‘Self-Sustainability’ and ‘Performance’ in Microfinance – The Contextual Relevance of the Terms

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Abstract

The microfinance sector’s Paradigm Shift (PS) of the 1990s caused a drastic shift in how Microfinance Organizations (MFOs) ensured their long-term survival and sustainability. The PS required MFOs to adopt a commercial approach in all their operations and pursue profitability and self-sustainability rather than depending on the provision of subsidized funds. Resorting to Schatzki’s (2002) ‘site of the social’ theoretical construct and DiMaggio and Powell’s (1983) institutional theory, this empirical paper aims to evaluate the real performance of Pakistan’s microfinance sector, following the PS, in terms of its strict adherence to its founding objectives of eradicating poverty and serving the extreme poor. This qualitative empirical research paper resorts to the Case Study approach to investigate the pre- and the post-Paradigm Shift eras of Pakistan’s microfinance sector for evaluating the sector’s real ‘success’ in accomplishing its founding aim of eradicating poverty at the grass root level. Analysis of the data reveals that the microfinance sector, in its pursuit of profitability and self-sustainability, following the PS, is compromising its founding commitment to its target beneficiaries – the extreme poor. The study contributes a theory, literature and empirical evidence-informed conceptual framework to help guide organizational change initiatives in the peculiar context of a social service/not-for-profit sector and predict the outcome quality of such a change for all stakeholders. The study outcomes apprise policy-makers and practitioners of the possible negative consequences of the microfinance sector’s gradual transition from a ‘social service’ to a ‘commercial’ model for the poor.[2]

Keywords: Microfinance; organizational change; sustainability; performance; institutional theory; Schatzki’s ‘site of the social’

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Introduction

The rigorous pursuit of self-sustainability, profitability and commercialism in all operations is a core principle contemporary for-profit business organization follow. In the case of a social-service/not-for-profit sector, however, such a pursuit would compromise the sector’s founding objectives; hence it needs to be scrupulously checked.

Microfinance arose as a peculiar stream of financial services to help the poor with subsidized financial services, duly tailored to their specific needs and requirements, and fight world poverty (Beisland, D’Espallier, & Mersland, 2017). The financial tool was promoted as a concrete solution to the world’s poverty pandemic. However, empirical evidence so far has revealed that the microfinance sector has had only a meagre impact on the poor or the poverty, without any transformational effects on either of the subjects (see, Le, 2017; Banerjee, Karlan, & Zinman, 2015; Beisland et al., 2017; Siwalle & Okoye, 2017). The sector has not operationalized its tools effectively due to the lack of a clear understanding of its target audience – the poor and the poverty (see Rosenbloom, Gudi, Parkes, & Kronbach, 2017).

The poverty level in Pakistan, compared to the world poverty, has increased over time. During the 1970s and 1980s poverty in the country declined but sour again in the 1990s and 2000s (Chaudhry, Faridi, & Hanif, 2012). From 1999 to 2002, Pakistan experienced the highest level of poverty and unemployment of about 34% that later increased to about 40% in 2009. To accomplish the country’s set Millennium Development Goal of curtailing its poverty level to 13% seems to be a tough ask (see Ghalib, 2011), and the country’s microfinance sector, with a potential demand of about 6.5 million clients, must broaden its base to make a convincing dent on the poverty (CGAP, 2006). The poor’s access to credit and other financial services, particularly those in the ‘extreme poor’ category, has been extremely low in the country (see Ameer & Jamil, 2013).

The microfinance sector’s Paradigm Shift (PS) of the mid-1990s shifted its focus from providing subsidized financial and non-financial services to the poor to help them out of poverty to a more commercial approach of ensuring MFOs’ operational profitability and self-sustainability with little dependence on the donor community for subsidised funds (see Siwalle & Okoye, 2017; Fernando, 2006; Robinson, 2001 and 2002; Gonzalez-vega & Schreiner, 1997; Dichter, 1996; Rogaly, 1996; Khan, 2008; Khan, 2011). With the drastic shift in focus post-PS, the sector has been gradually adopting ‘commercialism’ in all operations where, in essence, the ‘extreme poor’ are being excluded from its service coverage. The pre-PS social service and the post-PS financial self-sustainability objectives started showing mutual conflict (Zulfiqar, 2017). MFOs started focusing more on wealthier clients, leaving the more vulnerable ones unserved (Beisland et al., 2017). Private capital and large corporations started to view the poor as part of their business model and an ‘untapped market’ (see, Rosenbloom et al., 2017; Postelnicu & Hermes, 2016; Siwalle & Okoye, 2017). Hence, post-PS, the microfinance sector’s focus shifted from its original ‘social service’ role to commercialism and operational profitability and self-sustainability (Siwalle & Okoye, 2017; Khan, 2008; Khan, 2011). Consequently, the sector runs a risk of losing its overall identity and founding purpose, with drastic consequences for its primary audience – the extreme poor, if the sector’s governance fails to intervene with appropriate policy measures.

Using Pakistan's microfinance sector as a case, the paper aims to substantiate, with empirical evidence, firstly, that the microfinance sector's PS may have compromised the sector's founding commitment to serve its target audience – the extreme poor; secondly, help draw academics', policy-makers' and practitioners' attention to the sector's gradual derailing from its original path; and, thirdly, provide a conceptual framework to help guide organizational change under similar situations where the change may compromise the interests of the sector's beneficiaries and significantly undermine their welfare. These triggers, coupled with Pakistan's current state of microfinance from the perspective of MFOs' 'success' and value for the poor, drove this piece of research.

The remainder of the paper is structured into seven main sections: Section 2 reviews relevant literature on microfinance in general and in the peculiar context of Pakistan and the sector's changing pedagogical stance following its post-PS. Section 3 sheds light on the theoretical framework for the study. Section 4 elaborates on the methodology, and data analysis is presented in section 5. The study's proposed conceptual framework is discussed in section 6. Section 7 concludes the paper, shedding light on the study's theoretical and practical implications and deducing contextual recommendations for future research.

Literature Review

Poverty and the Microfinance Effort

Development economics has covered income growth as one of its primary objectives; however, income growth, being fundamental to a country's economic development that includes poverty reduction, remains a complex phenomenon (Rosenbloom et al., 2017). Poverty is a multidimensional phenomenon that encompasses "economic, social and environmental aspects" (Cobbinah, Erdiaw-Kwasie & Amoateng, 2015, p.21) and, hence, the poor may require a wide variety of financial products to help deal with all dimensions of poverty in order for the financial intervention to be effective (see, Alkire, Jindra, Aguilar, & Vaz, 2017; Samuel, Alkire, Zavaleta, Mills, & Hammock 2017; Caroline & Stephan, 2017). The 'institutional voids' the poor is subjected to in their countries affect them from these varying dimensions. These 'voids' although provide opportunities for effective intervention strategies (Rosenbloom et al., 2017, p.106); however, given their peculiar nature, they necessitate a tailored response from the microfinance sector.

Poverty is unique and can encompass several dimensions, such as social, political, moral and, above all, economic (see Alkire, 2018; Koehler, 2016; Alkire and Foster, 2011; Alkire and Jahan 2018). The problem is prevalent throughout the world, however, is acute in the underdeveloped and developing countries (Hamdan et al., 2012, p.79), requiring a determined, dedicated and objective effort on the part of the developed world as well as the world donor communities. The niche financial sector requires tailored services different from those provided by the mainstream financial institutions to address the poor's peculiar needs and help them get out of poverty (Fernando, 2006; Hermes & Lensink, 2007; Hudon, 2010). Therefore, microfinance organizations (MFOs) with a unique physical structure and internal operational setting serve this specialised class of society with purpose-built products and services. The mainstream financial institutions are not able to serve this class due primarily to their structural and financial inefficiencies (Haq et al., 2010). Such a dedicated organizational structure and operations understandably would involve extra costs for MFOs, which, if combined with the extra burden of ensuring their own sustainability and profitability on MFOs, would prove detrimental to the sector's primary objective of helping the poor out of poverty with subsidized financial service. The poor participating in such programmes, as a result, will face extra financial burden which will keep them in poverty (Le, 2017).

The Pakistan microfinance Sector's Response to the Paradigm Shift (PS)

The Country-Level Effectiveness and Accountability Report (CLEAR) of the Consultative Group to Assist the Poor (CGAP) has condemned Pakistan's microfinance sector for lagging behind many of its peers in the South Asian region, with the highest cost per borrower and the lowest number of clients per staff (CGAP, 2006). The country's population has soured to 197 million, putting Pakistan in the world's ten most populous countries and five in Asia (United Nations, 2017). Growth in population without a corresponding increase in output and resources is further deteriorating the poverty situation (United Nations, 2017), thereby setting even more formidable challenges for the country's microfinance sector.

The microfinance sector, in general, has passively accepted and considerably adapted and re-oriented its modus operandi to the sector's PS from a 'social service' focus to commercialism and cost control in all operations (see Fernando, 2006; Robinson, 2001 and 2002; Gonzalez-vega & Schreiner, 1997; Dichter, 1996; Rogaly, 1996). The Pakistan microfinance sectors' outreach and impact is far behind the potential demand of about 6.5 million poor households for microfinance services. Hence the country's MFOs must broaden their base to make an impact (CGAP, 2006). The literature has condemned the PS for altering its primary focus from fighting poverty to ensuring operational profitability and self-sustainability (see Rahman, 1999; Woller et al., 1999; Morduch, 1998; Christen & McDonald, 1998). The situation for the Pakistan microfinance sector is no different, as post-PS, it has been focusing more on profitability, cost control and self-sustainability at the cost of its 'social service' specific objectives (Beisland et al., 2017; Khan & Ahmed, 2013; Khan, 2011).

Pakistan's microfinance sector has remained comparatively underdeveloped with a need for support from the government (Montgomery, 2005). The government's timely intervention has ensured the provision of an entirely conducive environment for the sector. The full-fledged operationalisation of the Pakistan Poverty Alleviation Fund (PPAF) to support the country's MFOs was a valuable step by the government (PMN, 2004; CGAP, 2006). Similarly, the promulgation of the Khushhali Bank, a specialized commercial microfinance bank, through a special Ordinance called the Khushhali Bank Ordinance, 2000 was also a step in this direction. The Microfinance Ordinance was issued in 2001 to govern the operations of the country's MFOs in the post-PS commercial sector.

The promulgation of the Ordinance stimulated the growth of the microfinance sector under the new commercially driven era. The First Microfinance Bank Limited (FMFBL), which was the transformed form of the Aga Khan Rural Support Programme's (AKRSP) microfinance division, was also facilitated by the Ordinance (Montgomery, 2005; PMN, 2004). The Kashf Foundation, which operates on commercial grounds, showed high 'success' in reaching a large number of poor borrowers, maintaining high repayment rates among its borrowers, and ensuring its self-sustainability through adopting commercial principles of profitability and cost control. Some mainstream commercial banks, such as The First Women's Bank and the Bank of Khyber, also progressed in the microfinance sector in addition to maintaining their mainstream commercial banking operations. These banks adopted a strategy of establishing formal links with other MFOs in the country to cater to the needs of the poor (PMN, 2004). However, despite the sector's apparent ‘success’, the question remains: does this ‘success’ mean successfully reaching out to and helping the most vulnerable class of the poor, as the original microfinance had promised?

The ‘Welfarists’ and the ‘Institutionists’

Academics and practitioners are divided on the extent of the microfinance sector’s dependence on subsidised funding. The literature categorises them as ‘Welfarists’ and ‘Institutionists’. Both groups’ respective dialectics are dragging the sector in opposite directions. While the ‘institutionists’ support the post-PS era and argue for the MFOs’ switch in focus from a social-service to a business-oriented role (see Robinson, 2002; Holt & Ribe, 1991; Short, 2000; Khandkar, 1996), the ‘welfarists’ continuously drag the sector back to the pre-PS era (see Bee, 2011; Olsen and Morgan, 2010; Rahman, 1999; Woller et al., 1999; Morduch, 1998; Christen & McDonald, 1998). Both Schools of thought evaluate the success/failure of the microfinance effort in terms of its outreach, impact and sustainability from the viewpoint of the sector’s modus operandi before and after the Paradigm Shift (PS).

The institutionists (CGAP, 1996; Gonzalez-Vega & Schreiner, 1997; Goodman, 2006; Dichter, 1996; Rogaly, 1996) argue that subsidised resources cannot be provided to the sector and that the sector must provide for its own sustainability, profitability and expansion. They are behind the sector’s gradual shift in operating paradigm from a ‘service based’ approach to commercialism in operations. The Welfarists, on the other hand, posit that the emphasis on self-sustainability and commercialism is diverting the sector from its main objective of alleviating poverty and that the sector is best placed in the ‘social service’ arena where the primary focus ought to be on the continuous flow of subsidized and affordable financial services duly tailored to the poor’s peculiar needs, as the sector’s founding premise necessitates.

The literature on accountability dictates that the general public can hold a public good sector accountable if it substantially deviates from its core objectives. The literature defines accountability in different ways. However, the definition Gray et al. (1996, p.39) provide for the term resonates closely with this study’s context. The authors equate the term to “account or reckoning of those actions for which one is responsible”. In light of this definition, the microfinance sector’s post-PS setup, where operational profitability and self-sustainability are rigorously pursued, at the cost of its founding objectives, may be held accountable for evading its liability to the extreme poor. In the context of Pakistan, MFOs are accountable to State Bank of Pakistan (SBP), the country’s central bank; however, as the notion of accountability dictates, they ought to be held accountable regarding their ‘success’ in fulfilling their founding aims.

Pakistan’s Microfinance Sector - Challenges

The poor’s access to credit and other financial services, particularly those in the ‘poorest of the poor’ category, has been deficient in the country (see Ameer & Jamil, 2013). It appears as though the sector’s PS is recreating the pre-microfinance era for the poor, when various structural and operational difficulties deterred the mainstream commercial banks from serving the extreme poor (Hermes & Lensink, 2007; Hudon, 2010; Becchetti & Pisani, 2010), and the poor sought financial help from informal money lenders at extremely high interest rates (Dehejia et al., 2005). The current formal, regulated and profitability-driven microfinance signals a replacement of the informal money lenders with the formal microfinance organizations (MFOs) that are, again, exploiting the poor in their pursuit of profitability and self-sustainability.

World poverty has shown a declining trend by around one percentage point a year over the past three decades. However, Pakistan's share in the prosperity has been minimal. Despite the efforts of various government and non-government programs, poverty remains one of the major problems facing Pakistan (Ghalib, 2011; Hussein & Hussain, 2003). Poverty in the country declined during the 1970s and 1980s but rose again in the 1990s and 2000s (Chaudhry, Faridi, & Hanif, 2012). While the poverty level in the country was around 22% for 2005-2006 (Ghalib, 2011; Chaudhry et al., 2012), according to Pakistan's official poverty line[3], as of 2016, about 51%of the country's rural population and about 11%of the urban population can be grouped as poor (Jamal, 2017).

Microfinance has been operating in Pakistan for a few decades now. The government of Pakistan's subsidized financial service, the 'Comilla' project, was instigated for the agriculture sector during the 1960s. Orangi Pilot Project (OPP) and Aga Khan Rural Support Programme (AKRSP) were the country's major projects that followed (Muhammad, 2010; Ghalib, 2011). During the pre-PS era, the AKRSP's microfinance division's share in the country's total microfinance services stood at around 70% (CGAP, 2006, p.6).

Demand for microfinance services in the country remains high (Ghalib, 2011). The real challenge for the sector is to reach out to the country's 'poorest of the poor' with tailored financial products, and the evidence shows that the sector has failed to successfully meet the challenge. The constituents of this category of the poor do not have access to even the information on the kind and availability of different financial services and products (Ameer & Jamil, 2013). Furthermore, the literature reports only a modest positive impact of the microfinance sector's efforts, with no evidence of a transformational effect on poverty (see Le, 2017; Banerjee et al., 2015).

Researchers agree that the only alternative available to help the poor overcome poverty and improve their social status was to give them access to a full range of financial services (Coleman, 1999; Yousaf et al., 2004; ADB, 2000). However, despite efforts from many Non-Governmental Organizations (NGOs) and other financial sector institutions to help alleviate the poverty epidemic in Pakistan, many researchers and experts consider the approach to have been unsuccessful in the accomplishment of its objectives (Bokhari et al., 2004; Ameer & Jamil, 2013). Some researchers blamed the high rate of interest, which in most cases is more than 20%, for the apparent failure of the approach to get the poor out of poverty (Khandker, 2003).

Pakistan's Microfinance - The Sector's Peculiarities

Structural and Operational Issues

Pakistan's microfinance sector comprises of microfinance banks, rural support programs, and specialised microfinance organizations (MFOs), with NGO-MFOs serving majority of women borrowers[4] (Bedson, 2009). A specialised state-owned financial institution – Zarai Taraqiati Bank – and other microfinance sector institutions are helping to reach poor farmers in remote areas with financial services (Llanto & Badiola, 2009). Most of the commercial banks and NGOs in Pakistan, involved with microfinance, primarily stress the recovery of their loan. As soon as a

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[3] Pak rupees 3,792 and 4,250 per adult equivalent unit for rural and urban areas respectively (see Jamal, 2017).

[4] Overall, microfinance in the country increased its outreach to women borrowers from 45% in 2005 to 49% by mid-2008, still less than its other regional counterparts – Bangladesh (99.3%) and India (100%) (Muhammad, 2010).

loan is extended its recovery becomes their primary objective (Ahmad & Nicholas, 1994; Hussain & Hussein, 2003; Rahman, 1999). In addition, before sanctioning a loan, the borrower's particular context is not looked into. Some borrowers spend the loan money on their cultural and health related issues, ultimately leading them to default on their loans. They then resort to alternative avenues to secure financial assistance to service their existing loans and meet their other financial needs (Ahmad & Nicholas, 1994).

Copestake et al., (2001) found that recipients of a second loan performed well in their small business; however, in the case of Pakistan, a second loan is very rarely considered following a first default (Ahmad & Nicholas, 1994). With the Paradigm Shift (PS), it is difficult to observe the real essence of microfinance in Pakistan (Hussain & Hussein, 2003). In most cases, if poor households apply for a loan under a microfinance program, they are asked for collateral in some form. For example, The Bank of Khyber, Peshawar, Pakistan, boasts a dedicated Microfinance Unit (MFU), which rarely extends loans to any poor people without collateral[5].

Prohibition of Interest (Riba) in Islam

The prohibition of charging interest (riba) on loans is yet another factor affecting the microfinance effort in Pakistan. The religion Islam terms 'interest' riba and categorically prohibits its involvement in any form, charging as well as payment, in financial transactions (Kazmi, 2012; Kettell, 2011; Hashmi, 2012; Doraisami et al., 2011; Zarrokh, 2010; Choudhury & Malik, 1992). Thus, the poor who follow the teachings of Islam self-exclude themselves from all microfinance services. An amalgamation of *zakat*[6] and microfinance whereby *zakat* funds are channelized through the microfinance sector through interest-free loans for the poor, instead of being used purely for consumption purposes, would work well to overcome this hurdle in the country (see Khan, 2008).

Formal and Regulated Status

Unlike players in the formal banking sector with statutory authority to mobilize public deposits, no government authority supervised or regulated the microfinance sector until the late 1990s (Hubka & Zaidi, 2005). The introduction of the concepts of commercialism, profitability, and self-sustainability under the sector's 1990s PS necessitated the introduction of regulations into the sector to monitor and regulate the MFOs' operations. The MFOs Ordinance 2001 was promulgated by the government of Pakistan to monitor and regulate the MFOs' operations in the country (GoP, 2003). In addition, the Microfinance Sector Development Program was explicitly launched to enhance the outreach of MFOs within the country, improve their self-sustainability, and encourage innovations in products and services for their target population (Montgomery, 2005). In October 2002, the State Bank of Pakistan (SBP) introduced separate Prudential Regulations[7] to regulate the microfinance sector. One of the purposes of these regulations was to provide a conducive legal environment for spreading the network of MFOs to cover all parts of

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[5] The author served as Officer Grade II at The Bank of Khyber from October 1999 to February 2003.
[6] A compulsory financial obligation on affluent Muslims, which must be paid once every year on their possessions of cash and other assets. Different rates of payment apply to different kinds of assets such as cash, investments, harvest, and livestock (Dean & Khan, 1997).
[7] A different set of SBP's Prudential Regulations govern the operations of mainstream commercial banks and other financial institutions.

the country by encouraging the establishment of new MFOs and enabling existing ones to spread their operations and increase outreach (Montgomery, 2005). However, the move, implicitly or explicitly, subjected MFOs to the self-sustainability and profitability drive that ultimately resulted in the curtailment of their *outreach* and exclusion of the most deserving poor from their costly program (Cull, Demirguc-Kunt & Morduch, 2011).

Low Coverage and Targeting Inefficiency

The meagreness of financial resources allocated to the microfinance sector deters it from enhancing the capacity of MFOs to broaden its coverage to a high number of the deserving poor (Hussein & Hussain, 2003). The credit portfolio of most of the MFOs does not demonstrate enough coverage for the extreme poor (Ameer & Jamil, 2013; Hussein & Hussain, 2003). Thus, microfinance efforts remain concentrated around the poor in the 'not-so-poor' category, leaving the core purpose of microfinance, that is, to reach the extreme poor, unaccomplished (Ahmad & Nicholas, 1994; Beisland et al., 2017). Muhammad (2010) asserts that objective management and governance of the sector are vital for accomplishing the sector's set objectives. Targeting the poor women more may simply result in a shift in the household financial burden, Muhammad (2010) further argues. Also, Gilal, Jatoi and Gilal (2011) note that the customers dropout rate is higher among MFOs in Pakistan. The authors provide empirical evidence that 72% of customers who dropped out were in rural areas, 18% in semi-urban, and 10% in the urban areas. Ameer and Jamil (2013) argue that the sector ought to focus on the extreme poor that lay at the bottom of the poverty pyramid and disseminate more information to make them more aware of the financial services and products available to them.

Inadequacy of the Financial Support

The size of the loan extended is insufficient to cover the working capital requirement of the poor borrowers, and, thus, most of them remain in financial crises throughout their business endeavours, finally losing their borrowed money. As a result, they are pushed further into poverty, and the financial institution suffers as well (Hussein & Hussain, 2003). Gilal et al., (2011) posit that microfinance programs in Pakistan lose customers in the very early stages, thus not only negatively impacting the MFO's sustainability but also on the accomplishment of its objectives of poverty eradication. MFOs in the country should not charge high interest rates on their loans, and that is a possibility only if they do not view loaning to the poor as a means of profitability. This necessitates government and external subsidised financial support for ensuring enhanced MFOs' outreach (Muhammad, 2010), in other words, reverting the sector back to its pre-PS setup.

Theoretical Framework

As the literature supports (see Khan, 2014), this study resorts to a combination of two established theoretical underpinnings to help conceptualize the linkages between the different constructs the study aims to investigate. The author asserts that, in the light of Schatzki's (2002) 'site of the social' theoretical construct, the microfinance 'social practice' will only reach its fullest potential, with optimal benefits flowing to its target population, if it sufficiently 'adapts' to the peculiar needs of its environment and target audience. Schatzki's (2002) 'site of the social' theoretical construct dictates that an appropriate construction 'site' is an essential pre-requisite for certain social practices to develop and institutionalise over time. Thus, the microfinance sector, under its post-PS operating framework, where MFOs’ focus is on commercialism in operations, will not flourish to accomplish its fullest potential as a poverty-fighting tool unless it sufficiently adapts to the peculiar needs of the poor and the country it operates in. As noted above, the literature sufficiently substantiates that the microfinance sector’s basic functioning pedagogy during its pre-PS era was best suited to its target audience – the poorest of the poor, and that the profitability and self-sustainability objectives of the microfinance sector’s post-change organizational setup do not relate well to its original founding objectives of eradicating poverty and reaching out to the most vulnerable poor, even at the cost of profitability. The author asserts that Pakistan’s microfinance sector needs to adapt to the peculiar needs and circumstances of the local poor – a setup the sector had during its pre-PS era (see Beisland et al., 2017; Khan & Ahmed, 2013; Khan, 2011).

From the context of the institutional theory (DiMaggio and Powell, 1983; Meyer and Rowan, 1977) a social practice can spread, due to various institutional forces, within and even beyond an industry as long as it conforms to the local social norms and is bestowed a legitimate status at the wider societal level. Selznick (1957, p. 16) defined ‘institutionalization’ as:

> “…something that happens to an organization over time, reflecting the organization’s own distinctive history, the people who have been in it, the groups it embodies and the vested interests they have created, and the way it has adapted to its environment”.

A ‘member’ organization, as part of an industry, ought to demonstrate conformity to the already established industry norms and values that have earned legitimacy at a wider societal level (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Baum and Oliver 1991; Oliver, 1997). Figure 1 below demonstrates the options for ‘member’ organizations to choose from when confronted by industry-wide pressure for change:

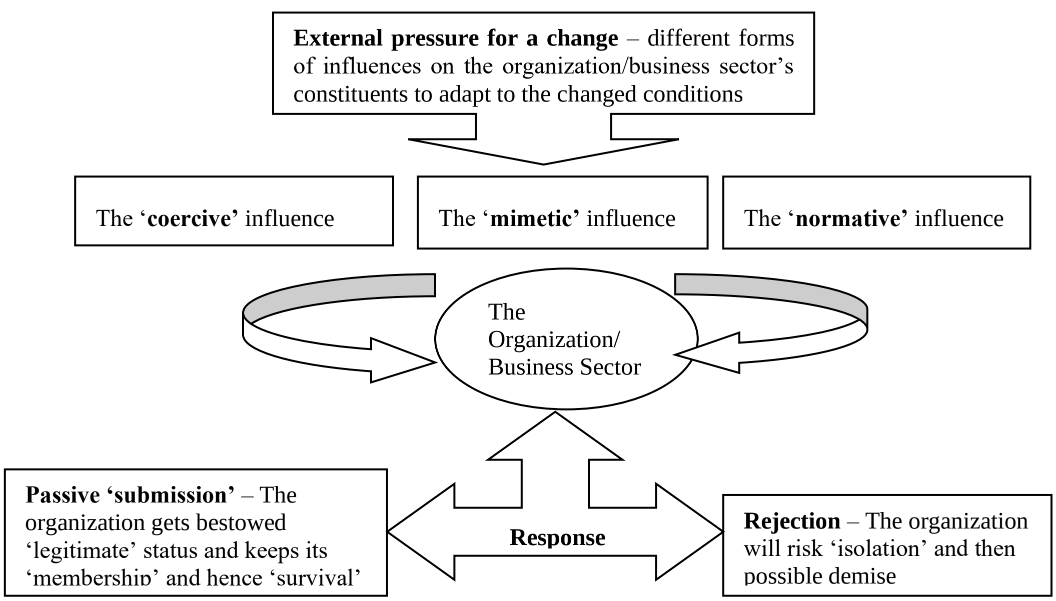

Figure 1: Organizational/Sectoral Response to Institutional Pressure for Change.

Adherence to the norms and values prevalent in an industry is crucial to a business organization’s long-term success (Neale, 1987). The microfinance social practice spread in both its pre- and post-change forms as predicted under the institutional theory’s theoretical underpinnings. Pakistan microfinance sector’s constituents – MFOs, submitted passively to the change and followed the “rules of knowing” (Mills and Murgatroyd, 1991, p. 1) in the face of the ‘mimetic’, ‘coercive’, and/or ‘normative’ influences (see, DiMaggio and Powel, 1983 and Bartram, 2011) both during the pre-PS and post-PS eras in order for it to demonstrate due adherence to the established industry norms. However, when objectively evaluated in the light of Schatzki’s (2002) ‘site of the social’ theoretical construct, the form of the microfinance social practice that meets its founding obligations to its target audience – the poorest of the poor, ought to be established, promoted and spread as a ‘legitimate’ practice, and the policy-makers, practitioners and academic community have a role to play in the drive.

Methodology

This study adopted the Case Study methodology with Pakistan’s microfinance sector as the case under consideration and executed the research under the qualitative research paradigm. As the study aims to investigate, describe, predict and understand a business sector, the literature supports using the ‘case study’ approach (see Yin, 2003; Woodside and Wilson, 2003). Most studies on the performance-related aspects of the microfinance sector have resorted to the positivist research paradigm focussing primarily on individual MFOs (see, for instance, Tuffour, Barnor and Akuffo, 2015; Postelnicu and Hermes, 2016; Chikalipah. 2017). This study’s focus is on the microfinance sector’s post-PS performance in terms of the level of its adherence to or deviation from its founding objectives. The study objectives necessitated extraction of deep insights into the whole phenomenon; hence, epistemologically, the study resorted to the constructionist thematic analysis (see Braun & Clarke, 2006) to pursue the accomplishment of the set objectives. This peculiar research method has been widely resorted to in different disciplines, including management accounting (Seal and Mattimoe, 2016; Lambert and Pezet, 2010), accounting profession (Adapa, Rindleish and Sheridan, 2015) and marketing and tourism (Hwang, Park and Hunter, 2015).

Pakistan has experienced both phases of the microfinance sector’s functioning (the pre-PS and the post-PS) and, hence, provides a case for rich potential insights into the sector’s changing priorities following the sector’s PS. Face-to-face in-depth interviews were conducted to glean primary qualitative data from Pakistan during December 2016 and January 2017. The researcher kept adjusting the interview questions’ sequence, content, and wording for each interview to suit the interviewees’ taste and mood, with an aim to glean the most relevant and valuable information. A total of 13[8] semi-structured interviews were conducted (see Table 1). Six of these interviews were conducted with The First Microfinance Bank Limited. The MFO has been through both the microfinance sector’s both Pre- and the Post-PS phases, and is the transformed form of Pakistan’s pioneer MFO of the pre-PS era – The Aga Khan Rural Support Programme (Hussein, 2009). The bank is operating in Pakistan as a formal commercial MFO under the sector’s post-PS era since its inception in 2002. The bank’s staff provided the researcher with

[8] Thirteen interviews sufficed the required analyses. Kuzel (1992) and Fossey et al., (2002) assert that no maximum or minimum number of interviews is required for a qualitative piece of research. With repeating themes occurring in subsequent interviews, the researcher may conclude interviewing (Kuzel, 1992; Fossey et al., 2002).

rich information on the sector’s exposure to both eras – the pre- and the post-PS. Table 2 provides an overview of the relative sizes of the MFOs from different measures.

Table 1: List of Interview Participants

	Location	Bank Name	Participant’s Role
P1	Islamabad	The First Microfinance Bank (Credit Manager)	Head office-based position, monitors credit operations at assigned branches. Branch managers report to the position
P2	Islamabad	The First Microfinance Bank (AVP, Product Development)	Branch manager position. Designation could vary depending on the size of the branch. Entrusted with managing all the affairs of the assigned bank branch
P3	Islamabad	The First Microfinance Bank (AVP, Product Development)	Branch manager position. Designation could vary depending on the size of the branch. Entrusted with managing all the affairs of the assigned bank branch
P4	Islamabad	The First Microfinance Bank (AVP, Product Development)	Branch manager position. Designation could vary depending on the size of the branch. Entrusted with managing all the affairs of the assigned bank branch
P5	Islamabad	Khushhali Bank (Manager, Policy and Procedures)	Head office-based position, entrusted with writing and revising the policies and operations manuals and ensuring their adherence to by the bank branches
P6	Islamabad	The First Microfinance Bank (AVP, Product Development)	Branch manager position. Designation could vary depending on the size of the branch. Entrusted with managing all the affairs of the assigned bank branch
P7	Islamabad	The First Microfinance Bank (AVP, Product Development)	Branch manager position. Designation could vary depending on the size of the branch. Entrusted with managing all the affairs of the assigned bank branch
P8	Islamabad	Mobilink Bank (Senior Vice President)	Head office-based position, responsible for IT related management of the microfinance operations of the bank branches
P9	Islamabad	U-Bank Microfinance Bank	Credit officer position at the head office. Monitoring individual loan cases/clients for performance, recovery, management, etc.
P10	Islamabad	APNA Bank (Operations Manager)	Branch based position, usually in only larger branches. Reporting to the branch manager. Responsible for ensuring all branch operations conform to the head office approved policies and procedures.
P11	Islamabad	FINCA Bank (Assistant Manager)	Same role as ‘branch manager’. Smaller branches are assigned to ‘Assistant Managers’. Entrusted with managing all the affairs of the assigned bank branch.
P12	Lahore	Khushhali Bank (Regional Head)	Head Office based position responsible for monitoring and control of all branches in a region
P13	Islamabad	Akhuwat Microfinance (Branch Manager)	Branch manager position. Actual designation of the person varies among branches, depending on the size and volume of operations of the branch. Entrusted with managing all the affairs of the assigned bank branch.

All interviews were tape-recorded following the participants’ written consent for it, except in two cases, P12 and P13, where both declined for the interview to be tape-recorded; written notes were taken by the researcher as the interview progressed. All tap-recorded interviews were then transcribed non-verbatim[9] and analysed using Thematic Analysis (see, Braun & Clarke, 2006) for prominent themes with regard to the study's set objectives.

Table 2: Market Size of the MFOs as of 2016.
Sources: Pakistan Microfinance Network, Review Report 2016
*Mobilink Microfinance Bank, Annual Report 2016
**U Microfinance Bank, Annual Report 2016
#Apna Microfinance Bank, Annual Report 2016

MFO Name	Loan Portfolio (billion Pak Rs)	Active borrowers (Thousands)	Deposits (Approx. billion Pak Rs)	Assets Base (Approx. billion Pak Rs)
The First Microfinance Bank	8.3	221	12.2	17
Khushhali Bank (KB)	23.3	557	21.2	34
FINCA Bank	10.2	132	11.1	16
Akhuwat Microfinance (non-bank)	8.1	568	Not applicable	10.3
Mobilink Bank*	5.934	91.747	10.3	14.2
U Microfinance Bank**	5.5	118.160	8.1	10.6
APNA Microfinance Bank#	5.484	50.096	12.3	13.5

Data Analysis – Interview Findings

Pakistan's microfinance sector went through both the pre- and the post-PS eras. The Aga Khan Rural Support Programme (AKRSP) was one of the pioneering MFOs in Pakistan in the pre-PS era (see Hussein, 2009). Responding to the external pressure for a swift shift in approach to embrace commercialism, the AKRSP evolved into The First Microfinance Bank Limited (FMFBL) in the process. The MFO could not keep its organizational structure intact in the face of the drastic shift in the sector's operational focus due to the Paradigm Shift (PS). This study substantiates with empirical evidence that the bank has developed new products that cater only to the class of poor that can afford to secure the bank loan by offering some tangible collateral, which is driving the most vulnerable poor out of the bank's primary focus. The situation is a stark contrast to what AKRSP used to focus on. The sector's current sector is regulated, and the cost of funds available to MFOs is high due mainly to the high operational costs involved in reaching out to the extreme poor, P2 remarked. P1, P2 & P9 expressed similar views, consistent with the current literature (see, for instance, Beisland et al., 2017). P2 asserted that clients must offer tangible collateral in the form of property, assets, bank Term Deposit Receipt to secure a loan at a relatively low interest rate or be willing to pay a high 30 to 35% interest rate. P5 and P12 agreed to the dilemma the poor borrower faces.

The definition by Gray et al., (1996, p.39) resonates closely with the context of this study. The authors equate the term to "account or reckoning of those actions for which one is responsible". The microfinance sector in its post-PS setup may be held accountable for evading its liability, in the light of its founding promises, to the extreme poor (P2, P3 & P10). Microfinance sector's breach of commitment to the poor subjects it to the accountability Gray et al., (1996, p.39) hint

[9] As a few of the interviewees expressed their views in the Urdu language, wholly or partially, the researcher found transcribing them non-verbatim more efficient and effective.

towards, as referred to above. "Active poor", with a demonstrable capacity to utilise funds in profitable and productive business ventures, are being served. In contrast, the needs of the most vulnerable poor are not being catered to, P2 further remarked. P4, expressing similar views, agreed. The sector's pre- and post-PS objectives contradict each other, P1 & P4 concluded, consistent with the recent literature (see Zulfiqar, 2017; Becchetti & Pisani, 2010; Bee, 2011). MFOs in the current setup are accountable to the State Bank of Pakistan (SBP), the country's central bank. However, that does not suffice. They should be held accountable to the general public as well in respect of their legitimate existence, through having a public representative on their Board of Directors, P3 emphasized. Grameen and BRAC of Bangladesh are an example of such accountability, and the AKRSP (the pre-PS setup of the current FMFBL) used to practice this in the Gilgit, Baltistan and Chitral region of Pakistan, P9 remarked. Credit programs, if mismanaged, could do more harm than good and push the poor into downward spiral of indebtedness, P9 added. The finding is consistent with the literature (see Le, 2017).

The client base of most of the country's MFOs is in dire need of broadening (CGAP, 2006). The high unmet demand for the microfinance sector's services triggered the PS, enticing the donor community to make MFOs adopt a commercial approach to serving their clients. However, this study reveals that the sector's pre-PS era served the extreme poor better. There were fewer products; however, the emphasis was on local community development rather than MFOs' profitability as in the current regulated and profitability-driven microfinance (P1). P5 and P9 viewed most of the current microfinance sector's operations as being guided by motives similar to those of mainstream commercial banks.

P10 asserted that MFOs' drive for sustainability and the recovery of all operational costs is raising the cost of loans for the poor. P1, P3, P4, P5 and P12 supported the 'Welfarists' approach, all advocating the sector's functioning based on subsidized financial and non-financial resources, should the sector aim to fight poverty at the grassroots level. The sector's current post-PS form is based on a 'capitalist mindset' that recklessly pursues a good return on the capital invested, and its operational focus is almost opposite to what the sector had in the earlier pre-PS setup (P1). The sector's pre-PS accomplishments in terms of helping the poor with subsidized financial resources cannot be matched by its post-PS setup, P1 asserted. P3 and P12 agreed. The post-PS sector's profitability has enticed private capital, depicting a clear shift in the sector's objectives (P3, P4 & P9). P12 viewed this as a reason for the current pressure on staff to ensure cost control and profitability. The findings are consistent with the current literature (see Rosenbloom et al., 2017; Siwalle & Okoye, 2017). The post-PS microfinance sector has turned predominantly commercial with little, if any, positive impact on the extreme poor, and it is even more apparent when one reviews the MFOs' operations manuals (P4). Recent literature has endorsed this with sufficient empirical evidence (see Postelnicu & Hermes, 2016).

P1 noted that the AKRSP before it evolved into the FMFBL, functioned flexibly and informally, which greatly facilitated internal operations and decisions. The poor benefited from the simplified operations, P1 added. P2 and P6 agreed, adding that, at FMFBL, they had to abide by SBP regulations, which made decision-making and internal operations cumbersome. The regulations put an embargo on extending loans to the economically inactive poor and the minimum and maximum limit of the loan (P4 & P5). P11 endorsed this view, adding further that MFOs now do not extend loans to any poor applicant who does not own a running business for at least a year with a track record of zero loan defaults. Flexibility in work and decision-making is no longer there, P1 remarked. Post-PS setup now boasts a variety of financial and non-financial services for the poor. However, these are too expensive for the extreme poor to bear. The sector must have access to subsidised funding in order for it to be able to serve the highly vulnerable class of poor (P2). P4 asserted that the current microfinance must do business with the not-so-poor class of the poor to provide for its own survival and sustainability. The extreme poor is out of the focus in the current commercial setup, P3 remarked.

To help accomplish these objectives, our focus, in the pre-PS era, was on mobilising local savings and then making cheap loans available to the needy poor (P7). In the current bank setup (FMFBL), however, the focus has shifted to risk aversion in lending operations and profitability and sustainability, P3 and P9 noted. P4 and P5 expressed similar views. We used to "work with" the poor, which is not possible under the sector's current setup (P4). We used to approach the poor with financial help, while now they have to approach us (P12).

P6 and P7 expressed views different from those of most other interview participants regarding the provision of subsidised funding to the sector and the high cost of loans to the poor. The poor need a variety of services, not just finance, P6 noted. Provision of free money to the sector cannot be sustained, and the poor have the capacity to pay high interest rate if loan portfolios are efficiently managed, both participants remarked.

The microfinance sector's post-Paradigm Shift (post-PS) focus and emphasis on operational profitability and self-sustainability is diverting the sector from its core aims to serve the poorest of the poor and eradicate poverty (P1 & P12). Postelnicu & Hermes (2016), in a worldwide study covering 100 countries, even found negative outcomes for the sector's 'efforts' for the poor. If the sector has to pursue the additional objective of self-sustainability, it has to have access to subsidised funding or the original objective will get sacrificed, P4 remarked. P5 concurred with the view. In the pre-Paradigm Shift (pre-PS), we were least concerned with profitability and self-sustainability, and hence, we could afford undivided focus on the poor and the poverty (P6 & P8). The poor used to keep the profits and reinvest them, while now most of it is taken away by the commercially driven MFO, P11 remarked. With a sudden switch from subsidised funding to a clear focus on profitability and self-sustainability within the same MFO, we witnessed a clear shift in our operational focus, P8 and P9 underlined. In the earlier setup, loan terms and conditions were relaxed; however, as an aftermath of the PS, the sector has been subjected to formal regulations that must be complied with in any loan transaction (P2), much like its mainstream counterparts – the banks. Clients have to go through a cumbersome and costly procedure to secure a loan, P2 added. There is a variety of services available to clients in the current regulated setup; however, since all operating expenses are passed on to the clients, these services, with an interest rate of 30 to 35%, with evidence of even more than 100% charged by Compartamos, a Mexican MFO (Postelnicu & Hermes, 2016), become costlier for them (P2 & P4).

Their operations were financed by subsidized funding from the international donor community, which greatly facilitated their dedicated and specialised operations, P1, P2 and P5 remarked, expressing their views on the sector's pre-PS setup. The flow of subsidised funds ensured cheaper products and services for the poor (P2). As there are no more subsidised funds available to MFOs in the current commercial setup, there is no other option with them but to charge higher interest rates on loans to provide for their profitability and self-sustainability. "As we are competing with [mainstream] banks", we feel concerned about the availability and cost of funds, P2 noted. As mainstream banks offer high interest rates to attract deposits, we must match that rate to ensure our survival. Thus, at the current bank setup, we have to have access to subsidised funds if we are to serve the extreme poor, P2 continued. P10 expressed similar views.

Analysis of the data clearly signals that the pre-PS sector setup needs to be restored. In Pakistan, only Akhuwat[10] (P13) is serving the extreme poor, and it’s because it has access to free/donated funds, and serving the extreme poor rather than pursuing profitability and self-sustainability motives is driving its success, P3 remarked. P12 expressed similar views.

The real challenge for the sector is to reach out to the country’s ‘poorest of the poor’ with tailor-made financial products and services, with a purpose-built structural setup and specialist advice, and this study substantiates, with empirical evidence, that the sector has failed to successfully embrace this challenge (P1, P4 & P9). This is a tough challenge under the current regulated post-PS banks-like setup, P1 continued. The sector has to have access to subsidised sources of finance to accomplish this. P3 and P5 endorsed these views. P3, comparing the sector’s two distinct setups, remarked that at AKRSP they focused on the local community’s capacity building in areas of general welfare, such as agriculture, livestock, forestry, and so on, through imparting training to the local farmers in improved agricultural practices, better management of livestock and the provision of better-quality seeds and plants, pesticides and insecticides, etc. Compared to the current post-PS regulated microfinance, MFOs that operated as NGOs during the pre-PS era demonstrated better efficiency in terms of their effect on local poverty due primarily to their undiverted attention to their primary motive of fighting local poverty, with no self-sustainability and profitability motives on their plate. Post-PS, the sector’s constituents would not lend to the poor without first ensuring to secure their loan with tangible collateral, which depicts a contradiction between the sector’s current post-PS objectives and its founding objectives (P1, P4 & P5). This is in line with the recent literature (see, e.g., Becchetti & Pisani, 2010; Bee, 2011). The sector’s pre-PS setup suited the extreme poor’s needs best; hence, sufficient subsidised funds must flow to the sector if it is to serve the extreme poor (P1, P2 & P3), and the Akhuwat-like (P13) or a similar model only would work.

Regarding the segment of the poor who self-exclude from all microfinance services due to the prohibition of interest (*riba*) in all financial transactions, as briefly elaborated on earlier, *zakat* and microfinance could work in collaboration to fight poverty, P4 and P5 explained. However, P4 was sceptical on the general public agreeing to the idea due to their general perception of the interest (*riba*) factor being closely associated with microfinance.

The Conceptual Framework Proposed by the Study

The Paradigm Shift (PS) of the 1990s in the microfinance sector emphasized a commercial approach to ensuring profitability and self-sustainability on the part of MFOs (Fernando, 2006; CGAP, 1996; Gonzalez-Vega & Schreiner, 1997; Von Pischke, 1997; Robinson 2001 and 2002) exerted additional pressure on MFOs to ensure their own sustainability and profitability while carrying out their microfinancing activities. New regulations were promulgated that allowed MFOs to mobilise their own funds from private sources rather than depending on the availability

[10] Akhuwat is a unique MFO in Pakistan that runs on charity funds and extends interest-free loans to the poor. The MFO provides a variety of services such as insurance, health, and education through the MFO-owned and run schools, colleges and universities, not even charging for boarding, ambulance services, not just loans, to the poor. The MFOs’ loan portfolio currently stands at Pak Rupees 32 billion with a recovery rate of 100% (participant 13).

of subsidized funding. The new regulated, self-sustainability and profitability-driven operational paradigm caused a sharp steer in MFOs’ operational focus and organizational structure.

In Laughlin’s (2002) terminology, an external pressure for a change disturbs the ‘balance’ among the organizational elements, and the organization initiates a process of adaptation and reorientation of its elements. The process continues until it regains the lost ‘balance’ among all the organizational elements. MFOs’ all tangible and intangible organizational elements ─ ‘interpretative schemes’ (objectives, values, culture, etc.) and ‘sub-systems’ (tangible elements, such as buildings, locations, assets, etc.) and ‘design archetypes’ (organizational structure, procedures, etc.), were needed to be adapted and reoriented to better align with their altered operational focus, which had affected the alignment among all these organizational elements. Primarily, the sector’s ‘design archetypes’ and ‘sub-systems’ needed to be adapted to align well with the altered ‘interpretative schemes’.

In the light of the literature and the theoretical framework, as elaborated on above, this study’s empirical findings propose the following conceptual framework (Figure 2) to help predict possible outcomes of a forced change in a public good social service enterprise/sector.

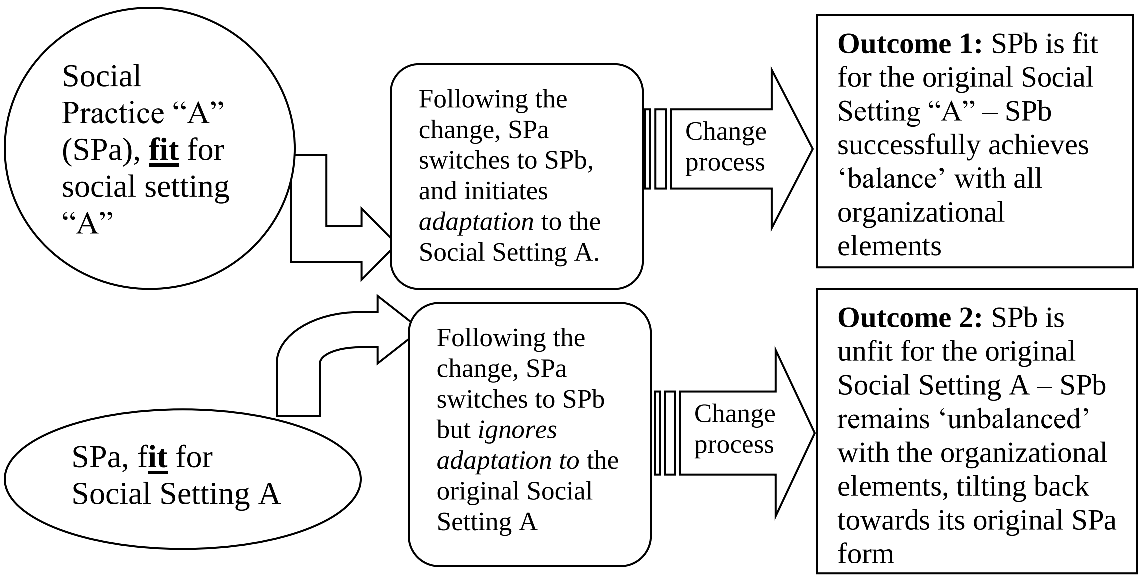

Figure 2: The conceptual framework proposed by this study.

The proposed conceptual framework predicts two outcomes of a forced change imposed on a social service sector/organization, following a forced change initiative by an external entity, a social practice changes from SPa to SPb. SPb instigates adaptation to the organization/sector’s original social setting. Two possible outcomes follow: *First*, if SPb successfully adapts and aligns with the organization/sector’s original social setting, the organization/sector’s operational efficacy, in terms of meticulous adherence its set objectives, remains intact; *second*, if SPb fails to successfully adapt to the organization/sector’s original social setting, the organization/sector’s efficacy would be compromised.

Conclusion: Theoretical and practical implications and future directions

Pakistan's microfinance sector needs to tailor its *modus operandi* to reflect the country's peculiar circumstances. The sector's performance in terms of outreach and self-sustainability remains unproven (see Lohano & Jamal, 2003), and most of its constituents have failed to demonstrate the efficacy of their operations in closing the wide gap between supply and demand for the sector's services (CGAP, 2006). Postelnicu & Hermes (2016), based on empirical data from 100 countries around the world, also endorsed the same.

This study empirically substantiated that the state of the country's microfinance depicts that most MFOs' operations are not sufficiently geared towards maximizing their outreach to a higher number of the extreme poor. The growth trend of the microfinance industry in Pakistan in recent years has been encouraging. However, its 'performance' in terms of *outreach* and *impact* has not been up to the mark so far. The sector is caught up in a struggle to meet the dual objectives of self-sustainability and survival through commercially focused operations and reaching out to the most deserving poor who mostly live in remote rural areas and are economically unviable to serve by MFOs primarily driven by commercial principles (Beisland et al., 2017). Under the prevailing post-PS situation of high stress on adopting commercial principles by Microfinance Organizations (MFOs), the sector must charge interest on loans and fees on services high enough to cover all their costs and, at the same time, provide for its profitability (CGAP, 2006). The shift has even worsened gender inequality in the country regarding access to finance (Zulfiqar, 2017). The sector has endeavoured stringent criticism in recent times for its appalling and even unethical treatment of its clientele, including charging of more than 100% interest rate, exploitive lending methods, and forceful loan recovery tactics leading to suicide by some clients, all with little evidence of any positive impact of its services on poverty reduction (see, Postelnicu & Hermes, 2016).

Keeping in view the extent of MFOs' current level of coverage in comparison to the total demand for their services, the author argues that the main challenge Pakistan's microfinance sector is confronting is to reach out to its target population of the most vulnerable poor, while, at the same time, follow the principles of commercialism to ensure their sustainability and survival. The two objectives contradict each other. The sector's mission drift has even translated into the credit officers' personal mission drift as well. Being players in stiff competition-based commercially driven organizations they tend to ignore those vulnerable clients that should be the sector's primary focus (Beisland et al., 2017). With the sector's Paradigm Shift (PS) of the 1990s, the adaptation, reorientation, and eventual transformation of the microfinance division of the Aga Khan Rural Support Programme to an independent commercial microfinance bank ─ The First Microfinance Bank Limited (FMFBL), practically demonstrated that it is not possible to pursue the two conflicting objectives with the same organizational structure. The country's pioneer MFO had to completely transform into an independent commercial setup to successfully adopt commercialism principles in all its operations. AKRSP's counterparts in the industry followed suit. The FMFBL, as well as the rest of the sector's constituents, boast high 'success', however, only in terms of profitability and self-sustainability. As this study substantiated, the sector's real 'success' in terms of the sector's founding aims of serving the extreme poor and eradicating poverty is questionable and needs an objective run through formal accountability.

As per Schatzki's (2002) theoretical construct of the 'site of the social', social practices best flourishes on the right 'site'. Hence, the author asserts that to be effective in realizing its founding purpose, the microfinance sector needs to adapt its products and services in two ways: *First*, to the peculiar needs of its target population, the extreme poor, and the founding purpose, to eradicate poverty; *second*, to the peculiar circumstances of the country it operates in. Given the endorsement from the literature and the outcomes of this empirical study, there are two primary alternatives the sector can resort to in this connection: *First*, it ought to have access to fully or partially subsidized financial and non-financial resources from the international donor community. This will enable the sector to better align its operations with the peculiar purpose it was originally instigated for; and, *second*, given the country’s access to the recurring source of free *zakat* funds collected by the government every year, these funds could be channeled through the country’s microfinance sector. As the sector’s opportunities for subsidized funds are gradually diminishing, this untapped source of free funds could be an effective way forward for the sector to accomplish its founding mission of eradicating poverty at the grassroot level. The free *zakat* funds if routed through the microfinance sector would be used in productive small business ventures rather than being used for mere consumption purposes by the poor. Overall, in the world’s context, the continuous availability of such funds in most countries, either through compulsory *zakat* collections or the voluntary charity donations, offers the same opportunity for fighting world poverty.

This study aims to instigate a debate among academics, policy-makers, and practitioners about the sector’s actual performance in terms of its accomplishments in the poverty eradication realm under the two distinct phases the sector has been through over the last four decades or so. It also aims to help steer the direction of future research to issues with the highest marginal utility for the sector’s stakeholders, primarily the extreme poor for whom the sector instigated in the first place. More empirical studies are required to substantiate and validate these alternatives with empirical evidence. The sector’s pre- and post-PS ‘success’, in terms of its outreach to the most vulnerable poor and impact on world poverty, from the perspective of both the ‘Welfarists’ and the ‘Institutionists’ also requires quantitative empirical investigations under varying geographic, economic and cultural contexts.

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