to pay or think that the bank will not prosecute defaulters. A director referenced some borrowers who came with that perception. “I was invited to be part of the concept and I found it very nice and very encouraging and since then we have developed the idea … There are individual people, characters who came in thinking that it was a religious thing, that it is for charity not knowing that it is a business-like venture" (JN-ED). Similarly another director described the perception in vernacular; "Actually the mindset people have about the microfinance bank and Chikum precisely is that "okwa Nna anyi Obinna mepere ngaa si unu jiya nyenwe anyi loan anyi ji na-azu ahia" (Didn't the Archbishop open this bank for you people to give us money to do our business"). So they believe that if actually they are coming to Chikum they will only come for loan – some form of grant" (JI-ED).

Operational Efficiencies

The other competitive advantage is the bank's dedication to operational efficiency. Operational or internal efficiency refers to the ability of a program to deliver specific service with minimum costs. Inefficiencies could range from lack of synergy between the outposts and the head office, inadequate technology, non-recovery of loans, fraudulent practices due to lack of proper oversight. The bank understands her unique position is both a source of strength as well as a weakness and strives to provide appropriate mitigants.

The overall regulatory framework for microfinance bank does not distinguish between faith-based or not faith-based microfinance banks however the operators of Chikum MFB know they have carved a niche for themselves. Operational efficiency begins first with proper oversight functions.

> "We have defined our goals and our objectives, which is also slightly different from the goals and objectives of the competition. We now have to put our own way of doing business to be unique, to be able to accomplish our own objectives. So, what we have to do or what we are doing is to take, to make sure that we

> accomplish or adhere to the overall regulatory policies through designing things that are unique to us in terms of accomplishing our unique objectives. … So, for instance in reaching out, we now have to reach out to the society in the church which this people, the competition may not be able to easily reach out to" (DA-ED).

Board governance has central role to play to checkmate organizational inefficiencies. The board and board committees meet regularly to review operational activities. The Board of Directors is mandated by law to meet every quarter to demand financial information, review and provide appropriate governance on a regular basis guided by the general accepted accounting practices. The chairman of the board described efforts at upholding and maintaining the integrity of the bank including a zero-tolerance policy against fraud and favoritism.

> Well, there has been efforts to monitor the various units from within as well as from without; this has led to the question of firing members of staff that are caught in the act of defrauding, no excuse no second chance. I as the chairman have maintained a policy of noninterference in terms of upholding the integrity of the Chikum microfinance bank so that nobody can use me as an alibi to continue to be there… And recently I did something I didn't anticipate earlier, I brought in a Rev. Sister to work within the bank who is a trained graduate in accountancy. I also felt that her spiritual commitment will be an added value to the bank. And I now believe that bringing her in has done some good because sometimes seeing a reverend sister even in her garments - religious habit - puts some fear of God if not fear of man.

In addition, the operators of the bank are committed to ensuring that the activities of the bank are regularly reviewed by certified public auditors. A five-year review of the bank's annual audited financial reports affirmed that the bank has been consistent and takes serious issues of accurate financial reporting. Lack of accurate financial reporting is the key reason program inefficiencies are often passed on unchecked (Bhatt & Tang, 2001).

Conclusions

In summary, the findings of this study detailed above showed the operators of Chikum microfinance bank recognized that it is not one but combinations of interventions that are needed to attain the microfinance objective. The conclusion from the themes was that the bank is intentional about reaching out to the active poor in a manner that is sustainable. The bank relied on shareholders' avowed commitment to founding mission, human asset development, pro-active poor products offering, innovative/strategic product pricing and institutional competitive advantage, separately and collectively to pursue organizational goal.

Figure 5.1, Five-Year Financial Summary

Statement of Financial Position

	2017 N'000	2016 N'000	2015 N'000	2014 N'000	2013 N'000
Assets					
Cash and cash equivalents	694,159	640,398	646,544	684,709	681,491
Loans and advances	90,121	144,662	161,510	151,256	158,113
Prepayments	7,871	1,625	5,016	11,673	9,980
Other assets	14,668	8,648	6,042	3,236	4,739
Property, plant and equipment	16,746	21,761	27,675	4,593	5,503
Total Assets	**823,565**	**817,094**	**846,787**	**855,468**	**859,826**
Liabilities					
Current deposits and other accounts	614,386	584,313	630,317	652,394	677,175
Other liabilities	22,304	23,628	14,391	8,678	10,216
Deferred tax liabilities	2,820	1,264	517	517	675
Current tax payable	6,970	4,500	5,000	3,318	3,700
Total Liabilities	**646,479**	**613,705**	**650,225**	**664,906**	**691,766**
Equity					
Share capital	109,722	109,722	109,722	109,722	109,722
Share premium	687	687	687	687	687
Statutory reserve	50,637	41,393	37,979	30,965	17,779
Regulatory risk reserve	39	394	259	14,493	23,795
Retained earnings	16,001	51,194	47,915	34,696	16,078
Shareholders' Fund	**177,086**	**203,389**	**196,562**	**190,562**	**168,060**
Total Liabilities and Equity	**823,565**	**817,094**	**846,787**	**855,468**	**859,826**

Statement of Comprehensive Income

	2017 N'000	2016 N'000	2015 N'000	2014 N'000	2013 N'000
Revenue	**145,762**	**110,895**	**141,444**	**130,909**	**126,029**
Profit before taxation	24,864	12,951	34,123	36,316	33,708
Income tax	(4,818)	(5,377)	(20,094)	(3,000)	(2,000)
Deferred taxation	(1,556)	(747)	-	158	(414)
Profit after taxation	**18,490**	**6,827**	**14,029**	**33,474**	**31,294**
Earnings per share					
Earnings per share (kobo) - actual	17	6	13	31	29
Earnings per share (kobo) - adjusted	17	6	13	31	29

CHAPTER SIX

DISCUSSION OF FINDINGS AND CONCLUSION

"Today it is clear that the independence of social value and commercial revenue creation is a myth. In reality, the vectors of social value and commercial revenue creation can reinforce and undermine each other" (Battilana, Lee, Walker and Dorsey, 2012, p. 52)

In this study, I investigated how Chikum Microfinance Bank Limited (Chikum MFB) navigates the integration of dual logics in pursuance of its microfinance mission. The data analysis identified five key findings. These interrelated goal attainment strategies developed for and reported in chapter five include a) shareholders' avowed commitment to founding mission; b) human asset development; c) integrated products/services offering, d) strategic/innovative product pricing, and e) institutional competitive advantage. The microfinance literature highlights the lack of a common understanding of what constitutes sustainable microfinance practice. In this chapter which also serves as the conclusion I use the evidence of prior studies in particular those focused on institutional logics and microfinance institutions to engage in a discussion about the findings on how Chikum MFB pursued its microfinance goal.

Chikum's Shareholders Avowed Commitment to Founding Mission

The analysis established how Chikum MFB shareholders' avowed commitment to founding mission provided guidance for management decisions including workforce composition, decisions about products offerings and pricing as well as operation of multiple outposts. As summarized in Exhibit 4.2, shareholders emphasized the need for the bank to be perceived and be seen as focusing not on profit maximization but on promoting a "microfinance with human face", as offering mission driven products and services tailored to the needs of the microfinance client. Shareholders' avowed commitment to founding mission is consistent with the assumptions of institutional theory especially in the three key areas of governance, mission drift and prerogative of founders. This section discusses these areas beginning first with governance.

Governance.

The suggestion of conflicting goals indicated in the microfinance literature was addressed by the Chikum MFB's shareholders with their avowed commitment to the bank's founding mission. Shareholders' avowed commitment to founding mission was the major propelling force behind all the activities of the bank. The study found this to be consistent with both the expectations of board governance in an MFI in extant literature as well as the assumptions of institutional logics about an organization's logics of action. First, the literature underlines the governance role of the board of directors of a microfinance institution in accounting for the microfinance double bottom line objective, pointing to governance mechanisms related to the board size and composition (Rock and Otero, 1997), ownership type and competition (Hartarska and Mersland, 2012; Mersland and Strom, 2009), the MFI's goal definition (Amersdorffer et al., 2014), and even the effect of religion (Mersland et al., 2013) as mechanisms that could influence the MFI's financial sustainability.

Board composition. The composition of the board is a vital consideration here. Chikum MFB have board members consisting of both social and financial investors who are united in pursuing the integrated goal. Consisting of retired bankers and administrators with diverse cognate professional experiences, the board members use their diverse professional backgrounds to provide guidance for the successful operation of the bank. Of the seven statutory members of the board, six of the directors (the seventh member is the managing director) are direct or proxy shareholders of the bank. The direct shareholder-directors are individual financial investors who aspired to "do well and do good" or were motivated by the pride they felt in their faith community to invest. The two-individual shareholder-directors were elected members based on their shareholding portfolio. On the other hand, proxy shareholder-directors are directors nominated by their shareholding-groups due mostly for their professional backgrounds to represent their group.

Thus, the directors could decide which direction they want the bank to go or what interest to pursue. For instance, the investors agreed that restraining their appetite for investment returns was essential for the growth of investment capital required for depth of outreach. Instead of sharing dividends shareholders voted to delay gratification, to first develop the bank. Retained earnings for the owners of the bank is a win-win strategy that fulfils in the "short-term" the needs of individual microfinance clients and in the "long-term" the promoter's need for outreach and organizational sustainability.

Second, the literature also suggests the governance role of the board of directors could influence the MFI's financial sustainability, pointing to the relationship between firm performance and corporate governance (Garcia-Perez et al. 2017; Hartarska and Mersland, 2012; Mersland & Strom, 2008; Rock & Otero, 1997). Chikum MFB's corporate performance is linked to the direct policies and effective governance role of the board. However, it is not enough to claim the bank is doing what it set out to accomplish; to determine the existence and extent of double bottom line performance in the bank one needs to evaluate the relationship between espoused values and the actual social and financial performance results of the bank. An analysis of the bank's audited five-year annual report provided the tools for that. The interpretation is based on the Central Bank of Nigeria's (CBN) characterization of social and financial sustainability of microfinance banks in Nigeria and on the general microfinance industry benchmark found in the literature. First, in terms of financial sustainability the CBN guideline requires microfinance banks to operate in such a way as 1) to operate at full-cost recovery basis, and 2) to maintain lean operational costs in order to record positive return on asset (ROA) and return on equity (ROE). Positive returns on both ratios implies that the microfinance bank is financially sustainable. Also with reference to social performance the apex bank tends to be rather broad requiring MFIs to focus attention on mission and vision, transparency and responsible pricing as well as on avoidance of over-indebtedness. Specifically the CBN advices as follows:

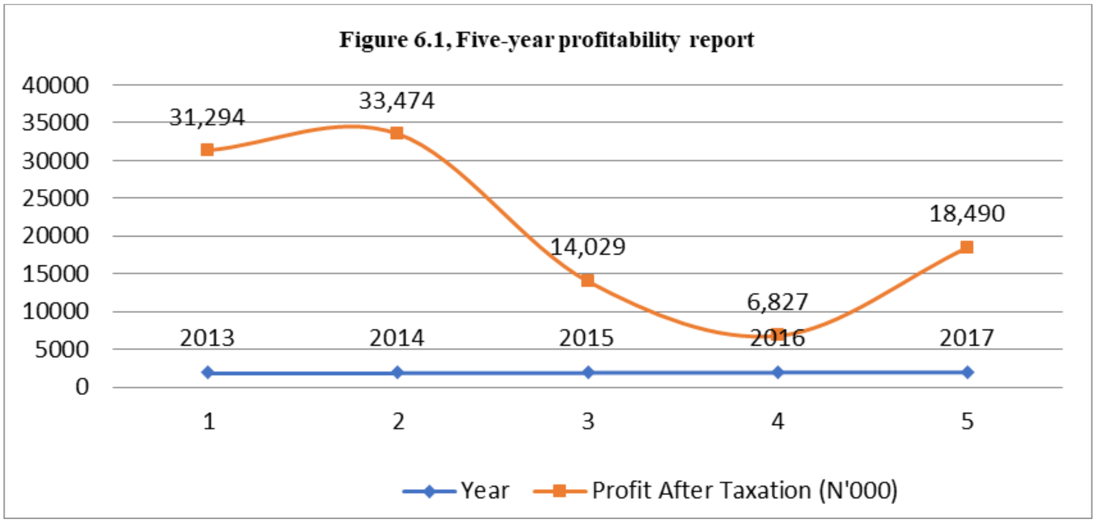
- **Mission and Vision:** Should be clear and focused on the poor, women, or vulnerable groups.
- **Transparent and responsible pricing:** Prices, terms and conditions of financial products (including interest charges and all fees) should be clear, transparent, and adequately disclosed in a form understandable and affordable to the clients.
- **Avoidance of over-indebtedness:** Reasonable steps should be taken to ensure that credit will be extended only if the borrowers have demonstrated adequate ability to repay and loans will not put borrowers at significant risk of over-indebtedness (CBN, Circular to Microfinance Bank Stakeholders and the General Public, March 2020).

Similarly, while there are a number of indicators in the microfinance literature for both social and financial performance, operational self-sufficiency (OSS) and average loan size (ALS), respectively are the gold standard for financial and social performance (Kar, 2012; Mersland & Strom, 2010; Roy & Pati, 2019).

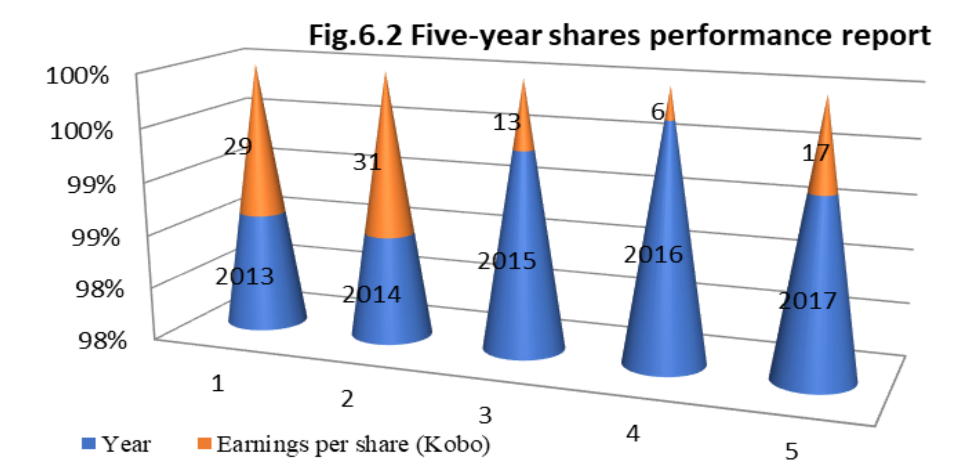
Operational self-sufficiency (OSS). Operational self-sufficiency (OSS) is the benchmark ratio used in the Microfinance Industry to analyze an MFI's ability in generating operating revenues or incomes in order to cover the total cost incurred in running the business (Bassem, 2012; Ledgerwood, 1998; Serrano-Cinca and Gutierrez-Nieto, 2014; Roy & Pati, 2019). It is a function of the three major indicators of financial health of banking institutions namely, return on assets (ROA) – which reflects the organization's ability to use its assets productively; return on equity (ROE) – which measures the returns produced for the owners, and portfolio at risk (PAR) – which measures the rate of loan losses. ROA is calculated by dividing earnings before interest and taxes (EBIT) by the total assets figure listed on the balance sheet. The EBIT figure is used instead of net profits in order to focus attention on operating earnings. On the other hand ROE measures how efficiently a firm uses the money from shareholders to generate profits. It is a measure of financial performance calculated by dividing net income by shareholders' equity. Because shareholders' equity is equal to a company's assets minus its debt, ROE could be thought of as the return on net assets. The higher the ROE, the more efficient a company's management is at generating income and growth from its equity financing.

Operational self-sufficiency (OSS) indicates whether the MFI is able to generate adequate returns to cover its total cost, i.e. operational expenses, loan loss provisions and financial costs. It focuses attention on the core revenues and expenses of the MFI. The ratio for OSS is derived by dividing operating revenues by total cost. The operational revenues used in calculating this ratio are the financial incomes the company earned by charging interest on the loans it provided as well as fee and commission income. In the denominator, total cost includes operating expenses, financial expenses and impairment expenses on loan loss. Financial expenses and impairment expenses are included in the calculation because they tend to be a significant amount in the microfinance industry. An MFI with and beyond the ratio of 1 or 100% is regarded as sustainable and a ratio less than 1 or 100% is regarded as unsustainable. That is, a ratio of 1 in OSS would mean that the bank is just breaking even in the deployment of shareholder's fund. On the other hand, if the ratio is less than 1, it would indicate that the MFI is not financially sustainable.

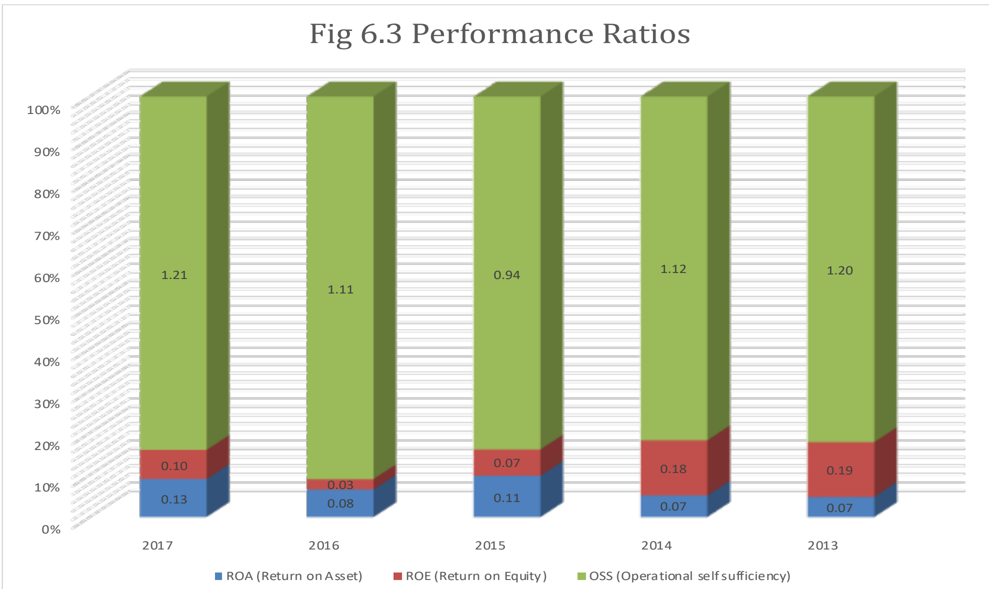
The analysis of Chikum MFB's performance data indicates consistent positive returns over the five-year period reviewed. First, in raw financial numbers, Figure 6.1 shows the bank's profit after taxation grew from ₦31.294 million in 2013 to ₦33.474 million in 2014. However, profit after taxation started to decrease to ₦14.029 million in 2015 and ₦6.827 million in 2016; and jumped up again to an impressive ₦18.490 million in 2017.



Similarly, in the same period, the bank's earnings per share (kobo) increased from 29 kobo in 2013 to 31 kobo in 2014. It also decreased from 13 kobo in 2015 to 6 kobo in 2016 and jumped up to 17 kobo in 2017 (see fig. 6.2). The decrease in profit margin and earnings per share between 2015 and 2016 was attributed to the time the bank was experiencing challenges in recruiting and retaining managing directors (see board and management relationship on p. 141).



In terms of benchmark ratios, the interpretation of Chikum MFB's social and financial sustainability based on the industry standard revealed that the bank recorded a positive return on equity of 0.10, 0.03, 0.07, 0.18 and 0.19 repectively for the years from 2017 to 2013. Also ROA was 0.13, 0.08, 0.11, 0.07 and 0.07 respectively for the years under consideration. Operational self sufficiency was above 100% in four out of the five-year period (Fig 6.4 Performance Ratios. Details of numbers and computation can be found in Appendix 6.1) indicating the bank has maintained financial sustainability.



Average loan size (ALS). Equally, average loan size is the industry benchmark for social performance. It captures both depth and breadth of outreach, the proxies for social outreach (Navajas et al., 2000, Schreiner, 2002). It is believed that if ALS is low, the outreach is greater indicating that poorer clients can afford the loans (Mersland & Strom, 2010; Hermes et al., 2011; Roberts, 2013, Quayes, 2012, Kar, 2013; Roy & Pati, 2019). A small ALS always shows greater outreach as it increases affordability by poorer customers (Hermes et al., 2011). It shows the MFI's ability to reach the poor in terms of small loan amounts, as well as in depth of outreach. ALS is measured by dividing the gross loan portfolio (GLP) by the number of active borrowers (NAB). While GLP is an indicator of depth of outreach, NAB is an indicator of breadth of outreach. This makes it an important indicator to understand the penetration of the MFI. Active macro borrowers constituted 1% (15); 5% (38); 4% (26) and 6% (44) of total active loan borrowers respectively for the years 2015, 2016, 2017 and 2018 (see Table 6.2, Loans and Recipients). Thus, the evidence of simultaneous strong social and financial performance suggest a synergy indicating that the bank's integrated strategy promoted the realization of the dual objectives.

Table 6.1 Loan and Recipients

	Micro	Macro	Total	Average loan size per year	Average micro loan per year	Average macro loan per year
2015	1,089	15	1,104	₦167,267.00	₦134,146.17	₦2,571,839.07
2016	758	38	796	₦209,368.50	₦133,303.88	₦1,726,657.63
2017	713	26	739	₦156,177.58	₦96,540.87	₦1,791,599.50
2018	724	44	768	₦200,972.81	₦119,598.02	₦1,539,957.99
Gross Loan Portfolio						
2015	₦146,085,181.00	₦38,577,586.00	**₦184,662,767.00**			
2016	₦101,044,339.00	₦65,612,990.00	**₦166,657,329.00**			
2017	₦68,833,643.00	₦46,581,587.00	**₦115,415,230.00**			
2018	₦86,588,967.47	₦67,758,151.69	**₦154,347,119.16**			

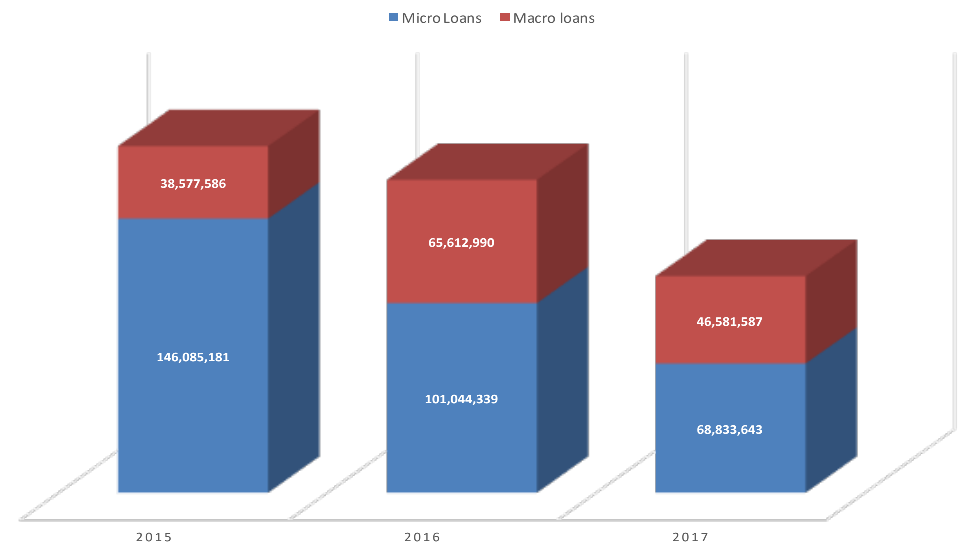
Challenges of joint accountability. Also, corporate governance is essential in shareholder financed microfinance institutions to ensure joint accountability and to resist pressures to "drift" toward either social or economic objectives at the expense of the other (Garcia-Perez et al. 2017). Ensuring joint accountability is a principal governance challenge. It requires all key stakeholders, owners and management to be jointly responsible for realizing organizational vision. For instance, it is the duty of the directors to equip the employees to translate into action the bank's policy of integrated social and financial objective. While much is known about governance in typical for-profits organizations and non-profit organizations, and even of differentiated hybrid organizations (Wolf & Mair, 2019), knowledge about microfinance institutions that pursue social and economic goals simultaneously through a single activity (Ebrahim et al. 2014; Mair et al. 2015) are very limited. Some scholars suggest they could face unique governance challenges related to joint accountability to both social and financial objectives (Battilana & Lee, 2014). The commitment of Chikum MFB's shareholders to founding mission as evidenced in the "good-fit" workforce composition policy of the board of directors is consistent with the literature on hybrid ideals (Mair et al. 2015), and microfinance institution's goal definition (Amersdorffer et al., 2014). The bank invested to ensure the operators "think and act Chikum", that is, to be sustainable serving the active poor.

In addition to the shareholder's commitment, the directors have added impetus to dedicate themselves to their governance role thanks to the regulatory requirements that hold directors directly accountable for the actions of their bank. First, board members are required to be financially vested in the bank and second, to be actively involved in the running of the bank. The Central Bank of Nigeria (CBN) guideline under which Nigeria's microfinance banks operate hold members of the board directly responsible for the actions of their banks. "To ensure good governance of the banks, the board of directors shall be responsible for establishing strategic objectives, policies and procedures that would guide the activities of the banks and the means to attain same, as well as the mechanism for monitoring management's performance" (CBN, 2005, p. 25). It goes further to state that, "while management of the day to day affairs shall be the responsibility of the management team, the board of directors shall, however, be responsible for monitoring and overseeing management's actions" (p.25). This is corollary to the requirement of financially vested and professionally diverse membership.

Mission Drift

An important debate in the microfinance literature focuses on whether microfinance institutions can avoid "mission drift" while emphasizing returns on investment, i.e., when commercial investors engage in providing microfinance services (Hermes and Lensink, 2007; Hermes et al., 2011; Lebovics, et al., 2016). It is a board governance responsibility to protect and champion the direction of their organization. Mersland, (2009) indicated that a microfinance institution's (MFI) ownership type may influence mission drift but in the context of differentiated hybrid organizations. Even so, Mersland and Strom's (2008) earlier investigation could not confirm differences in outreach performance between shareholder MFIs and MFIs categorized as non-governmental organizations. The literature is silent about what happens when ownership is of integrated hybrid organizations. While Hartarska (2005) and Kyereboath-Coleman and Osei (2008) found that board independence exerts a positive influence on financial and social performance, Roy and Pati, (2019) suggest the investors' wish for higher profitability often influences operations in achieving more financial returns and influences the MFIs mission. This study noted that the promoters of Chikum MFB cognizant of the potential influences of shareholders' self-interest established measures to moderate potential conflicts that may arise from financial investors seeking to maximize their investment returns. They mutually decided at the time of investing to control such appetites in order to attain organizational goal and avoid mission drift. Investors' appetite for high return on investment has been identified to negatively influence the decision to pursue the double bottom line goal (Omri and Chkoundali, 2011; Roberts, 2013). Profit oriented investors move-up market and start serving fewer poor customers to increase profit margin (Lebovics, et al., 2016). This was not the case with Chikum MFB. Data analysis showed that the bank consistently served more micro clients than macro (Fig. 6.3). For instance, in 2015, 2016, and 2017 loans to micro customers accounted for 79%, 60% and 60% respectively of the bank's total loans and advances disbursed to customers over the period.

Figure 6.4 Analysis of loans and advances to customers



Religion. Some researchers have suggested that religion may also influence the perceptions and behavior of providers of microfinance (Astha & De Selva, 2011, Casselman, Sama and Stefanidis, 2014; Hoda & Gupta, 2015; Mersland, 2013), even if they are commercial investors. Investors with religious convictions are most likely to exhibit same in their daily operations. Though there was no explicit reference to religion in the study, the interview data provided information that indicated the bank was born under the umbrella of the church. The church connection provided a strong motive to retain the emphasis on social mission. Equally, it was evident that shareholders voluntarily consented to control their investor appetites on a note of goodwill and support to a well-known religious vanguard of the poor. According to a founding director, “I am a founding member of the bank, … my interest in the bank came up when the archbishop of the diocese … mentioned that his target is to help the small and low-class people. … I was invited to be a part of the concept and I found it very nice and very encouraging…. So, I was blown away by that concept and I said that is good” (JN-ED). This is consistent with life experience even in the secular context; certain actions are inspired by the individual’s religious beliefs. True to Mersland and D’Epallier’s (2013) observation in a purely secular model, in particular, in financial considerations, there is a tendency to ignore the basic values of large group of people.

More so in Nigeria, religious institutions and individuals coming together to provide commercial enterprises is not novel, it is rather the norm. The socio-historic context influenced by colonialism and detailed in chapter two linked religious institutions with economic empowerment activities especially in rural communities (Enwerem, 1995; Mbachirin, 2006). Individuals and religious bodies are known to jointly initiate economic projects to support rural or neglected communities. Citizens trust such initiatives more than they trust similar ventures by the private sector or even the government. Also, the context of such joint initiatives promotes seeking both social and financial goals to earn credibility with the people. The bank’s association with the church helped keep the mission focused. “The affiliation with the faith gives it unique advantage relative to other institutions in terms of trust because banking is a trust-based service, if the trust is not there, the depositor in particular will not in the long run keep their money with the bank” (DA-ED). Nigeria’s 2005 streamlined microfinance practice recognized the long existing participation of religious institutions in microfinance and encouraged their participation in the new scheme.

The Prerogative of Founders.

From an institutional logics' perspective, Chikum MFB's shareholders' avowed commitment to founding mission is consistent with the prerogative of founders to determine what kind of goal they intend their bank to pursue. Institutional logics provide actors opportunities to socially construct and reconstruct logics in ways that reflect their interests (Thornton and Ocasio, 2008). The logics in action in an organization establishes how the organization functions and responds to emerging issues. In addition, organizations who want something else than the status quo strive to integrate logics to serve their purpose, including adopting novel logics leading to new and better future identities (Kodeih & Greenwood, 2014).

The findings showed that the promoters of Chikum MFB opted to incorporate the logics of nonprofit and for-profit orientations leading to a new organizational identity and, to a better way of addressing an identified challenge – the competing goals. "We have defined our goals and our objectives…. We now have to put our own way of doing business to be unique, to be able to accomplish our own objectives" (DA-ED). Founding teams assemble such resources as legitimacy, commitment of effort, money and technology to succeed in establishing a new organization (Almandoz, 2012, p. 1382-3). For the same reasons, founders define the character of their organizations. It was understandable that the promoters of Chikum MFB held such influence on how best to achieve their goals. And, because founding teams share a set of cognitive beliefs (Friedland & Alford, 1991), priorities, meaningful categories (Ocasio & Joseph, 2005) and normative values that shapes a “collective identity” (Alamandoz, 2012) they are expected to carry them into the organization they found (Thornton & Ocasio, 2008). Chikum MFB’s shareholders are made up of investors who embraced the dual blend of social value creation and commercial value. They used their collective identity to establish an institution that seeks financial profitability while retaining the focus on social mission. In summary the three key mechanisms of governance, mission drift and founder’s prerogative support the conclusion that the commitment of the owners of the bank to the founding mission largely influenced the bank’s double bottom line goal.

Human Asset Development

This section discusses how Chikum MFB Ltd recruits, trains and socializes employees “to think and act Chikum” as the best strategy to drive the bank’s mission. The findings revealed that based on the policy of good-fit workforce composition, the bank recruited people with varied backgrounds and used training and orientation to onboard them into the bank’s integrated mission. It further showed that good-fit workforce composition when implemented with a managing director that understands and shares the bank’s mission directly promoted the overall objective.

Good-Fit Workforce Composition.

This finding is consistent with the assumptions of organizational theory (Davis et al., 1997; Jegers, 2009). The staff and management of Chikum MFB are predicted to comprise of those who shares the bank’s mission or those incentivized to join. Owners and managers follow the same stewardship logic and subscribe to the same principle of economic activity (Jegers, 2009). They either share interests or agents are at least motivated to act in the interest of principals even in the presence of goal conflict (Davis et al., 1997). Thus, Chikum MFB Ltd believes it could recruit as employees a diverse group, those with conventional banking background, microfinance banking background, fresh graduates from the university and those from other fields of human endeavor and train and incentivize them to drive the mission of the bank.

To be sustainable, an organization that combines logics needs to create a common organizational identity that prevents the formation of subgroups within the organization (Battilana and Dorado, 2010). In particular, it needs to develop hiring policies that supports the sustainability of the logics combination, which define who can become an organization member, and socialization policies, which teach and reinforce desired behaviors and values in hires (Battilana & Dorado, 2010. p. 1420). The good stewardship orientation emphasized at Chikum MFB favored the double objective of the microfinance practice. This study revealed that the stewardship behavior in which Chikum MFB operate enabled the board and managers through collaborative partnership to espouse positive attitudes known for social outreach as well as those that encourages financial sustainability (Guiso, Sapienza et al., 2003). Board members strove to promote a double bottom line goal, employed and compensated managers who share the goals of the bank (Davis et al., 1997; Filistrucchi and Prufer, 2014; Stone and Brush, 1996). However, in practice good-fit workforce policy encountered challenges, in relation to board and management relationship.

Board and management relationship. Good board and management relationship ensure actualization of organizational goals. The study found that implementing the policy of good-fit workforce strategy at Chikum MFB met with some resistance in particular at the top management level. Consistent with studies in hybrid organizations that suggest organizations with integrating high degrees of two logics face unique dilemmas in selecting their employees (Battilana & Dorado, 2010), Chikum MFB in the effort to establish good-fit workforce met with challenges of goal congruence with agents. The governance responsibilities of boards include to control or constrain the behavior of agents towards realizing the organization's goals. It is their role to employ and compensate managers who share the goals of the bank and partner with management to achieve the double bottom-line goal. This assumption found in the literature indicating that staff and management will comprise of those who shares the bank's mission or those incentivized to join (Davis et al., 1997) did not apply in some cases. The strategy to embed employees into the culture of the bank through orientation and training was hinged on the support and commitment of the managing director.

While high turnover of workers is common in the industry, microfinance institutions integrating social and financial logics face additional challenges in recruiting a good-fit workforce. It is particularly challenging because as Haveman and Gualtieri (2017) indicates, such institutions need a workforce of similar minds to give life to the logics of their organization, "institutional logics are not organizational structures, practices, or policies, nor are they rituals or roles but rather are consequences of human action guided by logics" (p. 22). Chikum MFB hires individuals educated enough to appreciate the challenges of a commercial microfinance organization, then augment with training and orientation. It seemed to have been a success at the beginning. However, midway it proved to be a setback especially at the top management level. The bank lacked a pool of job candidates with integrated social and commercial banking experience to draw from as well the proficiency to train and orientate those with previous work experiences who may need to unlearn some of their habits from previous work training, experience and exposure. In the case of Chikum MFB the problem is related to issues in the wider society. "The issue of staffing is a problem in Nigeria. People do not seek for employment to get job satisfaction but because of the poverty in the system they are ready to work anywhere. . .. And you see people who come into system just to moonlight. At the onset they express passion for the work, coming in you see that they are really not real, and it is a problem. And that is why you have a very high turnover rate in the institution" (BO-ED).

Between 2014 and 2016 as the bank started to grow and expand, it started experiencing a challenge in workforce culture leading also to decrease in financial performance which itself can be linked to instability at the top management level. Over a period of ten years the bank witnessed the exit of five managing directors. Of the five directors, three were disengaged for incompetence or misconduct while the other two resigned to take higher paying jobs with organizations outside of the industry. More relevant though is that majority of these managing directors retired or resigned from the conventional banking sector before they were hired to head the bank. Three of the five ex-managing directors had an all conventional banking background while the other two had a mixture of both before they joined the bank. This is very much the norm because the microfinance industry is relatively young, and the job market is lacking of experienced microfinance professionals.

Leadership is a factor of organizational success (Churchill, 1997; Seibel & Torres, 1999). To create a good-fit workforce, organizations of integrated logics require the right leadership. Leaders play important roles in shaping organizational culture in particular, where integrated conception of the organization's values are possible (Kraatz & Block, 2008; Pratt & Foreman, 2000). Though inculcating the logics in action in Chikum MFB is possible and supported by the founders, preconceived notions especially at top management level was observed as the biggest obstacle to developing the behaviors required to strike the desired balance for the bank. The evidence suggests managers were not free to recruit employees of their preference outside what is established by the board, recruiting as to build a good-fit workforce in synergy with the bank's institutional identity and goals. For instance, the board has always hired managing directors with conventional banking background to drive the policy and this seem to be the source of the tensions and has not yielded the desired result. The assumption was that managers will be able to assist create the synergy among the workforce. However, the evidence indicated some of them were not forthcoming.

The problem seemed not to be issues of professional expertise, as it is that of an inability on the part of the managers to appreciate the uniqueness of the bank or to admitting there are fundamental differences between microfinance banking and conventional banking despite some areas of similarities. The managers have the core responsibility to train and orientate the staff for the envisioned synergy. But Chikum has not been successful at recruiting managers who share totally the vision of the bank. Part of the challenge as mentioned earlier is a limited job market; there is no magic wand to identifying the right candidate simply by examining their credentials. The interview data provided evidence of frustration with poor quality of job candidates in the market. "You know at times feelings can deceive and that is why we run a policy now that when we recruit, you have four months to work as a contract staff so at the end of the four months, we either higher you or disengage you. That helps us to prove ourselves right or wrong" (BO-ED).

External factors. Other reasons for lack of success in recruiting managers of similar views includes the country's harsh economic conditions, lack of professional integrity and disrupted succession plans. These reasons also provide indications as to why some of the managers left. "Because of the economic conditions in Nigeria, people do not work for satisfaction, people work for economic reasons. So, you can see a manager resign the next day without giving you prior information just because he or she got an offer somewhere and s/he is going to get a higher pay package. That is a serious problem. Number two, the issue of integrity. You get people in, you spend time and resources to train, before you know it the person gets involved in things you cannot imagine. That is a challenge. Number three, succession management cannot easily be handled. When you have workers who can stay with you over time you can really plan. And then succession management which is one of the best ways to keep your organization moving. In this kind of setting you are not even sure that the person you are preparing will be there at the exit of the person for whom you are preparing him. So, the issue of succession management is a challenge" (BO-ED).

Frequent changes linked to turnover of managers may have also affected the policy of good-fit strategy meant to embed employees into the bank's logics through orientation and training. Almandoz (2011) had suggested that while integrating high degrees of two logics in the same organization may allow such an organization to reap the benefits from both logics, it can also introduce disharmony and factionalism in the organization (p. 1382). The study found that inability to recognize that some basic differences exists between the two orientations and also of the bank's integrated identity resulted into tensions between those with conventional banking background and others even if it is muted. There were evidences of lack of microfinance orientation in some top management staff. "I think that most people that we have at the management cadre are people coming from commercial banks and probably the ideology and idea they have about banking in general is that of the commercial bank. I think microfinance bank is a little different from what commercial bank does and should do" (KO-BM).

Again, this is consistent with relevant literature. Evidence from the microfinance literature indicate that in microfinance organizations that provide loans to low income clients in the developing world, hiring people whose career backgrounds link them firmly to either the finance field or the development field can lead to factional conflict and organizational drift towards these logics. (Kraatz & Block, 2008; Pratt & Foreman, 2000). Evidence of top-down management approach more in tune with attitudes in commercial banking created subgroups and perceptions of lower importance among field workers who interfaced daily with the customers. Though research in institutional theory have shown that multiple institutional logics can and do co-exist in organizational fields (Fitzgerald and Shepherd, 2015; Battilana & Dorado, 2010), rarely have they examined how institutions deal internally with the demands imposed by multiple logics, in particular workforce composition (Pache & Santos, 2010). Hiring employees without existing biases and socializing them into the hybrid culture may enable a more dynamic and innovative balance between logics (Battilana & Dorado, 2010). However, hybrid ideal organizations can rely neither on an existing model for handling the tension between the logics they combine nor on a pool of job candidates with experience in doing so. How a hybrid organization socialize their members into a desired set of behaviors and values so as to build and maintain their hybridity is a work in progress. In this regard, Chikum MFB is a work in progress, struggling to build a good-fit workforce. Though current efforts through both training and orientation has not succeeded fully in creating the necessary synergy for organizational goal and may have even contributed to high turnover rate of managing directors, the directors believe it can be achieved with commitment and determination.

Pro-active Poor Products and Services Delivery

The data analysis revealed that Chikum MFB deployed integrated pro-active poor products and services delivery as a strategy for mission goal. This evidence detailed in chapter five associated integrated services to financial sustainability through diversified revenue sources. The provisioning of variety of products and services encouraged a savings culture among clients and built long term customer commitment. It equally provided collateral substitutes for microcredits and through strategic outpost locations and integration of non-financial services enabled ease of access to financial services to the active poor. This resulted in meeting the diverse needs of their clients as well as the financial goals of the bank.

First, these findings reinforce previous studies that indicate the needs of microfinance clients are varied and demand integrating financial with nonfinancial services (CBN, 2005, 2011). Chikum MFB's dedicated mission to providing integrated products and services including a variety of savings options, customized collateral substitutes for credit facilities, location of outposts for ease of access, and other non-financial services offering were all linked to the policy of focusing first on the needs of the active poor. In line with the bank's mission statement, the promoters of Chikum MFB Ltd recognized that the challenges of the active poor are not only a lack of funds, but also the need for nonfinancial supportive services that enables credit clients and microentrepreneurs to better deploy and manage funds received (Ashta, Couchoro, Musa, 2014, CBN, 2005, 2011; Nasir, 2013). We discuss these findings under three subheads, namely mission driven products and services, integration of financial services with nonfinancial services, and citing of outpost locations.

Mission Driven Products and Services.

The study found that focusing on the poor does not in itself compromise financial performance, it depends largely on the will and strategies of the microfinance institution (MFI). While some studies have indicated focusing on the poor can be financially costly leading to mission drift (Hermes and Lensink, 2007; Hermes et al., 2011; Lebovics, et al., 2016), the issue of mission drift will not arise where focusing on the poor i.e., social mission is the singular product of the bank. Chikum MFB's audited financial reports indicated that the bank did not only remain focused on social mission but also generated profitable returns (Fig. 6.1, Five-year Profitability Report). Chikum MFB's mission driven products and services is consistent with the institutional theory's basic assumption that organizations determine what constitutes success to them and will commit the required resources to attaining the goals (Thornton, 2004; Thornton & Ocasio, 1999). The primary goal of any organization is to fulfil that for which it was founded. The promoters of Chikum MFB view their essence as that of access of financial services to the active poor and, shared a strong conviction that outreach to the poor though capital intensive in the short term, is both financially profitable and empowering of the poor on the long term. The analysis revealed the overall objective of the promoters is satisfaction of customers and sustainability of the service. “By the time you grow these people you now have more and more people and the volume will compensate for the financial short-term deficit, because in the long run, you now build a culture-like patronage from these customers” (DA-ED). It is a win-win strategy that fulfils in the “short-term” the needs of individual microfinance clients and in the “long-term” that of the microfinance institution for outreach and organizational sustainability (Morduch, 2000; Rhyne, 1998).

Equally, the finding is not unrelated to the essence of the microfinance practice. It is consistent with the primary objective of the microfinance strategy which consists of financial inclusion and empowerment of the poor (Ledgerwood, 2013). Battilana and Lee (2014) did indicate that microfinance institutions have a natural fit for simultaneous social and commercial goals. “In the case of microfinance, the business activities of risk calculation, loan making, and collection are integrated with the venture’s social mission. Indeed, so long as they continue to provide the service to the poor at non-predatory rates, microfinance organizations accomplish their social mission of reducing poverty by helping poor people access financial services” (p. 413)

In remaining focused to its founding mission, the bank at the same time is implementing the directives of the 2005 streamlined microfinance policy objectives of the Central Bank of Nigeria (CBN), namely to:

> Make financial services accessible to a large segment of the potentially productive Nigerian population who otherwise would have little or no access to financial services; Promote mainstreaming of the informal subsector into the national financial system; Enhance service delivery by microfinance institutions to micro,

small and medium entrepreneurs; Contribute to rural transformation; and promote linkage programmes (sic) between universal/development banks, specialized institutions and microfinance banks.

By investing these responsibilities on the microfinance banks, the Central Bank is not presumptuous about the challenges therein, it rather trusts the MFIs have the capability and specialization to innovate ways to overcome or mitigate them. Contrary to the view that for-profit microfinance banks may engage in mission drift, the promoters of Chikum MFB demonstrated that not all for-profit microfinance banks will abdicate their core mission when more lucrative opportunities become available, when risks increase, when individual interests become misaligned, or when opportunities arise for members to evade costs or shirk responsibilities.

Provision of Financial and Nonfinancial Services.

Some studies have indicated that for microcredit to be useful, the poor need a range of other nonfinancial products including financial education and business development (Ashta, Couchoro, Musa, 2014). The findings suggest that Chikum MFB integrated financial and nonfinancial services tailored to the varied needs of microfinance clients resulting in both social and financial goals. Based on the understanding that the challenges of the active poor are not merely access to credits alone, but also the need for nonfinancial supportive services that enables credit clients and microentrepreneurs to better deploy and manage the funds (Akinboyo, 2007; Ayodeji et al., 2015; Barr, 2005), the promoters of Chikum MFB Ltd embraced the broad concept of microfinance that is beyond microcredit. According to the Chairman, board finance and general-purpose committee, “the poor, yes, they need money, but it is not all about money. They also need some intellectual empowerment" (BO-ED). For instance, outside of microcredits one of the key services Chikum MFB provides its customers is the opportunity to save. Savings is a form of asset-building (Dowla & Barua, 2006). It helps the poor turn their money into large sums enough to satisfy a wide range of business, consumption, personal, social and asset-building needs (Matin, Hulme and Rutherford, 2002, p. 273). Struthers (2011) noted that people in poorer societies as well as poorer communities within richer societies often save in very traditional and informal ways partly due to their lack of access to banking institutions.

The analyzed data revealed that the bank's lending methodology, level of transparency and the standard of good practice (Garcia-Perez, Munoz-Torres and Fernandez-Izquierdo's, 2017) associated with the bank's pro-active poor products and services delivery best explained the popularity and support the bank enjoys. The finding is a further proof that inclusion of nonfinancial services could advance financial sustainability. Dichter (1996) had earlier advised microfinance institutions to not neglect providing nonfinancial services just to achieve financial sustainability as such might not be building sustainable development for the poor. Without other inputs than credit, a great many micro-loan recipients do have enormous difficulties making productive use of the loans.

In addition to providing integration between financial and nonfinancial services, the strategy was relevant to the varied population of microfinance clients. Microfinance clients varied from market women, traders, shop owners, produce sellers, artisans to low income government workers. Similarly, a varied population demands diversified products offering (Nasir 2013).

Collateral. Financial institutions including microfinance banks require collaterals to secure their loans against nonrepayment. The poor are no riskier than the average borrower nor is a higher portfolio at risk associated with poorer clients (Bassem, 2012). However, because microfinance clients lack assets acceptable as collaterals by conventional banking institutions, microfinance operators innovated collateral substitutes to give them access to loans. The microfinance literature evidence that MFIs hedge against default risk using joint liability, social pressures or personal guarantees (Bassem, 2012). To secure its loans and make it accessible to their customers, Chikum MFB deployed these measures as well as several other collateral substitutes including operating special savings account. For instance, Chikum MFB structured some savings products to help evaluate the potential borrower's financial strength and risk exposure. The rotatory savings account (ROSCA) encourages the saver to make regular daily or weekly deposits to monitor a customer's cash flow and reliability. "it is not as if you will contribute that money and leave it there, but since you can be able to contribute 2,000 naira continuously for three months it means that if you are given a loan of 90,000 naira to help you, they know you will be capable of making regular returns" (RO-CS). It provides evidence to customer's reliability and financial strength.

Outpost location strategy.

Chikum MFB uses outpost locations to bring their services nearer to where the need is, "to go to the villages where the big banks or the commercial banks cannot get to because that is the whole concept of micro financing" (JN-ED). Das et al. (2010) found that easy and accessible microfinance services is a major challenge to the active poor and could be addressed by the provision of needed facilities. It is that big a challenge to microfinance clients that the Grameen bank included in its charter “option for the rural area”, not to establish any branch in the urban areas (Yunus, 2004). Microfinance banks should be established in the rural and semi-rural area than in the urban areas (Okafor, 2014). Currently, Chikum MFB has seven outpost locations including the head corporate office. According to one of the founding directors of Chikum MFB, the active poor will not be able to access financial services if it is not within their reach (DA-ED). “Within their reach” is much more than making cash available for lending, it includes making available the physical structures required to first make the transaction possible such as office space and equipment.

Equally, Iganiga (2008) identified building of institutions that deliver financial services to the poor in an efficient manner and on a sustainable basis as one of the eleven principles of microfinance (p. 97). Some microfinance clients would even value convenience and flexibility in accessing financial services from MFIs more than they will value paying a lower interest rate (Otero & Rhyne, 1994). For instance, comparing interest rate and time efficiency of a competitor to a loan customer, an interviewee said, “[T]heir interest rate is high, (our own is half of their own, their interest is high) but still customers do not mind the high rate of their interest but still they are trooping there every day. This is because the target of a businessperson is time to meet up with that business. Yes, time is money, they want to meet up with that time because once they make that money at that time they want it, they don’t mind the interest rate they are paying on it.” (RO-CS). Interest rate is not the only thing the microfinance borrower is worried about, for some customers interest rate is not important as access to the fund or the loan processing time.

However, the strategy of multiple outpost locations is not without some challenges. Apart from the cost associated with opening new locations, there are security issues related to safety of cash movement between the outposts and corporate office, deployment of adequate technology for interconnectivity, and operational cost. Outposts have limitations including inability to host vault (cash have to be moved between head office and the outposts on a daily basis) which the operators think they can sacrifice at this time for presence in strategic markets.

Innovative Strategic Product Pricing

This study found lower interest rates, aggressive deposit mobilization, interest rates concession and focus on long term gains were mechanisms deployed by Chikum MFB as goal attainment strategy. The analysis indicated that controlling operational expenses through innovative approaches including hiring from outpost's catchment communities, enlisting support of host communities and quality asset management helped contain transaction expenses that benefited clients and increased profit margin. These findings corroborate some of the findings in prior literature as well as offer unique insights on providing services to the active poor.

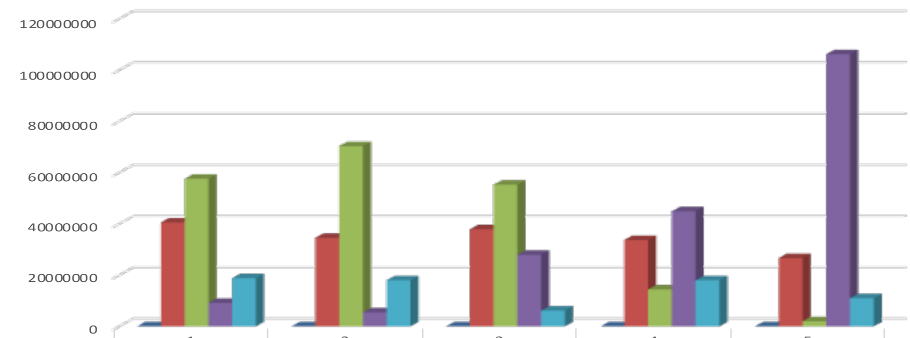
The topic of microfinance institutions and financial sustainability is prominent in the microfinance literature, and in particular with reference to loans and interest rates (Conning, 1999; Meyer, 2015; Omri and Chkoundali, 2011; Roberts, 2013; Quayes, 2015). For instance, MFIs increase interest rates and fees in order to be financially sustainable (Roberts, 2013). And Conning (1999) indicated that institutions distributing smaller loans on average charge higher interest rates to be sustainable. While paying too much attention to profitability is "likely to move away microfinance institutions from their primary objective of delivering financial services to the poor by a too strict selection of clients" (Bassem, 2012, P.93; Lebovics et al., 2016), overly social mission could lead to the application of very low interest rates threatening the viability of the institution (Conning, 1999; Cull et al., 2007; Hermes et al., 2011). Chikum mitigated the potency of the extremities with innovative and strategic product pricing focusing on profitability and rejecting actions that could lead to over profiteering. This finding also affirmed Bédécarrats et al.'s (2012) study which suggested that financial and social performance can both be achieved as long as MFIs have a well-planned social performance management strategy.

Interest Rates.

Our findings revealed that interest rate is not the only tool available to microfinance institutions for financial sustainability, microcredit and its associated interest revenue is one of the many services microfinance institutions provide and use as revenue stream (see fig. 6.4). Chikum MFB's high-yield revenue source came from mobilized deposits invested in treasury bills and fixed deposits with commercial banks. The bank generated sufficient funds from deposits mobilization to serve the credits needs of her clients as well as some surplus to invest in secure Treasury Bills. The audited financial report revealed that Chikum MFB through a mix of innovative strategies increased the bank's profit margin. For instance, treasury bill represented 40% of total revenue in 2016, and 73% in 2017. Interest on loans and advances came a distant second with 30% and 18% in 2016 and 2017 respectively. However, the bank's investment in treasury bills is an issue of concern as the bank continues to exceed the maximum 10% in treasury bill investment established by the regulatory body. Due to patronage and aggressive mobilization the bank had to invest her idle mobilized funds at times up to 60% in treasury bills.

Too much focus on interest rate can be harmful. Scholars have indicated that the microfinance crisis of 2006 in the Krishna district of Andhra Pradesh, India emerged due to high interest rates and rigid repayment policies that led the clients to go for multiple lending (Shylendra, 2006). Chikum MFB used operational efficiency, innovative and strategic product pricing, volume of activity, and deposit mobilization collectively to achieve financial sustainability. For instance, the bank's adoption of the policy of cheapest interest rates not only increased the volume of loan recipients but also helped increase customer loyalty and loan repayment rate. Equally the bank's concession interest rate product provided loans to very poor customers at below market interest rate without the bank losing any interest income. Concession interest rates addressed issues associated with transaction costs; recipients received loans at zero or below market interest rate based on the agreement between the bank and the sponsoring individual or group. It further suggests that focusing on the poor does not compromise financial performance. The operators need to be innovative as well as create opportunities to welcome those in need of "third party agents" to assist the active poor. Focusing solely on loan interest rates to determine profitability ignores the basket of other financial services microfinance institutions provide to their clients and fails to acknowledge the larger determinants of sustainable microfinance practice.

Fig 6.5 Revenue Sources



	1	2	3	4	5
Year	2013	2014	2015	2016	2017
Interest on Loans & Advances	40,540,078	34,530,526	37,853,430	33,638,680	26,632,347
Interest from Fixed Deposits	57,574,922	70,281,020	55,245,256	14,406,915	1,999,582
Interest from Treasury Bills	9,130,048	5,440,775	27,893,291	44,870,487	106,155,804
Other Income	18,784,356	17,977,098	6,134,517	17,979,282	10,974,760

Sustainability versus Profit Maximization.

Misconception exists in the literature that suggest sustainability of the microfinance practice is synonymous with profit maximization (Morduch, 2000). This is not supported by factual evidence. While microfinance institutions are expected to operate in a manner that promotes sustainability, to the best of this researcher's knowledge profit maximization has not been articulated in any literature, culture, region or time as the goal of microfinance practice. The primary objective of the microfinance strategy is the reduction of poverty and inequality (Armendariz and Labie, 2011; Dichter, 1996), financial inclusion and empowerment of the poor (Abubakar et al., 2015, Lashley, 2004; Ledgerwood, 2013; Nasir, 2013)**.** Profit maximization became an issue when focus on financial ratios in the microfinance market transformed understanding of what constitutes organizational success for MFIs (Roy & Pati, 2019). The search - how to fund microfinance services - amplified to such a scale that profit maximization was glamorized and often realized by compromising the poverty alleviation objective (Rhyne, 1998). In the process, the path to financial sustainability is misinterpreted as profit maximization (Morduch, 2000). The business environment, in particular, competition has been fingered as a propelling force behind profit maximization rather than an intentional move by MFIs (Morduch, 2000). Competition among microfinance institutions is defined not in terms of sustainable business but on who earns the highest financial ratio. “Microfinance banks should be less aggressive in their pursuit for profit. The promoters of microfinance banks are more of capitalists than socialists. The board and management struggle to post high profit to satisfy their shareholders” (Okafor, 2014, p. 157).

The microfinance literature keeps suggesting that for-profit MFIs mainly concentrate on the achievement of clearly stated financial goals (Mersland and Strom, 2009) and on efficiency as the measures of organizational success (Hermes, et al., 2011). Thus accentuating the profit maximization race. Kablan’s 2012 study noted that increasing competition among MFIs leads to higher interest rates between MFIs, and the ultimate victim is their social performance. The competition is also driven by the unreasonable quest by microfinance institutions seeking to appear like conventional banks. If microfinance institutions should compete, “they should do so as by reducing their expenditure such as those on their intimidating office furnishing” (Okafor, 2014, p. 157).

In addition, the concept of sustainability has been narrowly defined in the literature (Conning, 1999; Cull et al., 2007; Hermes et al., 2011) to apply only to microfinance institutions. Sustainability refers not only to the providers of resources but also to the users (CBN, 2005, 2008, 2011). Nigeria’s Central Bank believes the interpretation of sustainability should apply both to the microfinance institution as well to the microfinance clients. Sustainable microfinancing is “an approach that recognizes the role of banks in driving long-term economic development that is not only economically viable, but also environmentally responsible and socially relevant" (CBN, MFB 2020 Regulation, p. 53). Thus, Pinz and Helmig (2015) suggest the introduction of value shop logic to microfinance performance evaluation. Value shop logic in business management is a customer's problem-solving principle that recognizes success only when customer problems are fixed (p. 500). In addition, the value shop logic identifies organizational reputation as a driver of value creation. A good reputation equates with organizational success. According to this logic, value creation corresponds to the provision of network services.

Microfinance institutions can lower lending interest rates and still remain sustainable. This study suggests that reasonable profits are very possible and attainable through the use of technology, operational efficiency and integrated and innovative services delivery. Bolivia's BancoSol in 1996, Indonesia's The Unit Desa (or The Village Bank) and Bangladesh's Grameen Bank are other good examples in this regard. Roy and Pati's (2016) study of microfinance institutions in India indicated that operating and financial expenses along with portfolio quality are the main causal variables of sustainability when MFIs focus on interest income. Notwithstanding, Chikum MFB's innovative and strategic product pricing is consistent with the bank's long-term approach to balancing outreach with profitability.

Institutional Competitive Advantage

CHIKUM MICROFINANCE BANK LTD

Chikum's institutional identity provides it with a crucial competitive advantage. It is a shareholder for-profit microfinance bank embedded with a social mission agenda. Behind the concept of hybrid organizations found in the literature is the notion of independence between commercial revenue and social value creation that address social value and commercial revenues with differentiated strategies (Battilana et al. 2012). Contrary to this categorization, Chikum epitomizes an integrated hybrid organization. The findings revealed that Chikum microfinance bank differ from the typical ownership structures in microfinance organizations found in the literature which includes, shareholders firms (SHFs), non-profit organizations (NPOs), and cooperatives (COOPs) (Mersland, 2009) with differentiated strategies. Chikum MFB is a "hybrid ideal" microfinance institution, an identification that also serves as a competitive advantage. "Hybrid ideal" is a term promoted by Jed Emerson for organizations where social value and commercial revenue are non-divisible; where everything it does produces both social and commercial revenue (www.blendedvalue.org). The shareholders comprise of individuals and group shareholders with integrated commercial and social goals. Unlike social innovator organizations that combines earned and donated revenue, that primarily pursues a social mission relying significantly on commercial revenue to sustain operations, managers do not face a choice between mission and profit, because both are articulated in the same strategy. It enables a virtues cycle of profit and reinvestment in the social mission that builds large-scale solutions to social problems (Battilana et al., 2012).

The finding also indicated that Chikum maximizes the advantages of both nonprofit and for-profit orientations through integration, thus creating for itself a niche in the microfinance market. First, from the nonprofit perspective, Chikum MFB takes the advantage of its institutional association with the church. Starting with its choice of name, "CHIKUM-AGA" – God is carrying me along - Chikum for short, symbolized in the logo of two hands holding three golden stars shooting up the sky is an expression of the all-embracing hand of God supporting and prospering the treasures of all stakeholders. This is pertinent given the socio-religious context in which the bank operates. It is a concept that resonates trust and hope not only to a society used to the provisioning of socio-economic services by religious entities but more so to one recovering from the erosion of confidence in the banking industry. Ikechukwu Acha's study, "*Microfinance Banking in Nigeria: Problems and Prospects*" identified lack of confidence on the part of prospective clients – clients not trusting providers – as a major obstacle to the growth of microfinance banking in Nigeria (Acha, 2012). In addition to the failure of past microcredit government initiatives, the erosion of confidence on the new scheme due to the unscrupulous activities of fraudsters was so real that the CBN had to issue a public warning in April 2010 to the effect that:

> "there has been an upswing in the activities of unscrupulous people parading themselves as fund managers/finance companies to swindle members of the public of their hard-earned funds. Unfortunately, many people out of ignorance have fallen victim of the activities of those illegal institutions. Consequently, members of the public are hereby advised to ensure that they confirm the status of any company offering alluring incentives and interest rate on deposit/investment from the CBN or SEC before entrusting their money with them, anyone that patronizes the unlicensed institutions does so at his or her own risk" (Abraham & Balogun, 2012, p. 174).

The warning was followed with the withdrawal in the same year (2010) of the licenses of 224 microfinance banks announced on public radio following an audit of the banks by the apex bank (Radio Nigeria, 22/09/2010). So, Chikum came into the market with a note of high trust and confidence from the people. The interview data described the impact of the religious association on the customers.

> You know out of the population in Owerri, if you divide them into … let me say into two more than half is Catholic so because of the trust they have in their church and when we tell them that the Archbishop is the chairman of the bank they have that trust. I think that fear is removed somehow that their money is not going to miss. I think they know how standard and how strong their Catholic church is, and sometimes they do see the advert, they do see Chikum there, and so many of them do come here to pay the school fees of their children. So, they have that trust that once it's something owned by the church and Catholic for that matter it's not going to run away with their money (RO-CS).

Also, the bank's close association with the church gives it a "nonprofit perception", with an assurance of continuity and sustainability. The bank is perceived as different by the people "… since it is affiliated with the church, it is a microfinance which will not give them the same headaches that they had in the past with failed banks…. that is the difference and the perception of the people is that this is a microfinance that has come to stay, will not fail or liquidate or make away with their funds" (CE-XM). Chikum enjoys all these advantages and proactively seeks to avoid activities that could depict it to the contrary.

Second, as a for-profit MFI, the bank also enjoys the benefits of a shareholder financed organization. For-profit microfinance banks are advocated by most studies "because they are regulated by banking authorities, accept deposits from the public, provide larger range of better-quality services, are independent from donors, attract private equity capital and benefit from superior corporate governance" (Mersland, 2009, p. 469-470). For instance it has been posited that for-profit microfinance institutions are more likely to cover costs associated with small loans thereby serve more poor people (Roberts, 2013), because MFIs that are better in managing financial sustainability perform better in poverty reduction than the MFIs which are not (Mosley & Hulme, 1998). Though for-profit MFIs charge high interest rates and tend to shift to more profitable business segments leading to mission drift (Lebovics et al, 2016; Woller, 2002), shareholders have what it takes to checkmate mission drift. Shareholders control the organization, decide on how to define success and are free to insist on their founding mission. Mersland (2009) indicated that "most investors including those seeking a double bottom line naturally seek opportunities with increased returns" (Mersland, 2009, p. 475). To mitigate such tendencies, Chikum MFB has structures that helps it retain the social mission while enjoying the other benefits of for-profit status. Chikum shareholders would tend to stay in business even if their financial return is far below regular market return. In all, the bank's institutional identity enabled it to be perceived as credible, legitimate and sustainable giving it competitive advantage over its competitors.

Limitations

The main objective of this study was to understand how Chikum MFB Ltd – a bank that pursues economic goals as a means that enables it to pursue social goals – navigates the potential conflicts of integrated logic. The topic of this study set the initial boundaries of the inquiry. The choice of a case-study design and the selection of the case-study institution defines the scope conditions of this study. The case-study design best addressed the research question and the broader theoretical assumptions of the study. Also, the selection of the case study institution was purposeful, to focus on a microfinance bank with integrated identity. Thus, the study's findings are not generalizable to other microfinance banks even within those integrating the dual logics. Generalizing data is not typically a goal of qualitative research (Merriam & Tisdell, 2016) and was not a concern in this study.

The study may have the potential influences of unconscious bias associated with the researcher's prior knowledge of the case-study institution. It was essential to select a microfinance bank where the researcher had access to key information on the research question and purpose (Merriam, 2009). Similarly, some familiarity with the case study institution was crucial for both informed inquiry and for the analysis of the finding (Chowdhury, et al., 2020). However, by remaining faithful to data and using rigorous and reliable design I tried to minimize potential bias.

Another limitation of this study is the adoption of the interpretive study approach. The interpretive approach privileges understanding complex relationships and meaning making. It is a flexible approach that enabled capturing meaning and understanding perspectives relative to context (Harrison, Birks, Franklin & Mills, 2017). In the process of the research, the choice of questions, the conduct of the interviews, and the interpretation of the data were all shaped by the subjectivity of the researcher. While concerted efforts were made to remain objective and faithful to the data, the interpretations will remain susceptible to the limitations of the researcher. In all, despite these limitations, the findings are transferable to other microfinance institutions desirous of achieving the microfinance objective and can also contribute to further research on microfinance institutions integrating the dual logics.

Significance of Findings to Literature

Though organizational research has begun to address how organizations adapt to complex environmental requirements with competing institutional expectations (Almandoz, 2012; Battilana & Dordo, 2010; Fitzgerald & Shepherd, 2106), rarely have scholars explored under what conditions microfinance institutions more easily integrate competing logics and under what conditions mixing those logics has favorable or unfavorable consequences. That is what this study has started to address. The in-depth exploration of how Chikum MFB Ltd navigates the potentially competing objectives of the microfinance practice opens the door to research that can explain how integrated microfinance banks might prevent mission drift. The findings consistent with the institutional logics' assumption, indicates that determination and commitment to logics in action by an organization's founders can deter mission drift and secure sustainable outreach to the active poor. It opens a promising area of research on the subject of how logics affect microfinance performance more broadly.

Equally, the microfinance literature has largely neglected innovative ways microfinance operators could simultaneously balance profit and mission (Pinz and Helmiz, 2015). Previous studies mostly investigated microfinance institutions either as nonprofit or for-profit microfinance institutions (Im & Sun, 2016; Rhyne, 1998). Creative ways of addressing conflicting issues are overlooked or discredited. Thus, the microfinance literature lacks firm support for the double bottom line concept – MFIs desirous of balancing outreach and financial goals (Roy & Pati, 2019). This study responded to this need and contributes to the literature through providing one example of how a for-profit microfinance bank (MFB) addressed the double bottom line challenge. The findings revealed that Chikum MFB combined a number of products with innovative strategies including technology, deposit mobilization, product pricing, and hiring from outposts' catchment areas amongst other measures to attain organizational goal. This finding further indicates that the microfinance double bottom line objective is possible and also challenges the existing exclusive view that MFIs need higher interest rates to be financially sustainable.

Consideration of both financial and social performance must not be considered as mutually exclusive or incompatible (Rhyne, 1998; Roy & Pati, 2019, p. 119). Evidence from related disciplines including social enterprises and impact investing suggest that organizational behavior (Battilana & Lee, 2014), institutional logics (Fitzgerald & Shepherd, 2018) and governance theories (Davis et al., 1997) provide insights on how organizations can employ multiple logics to achieve diverse organizational goals. Nigeria's microfinance scheme, the context of this case study where microfinance banks are regulated for-profit deposit taking institutions enables the promotion of "hybrid ideal" MFIs by individuals and institutions who do not want to face the choice between mission and profit. This is also consistent with studies that indicated there is no absolute distinction between social and economic roles of organizations and that all organizations, to some extent, demonstrate both commercial and social trait on a continuum, rather than a duality (Battilana & Dorado, 2010; Dees & Elias, 1998; Fitzgerald & Shepherd, 2017, p.476). These findings require testing and further exploration to further understanding of how microfinance institutions could achieve the double bottom line.

Significance of Finding to Practice

The contribution of this study is not its ability to demonstrate that the double bottom line objective is attainable which indeed it has, but more so in revealing how and what Chikum MFB does to make it possible. The founders of Chikum MFB showed that financial sustainability is possible through providing products and services tailored to the needs of the active poor. Adopting the broad concept of microfinance enabled the operators integrate financial with nonfinancial services, addressed the varied needs of their clients resulting in both social and financial goals.

It is also significant to reveal that financial sustainability cannot be reduced to higher interest rates from loans. Loan interest rate is a component and not the only driver of financial sustainability. Operational efficiency, concession interest rate, and mobilized deposits are other sources of financial revenue. The major challenge microfinance institutions may be facing is not interest rates per se, but that of competition that engenders the charging of exorbitant interest rates and fees to satisfy the greed of profiteers in the industry. Profiteering reduces the notion of sustainability to high interest rates and profit maximization, and all that is done "to show good financial results" (Bassem 2012, p. 93).

Also, the bank recognized that the path to financial sustainability is not synonymous with profit maximization. "Paying too much attention to profitability is likely to move away the institution from their primary objective of delivering financial services to the poor by a too strict selection of clients" (Bassem, 2012, P.93). It suggests shareholders can control the tendency towards profit maximization by not competing to be like conventional banks and by controlling investor appetite for return on investments.

Furthermore, it suggested that commitment to the organizational logics enables operators to source and channel resources necessary to meeting organizational goals. The promoters of the bank committed themselves to the founding mission of the bank. Chikum MFB combined two traditionally separate models: a social welfare model that served as the guiding principle and a commercial model that acted as the operational tool to achieve both objectives. (cf. Battilana, Lee, Walker and Dorsey, 2012). It executed a strategy where one compliments the other. Its integrated model produces both social and commercial revenue through a single unified strategy. The dual logics of social purpose and commercial pursuit that microfinance institutions are asked to embrace can be balanced based on the institution's goal. This study showed that the dual bottom-line goal is possible through the use of innovative ways to mobilize and exploit resources (Mair & Marti, 2006). The findings may help challenge microfinance institutions to redirect itself to the objective of the microfinance practice and invest in areas and methods more relevant to its mission and purpose.

Concluding Thoughts

"Without firm commercial foundations, microfinance cannot become the profitable business that it needs to be in order to survive. But without firm ethical principles and a commitment to benefit poor people's lives first and foremost, it will no longer be microfinance" (Roy, 2010, p. 85). This statement credited to Elizabeth Littlefield, the former CEO of Consultative Group to Assisting the Poor (CGAP) summarized the significance of this study. The essence of the microfinance strategy is to provide microfinance services, provision of micro loans, micro savings, micro insurance, transfer services and other financial and nonfinancial services targeted at the active poor

(Kurfi, 2008; Van Rooyen et al. 2012;), “to drive out poverty and bring sustainable socio-economic development” (Roy & Pati, 2018, p. 118). The underlying logic is that by providing these services, the poor will manage their money differently, investing, acquiring productive assets, increasing their skills, and opening new businesses etc. (Van Rooyen et al., 2012, p. 2249). The question that should concern everyone is whether the various approaches to making the microfinance practice sustainable do indeed promote the objective of the practice; whether the current emphasis on financial ratios where “financial performance becomes the watchword in the governance of microfinance institutions; everything is done to show good financial results” (Bassem 2012, p. 93) do actually serve the objective of the practice. Can the microfinance strategy still be microfinance with compromised social objective?

This study responded to the need to examine the influence of integrated frameworks and context, the conditions under which the double bottom line goal can be achieved and the relationships between a microfinance institution and her stakeholders combining competing goals (Jayashankar et al., 2018; Zuru et al., 2016). In particular, the study investigated how Chikum MFB Ltd – a faith-backed for-profit microfinance bank – navigates the potentially competing objectives of social and financial goals. Our findings revealed that the bank from inception was committed to using commercial strategy as a tool to achieving mission goal. Commercial strategy interpreted to mean profitable operation as against profit maximization. Such a strategy enabled the development and application of policies that simultaneously integrated social and financial goals. In particular, shareholders’ avowed commitment to founding mission, human asset development, integrated products and services offerings, innovative products pricing, and institutional competitive advantage separately and collectively were deployed as goal attainment strategies to achieve organizational goal. The findings also suggested that espoused values even with the avowed commitment of the board may be insufficient to prevent the emergence of intractable identity conflicts among agents who could not align themselves with the bank's mission or be incentivized to join.

This study compliments prior works focused on understanding the effectiveness of different types of microfinance institutions operating in different contexts (Casselman et al., 2015). The research is original in so far as it does not simply seek to explain the challenges of the double-bottom line objectives of the microfinance practice in Chikum MFB. By adopting a case study approach, the study provided in-depth clues to why and how sustainable outreach could be achieved. It revealed how Chikum MFB, a faith backed for-profit microfinance bank in the context of Nigeria's streamlined microfinance banking scheme promoted sustainable microfinance practice. The interpretation of these findings associates the study to the assertion of Battilana et al., (2012) "today it is clear that the independence of social value and commercial revenue creation is a myth. In reality, the vectors of social value and commercial revenue creation can reinforce and undermine each other" (p. 52).

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Appendix 4. Definitions and Labels of Themes
Theme 1. "Shareholders' avowed commitment to founding mission" relates to the shareholders' commitment to mission goal primarily through the control of their appetite for investment returns, investing for long-term gain and focusing on profitable returns and not profit maximization. Commitment to founding mission meant that the overarching principle behind all aspects of the bank's activities is focused on its overall ability to first make financial services available to the active poor. The interviewees identify outreach to the poor though capital intensive in the short term, is both financially profitable and empowering of the poor on the long term.
Theme 2. "Human Asset Development" outlines the ways the bank recruits, trains and inculcates organizational culture to its employees to meet organizational goals. The interviewees perceive the bank as intentional with who joins the organization. Employees comprise of those with conventional banking background, microfinance banking background, fresh graduates from the university and those from other fields of human endeavor. The idea is that commercial microfinance banking is new and evolving, without any institutional script for how to provide commercial services to the poor. For the same reason, job candidates with extensive experience or training in commercial microfinance typically do not exist. The right approach to good-fit employees is through training and orientation aimed at socializing recruits to think Chikum and her unique mission to the active poor.
Theme 3. "Pro-active poor products and services delivery" refers to a dedicated mission to providing varieties of products and services including savings options, customized collateral substitutes for credit facilities, location of outposts, and other non-financial service offerings tailored to meet client needs. The interviewees speak of the bank's commitment to systems designed to developing long term customer retention to increase profit margin
Theme 4. "Innovative/Strategic products pricing" focuses on financial and marketing strategies "to reaching the poor without burning our fingers." It consists of aggressive deposit mobilization, interest rates concession, use of volume to compensate for lower interest rates, and focus on long term gains as tools of innovative/strategic products pricing. Operational efficiency through hiring from outpost communities, involvement of host communities and quality asset management (investment in treasury bill) increase profit margin and aid in lower interest rates.
Theme 5. "Institutional competitive advantage" relates to the bank's institutional integrity and goodwill, credibility and legitimacy clout, and state level status. The interviewees make reference to the reputation of the directors, association with the local church body and sizeable market share. The bank understands it has something the competitors don't have and are not in the position to acquire.

Appendix 4. 1: List of Interviewees

Identifier	Title	Duration of interview in minutes	Gender
DA-ED	Executive Director	50	Male
CA-BM	Branch Head	53	Female
CA-CS	Credit & Marketing	42	Female
JC-BM	Credit & Marketing	42	Male
CE-XM	Ex-Managing Director	44	Female
EE-AM	Admin Manager	49	Male
OI-ED	Executive Director	65	Female
OI-CS	Credit & Marketing	52	Female
CI-CS	Credit & Marketing	30	Female
VI-IM	Head, ICT	50	Female
JN-ED	Executive Director	70	Male
JO-ED	Executive Director	58	Female
AO-BC	Executive Director	52	Male
VO-CO	Cash Officer	30	Female
OO-MD	Acting Managing Director	57	Female
BO-AM	Head, Internal Audit	52	Male
JO-RM	Risk Manager	47	Male
RO-CS	Credit & Marketing	47	Female
BO-ED	Executive Director	47	Male
LO-CS	Company Secretary	66	Female
KO-BM	Branch Head	55	Male
RO-XD	Ex-Executive Director	60	Female

APPENDIX 4.2: List of Reviewed Documents

Appendix 4.2: List of Reviewed Documents

1	Feasibility Report on Chikum MFB LTD (Proposed)
2	Chikum Microfinance Bank: 2017 Annual Report And Financial Statements
3	Chikum Microfinance Bank Ltd: 20016 Annual Report And Financial Statements
4	Chikum Microfinance Bank Ltd: 2015 Annual Report And Financial Statements
5	Chikum Microfinance Bank Ltd: 2014 Annual Report And Financial Statements
6	Chikum Microfinance Bank Ltd: 2013 Annual Report And Financial Statements
7	Chikum Microfinance Bank Ltd: 2012 Annual Report And Financial Statements
8	The Board Manual (October 2013)
9	Human Resources Policy Manual (March 2010)
10	Manual of Operation (2010)
11	Chikum Product Papers (Internal Memorandum): a) Special Product & Incentive for CWO Members, 2017) b) Target Savings – Child's Education Special Project c) Chikum Cash Collaterized Product Program (CCPP) 2017 d) Modification of some current loan Requirements, 2017 e) Chikum Civil Servants Salad
12	Minutes of Board Meetings (2018 – 2019)

APPENDIX 4.3: Interview Protocol

The evolution to the modern microfinance has raised the focus not only on efficiency and sustainability, but also the debate on how to simultaneously achieve the double objectives of the microfinance practice, also known as the double bottom-line objective (Quayes, 2015). Microfinance institutions (MFIs) commonly known as the "bank for the poor"; has the goal to assist the greatest number of poor people to have access to financial services (social objective). They also need to ensure their own financial sustainability (financial objective). Thus, in addition to social objective, such as poverty reduction, empowerment, and financial inclusion of the poor, MFIs also need to achieve financial ratios (financial objective) to be sustainable. A successful microfinance practice entails meeting both social and financial goals.

You are invited to participate in this research study. The researcher is a doctoral candidate in the School of Leadership and Education Sciences at the University of San Diego. The purpose of the research study is to explore how the operators of Chikum Microfinance Bank perceive of the competing social and commercial logics affecting the decision-making activities of the bank.

If you decide to be in this study, you will be asked to participate in a one on one interview about Chikum Microfinance Bank Ltd., how and why you made the decision to be a director/staff of the microfinance bank including your perceptions about the activities of the bank. In the interview, the researcher is interested in finding out from your own personal experience owning/working at the bank, the interplay between these goals in the decision-making activities of the bank.

The interview will be audiotaped and is expected to take between 30 and 60 minutes of your time. All data collected from you will be coded with a number or pseudonym (fake name). Your real name will not be used. The results of this research project may be made public and information quoted in professional journals and meetings, but information from this study will only be reported as a group, and not individually.

Participation in this study is entirely voluntary. You do not have to do this, and you can refuse to answer any question or quit at any time. Deciding not to participate or not answering any of the questions will have no effect on any benefits you're entitled to, like your health care, or your employment or grades or your relationship with the bank. You can withdraw from this study at any time without penalty.

Feel free to contact the researcher should you have any questions about this research through any of the following media

Daniel Anyanwu
Email: xxxxxx@sandiego.edu
Phone: +1 209-204-XXXX

APPENDIX 4.4: Interview Guide

Appendix 4.4: Interview Guide

1. Can you discuss how you joined the bank and why?
2. How would you describe Chikum MFB Ltd and what are its aims and objectives?
3. What is your vision for Chikum MFB Ltd? Has this changed over time? (Director)
4. Chikum MFB is perceived both as a church bank (nonprofit) as well as a business institution (equity financed), how would you explain the that?
5. Discuss in detail what your bank does to generate enough funds for its operations and provide returns to investors.
6. Discuss in detail what your bank does to encourage outreach to the active poor.
7. Discuss what policies the bank uses to attract and sustain poor clients and why
8. What does the bank do to ensue such policies are respected and followed, if you do have?
9. Discuss in detail the bank's policies and implementation for financial returns (eg. personnel policy, programs and services, outreach and marketing etc.)
10. Do you have occasions of conflict between outreach and profitability, and if yes, how did you resolve it?
11. Personally, as a director/staff, how would you prefer to resolve such competing needs? (Director)
12. What challenges does the bank face as a financial institution – expected to make returns to shareholders?
13. What challenges do Chikum experience as an equity financed faith-affiliated microfinance bank?
14. How do people feel about the bank as a faith rooted microfinance bank making money – paying dividends to shareholders?
15. How does the bank socialize the employees to embrace its mission?
16. How would you describe the bank's commitment to the active poor in relation to the cost of providing them with services?
17. What do the directors do to ensure that the staff are committed to the mission of the bank? Etc.

Appendix 6.1 Performance Ratios					
Year	**2017**	**2016**	**2015**	**2014**	**2013**
EBIT	107,766,767	68,736,988	93,366,400	61,757,326	62,324,001
Total Assets	823,565,246	817,093,804	846,787,216	855,468,336	859,826,161
ROA	**0.130853952**	**0.084123742**	**0.110259577**	**0.072191247**	**0.07248442**
ROA = Earnings before interest and taxes divided by Total Asset					
Net Income	18,489,785	6,826,770	14,028,868	33,474,105	31,294,304
Shareholder Equity	177,086,240	203,388,655	196,561,885	190,562,129	168,060,161
ROE	**0.10441119**	**0.033565146**	**0.071371253**	**0.175659798**	**0.186208937**
ROE = Net Income divided by shareholder Equity					
Interest Income	134,787,733	92,916,082	120,991,977	110,252,321	107,245,048
Fee Income	1,949,578	6,379,795	7,095,784	7,639,749	9,462,934
Commission Income	7,462,184	7,452,757	7,222,076	10,337,349	9,321,422
Other Income	1,562,998	4,146,730	6,134,517		
Total Op. Income	**145,762,493**	**110,895,364**	**110,895,364**	**110,895,364**	**110,895,364**
Interest Expenses	23,721,718	25,336,725	33,229,930	31,924,000	21,712,398
Fees Expenses (included in General Overhead expenses)					
Financial Expenses	**23,721,718**	**25,336,725**	**33,229,930**	**31,924,000**	**21,712,398**
Loan Loss (impairment expenses)	**3,299,248**	**1,157,631**	**5,511,463**	**11,952,158**	**6,241,622**
Depreciation	6,539,648	6,168,882	4,193,775	2,040,345	2,344,391
Administrative Expenses (General Overhead Expenses)	87,337,555	67,596,728	75,502,231	53,099,332	62,023,330
Operating Expenses	**93,877,203**	**73,765,610**	**79,696,006**	**55,139,677**	**64,367,721**
OSS ratio	**1.205663363**	**1.106078213**	**0.936320495**	**1.119976052**	**1.20118363**
OSS ratio = (Total operating income) / (Total operating cost + loan loss provision + Financial expenses)					

Jul 5, 2019 9:40 AM PDT

Daniel Anyanwu
Sch of Leadership & Ed Science

Re: Expedited - Initial - IRB-2019-454, Institutional logics and the double bottom line: A study of a faith-affiliated Microfinance Bank

Dear Daniel Anyanwu:

The Institutional Review Board has rendered the decision below for IRB-2019-454, Institutional logics and the double bottom line: A study of a faith-affiliated Microfinance Bank.

Decision: Approved

Selected Category: 7. Research on individual or group characteristics or behavior (including, but not limited to, research on perception, cognition, motivation, identity, language, communication, cultural beliefs or practices, and social behavior) or research employing survey, interview, oral history, focus group, program evaluation, human factors evaluation, or quality assurance methodologies.

Findings: None

Research Notes:

Internal Notes:

Note: We send IRB correspondence regarding student research to the faculty advisor, who bears the ultimate responsibility for the conduct of the research. We request that the faculty advisor share this correspondence with the student researcher.

The next deadline for submitting project proposals to the Provost's Office for full review is N/A. You may submit a project proposal for expedited or exempt review at any time.

Sincerely,

Dr. Thomas R. Herrinton
Administrator, Institutional Review Board

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