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Alternative Approach for Evaluating the Performance of Microfinance

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Abstract: *The commercial approach of microfinance has been hailed by global microfinance institutions whereas it has been criticized by development studies groups. The relatively high returns of microfinance institutions may meet the necessary condition for their financial sustainability, but they may fail to cater for the sufficient condition for alleviating mass poverty. This article argues that it may be required to reflect different economic and social context for evaluating the performance of microfinance among the outreach for the poor, financial sustainability, and the welfare impact. It recommends that cooperative microfinance may be more effective for alleviating mass poverty than commercial one.*

Key Terms: Microfinance | Outreach | Sustainability | Welfare Impact | Commercial Innovation | Social Objectives | Cooperative Microfinance.

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INTRODUCTION

Microfinance has become one of main issues in the realms of economic development, development studies and regional development. It is a broader concept than microcredit as it comprises not only microcredit but also savings account, money transfers, credit card and insurance in a comprehensive way. It has been already existed in the agrarian economy. Credit unions were established in the Western Europe in the eighteenth century. Microfinance has been implemented as a means of alleviating mass poverty among developing countries by providing small amount of loans without any collateral or guarantee.

This article addresses the inception of microfinance and its relationship with the changing frontiers of development economics. It introduces recent debates on the effects of microfinance after depicting the public announcements of the UN and Micro Summit Meetings. It analyzes the theoretical foundation of microfinance, with special emphasis on the controversy between outreach and sustainability. It also analyzes the intrinsic role of microfinance institutions (MFIs) and an alternative evaluation on the triangular junction of microfinance among the outreach to the poor, financial sustainability of MFIs, and the welfare impact by tracing out their development trajectories.

MICROFINANCE AND DEVELOPMENT ECONOMICS

Inception of Microfinance

Microfinance had played a minor role as a rural credit agency in reducing poverty until the unprecedented success of the Grameen Bank. The Americans for Community Cooperation in Other Nations (ACCION) International, which was established in 1973 in Latin America, is also regarded as another origin of MFI. The founders of microfinance shared a common vision of supplying formal financial services to poor people shunned by banks because their savings were tiny, their loan demand was small, and they lacked loan collateral.

Microfinance has been successful in Bangladesh in terms of outreach[1] and sustainability since the late 1970s and also brought forth reasonable successes in Central and South America in the early 1970s. It has been extended to the Eastern and Central Europe and further spread to the United States and to the Western Europe since the 1970s. The Grameen Bank and Yunus shared

[1]Microfinance institutions in Bangladesh have expanded their outreach from a few thousand clients in the 1970s to over 10 million in the late 1990s (ADB, 2000: 13).

the Nobel Peace Prize in 2006. Its Foundation explicitly states that its mission is to enable the poor, especially the poorest, to create a world without poverty.

Such an approach has brought forth a renewed attention to the latent potential of microfinance as an effective policy instrument for alleviating mass poverty. Several features of Grameen Bank comprise women only policy, frequent repayment schedules, groups lending method, peer-based system and progressive lending program. Such financial approaches have, somehow, contributed to curtail the adverse selection of lenders.

From Rural Credit to Microfinance

The conventional rural credit, which has contributed to close or bridge the consumption wedge between inter-temporal periods, has been transformed into microfinance. Such microfinance has been closely associated with Southern-based poverty alleviation scheme. One of the primary motivations for borrowing in agricultural society is to stabilize consumption in the face of fluctuating incomes. The Asia Development Bank (ADB) Working Paper (2000: 2) maintains the positive role of microfinance in the following way:

'Microfinance can be a critical element of an effective poverty reduction strategy. Improved access and effective provision of savings, credit, and insurance facilities in particular can enable the poor to smooth their consumption, manage their risks better, build their assets gradually, develop their microenterprises, enhance their income earning capacity, and enjoy an improved quality of life.'

The enforcement model through joint liability schemes in both cooperatives and the Grameen Bank relies on the dynamic incentives inherent in the lender's threat to curtail future loans for all members of any group that defaults. The face-to-face group plays an important role in that the personal trust between group members and social homogeneity are more important to group loan repayment than general social trust and acquaintanceship between members.

Changing Patterns of Development Economics

The fundamental difference between economic growth and economic development may be the emphasis of the latter on qualitative aspect. Seers (1969) maintains that an increase in per capita GNP can be a necessary condition, but cannot be a sufficient condition for the achievement of economic development unless there is a real progress for the improvement in mass unemployment, mass poverty and personal income distribution. Freedom is not only the ultimate aim but also the effective means for accomplishing economic development. We may gather that development can be interpreted as the realization of human potentials. Acemoglu (2010) emphasizes the importance of capturing major determinants of economic growth by reflecting special attributes of development stages. Rodrik (2010) also points out that development economists should stop acting as categorical advocates for specific approaches to development. He contends that development economists should instead be diagnosticians by helping decision-makers choose the right model and remedial measures for their specific realities among many competing models. Deaton (2010) is skeptical on what kind of projects can engender economic development by pointing out the inability of experiments for producing more credible knowledge than other methods. Deaton adds that two remaining key issues are the misunderstanding of exogeneity[2] and the handling of heterogeneity.

DEBATES ON THE ROLES OF MICROFINANCE

The United Nations officially declared the year of 2005 as the year of Microcredit. According to the 2007 Micro Summit Campaign Report,[3] microloans to the poor around the world soared to 133 million US dollars in 2006, up from 13 million US dollars just nine years ago. Out of these, loans to the very poor, those living on less than one US dollar a day, reached 93 million families in 2006. It also argues that the microfinance movement is in danger of becoming a victim of its own success. Having pointed out the high profits of the April 2007 Compartamos IPO alongside the level of interest rates charged to their Mexican borrowers, the report claims that increased commercial capital is challenging the very principles on which the microfinance movement was built.

Positive Stances for the Commercial Microfinance

The greatest challenge in microfinance may be to expand the provision of savings services to the poor. There emerged a symptom of demonstrating viability of microfinance in the 1980s which had been regarded as an impasse for feasible MFIs due to lower credit rates and lower income brackets. Morduch (1999 b: 1609) puts forward the positive role of microfinance in the following way. Even if the current enthusiasms ebb, the movement has demonstrated the importance of thinking creatively about mechanism design, and it is forcing economists to contemplate on the nature of poverty, market, and institutional innovation. Chemin (2007: 463) shows a positive, but lower than previously thought,

[2]It refers to such a case that some endogenous variables are treated as exogenous ones. The explanatory power of the model may be reduced to that extent.

[3]Micro Summit has been run by the Consultative Group to Assist the Poor (CGAP), an affiliation of the World Bank, whose fundamental mission is to provide basic financial services to the poor.

effect of microfinance on expenditure per capita, supply of labor, and level of school enrolment for boys and girls by using the technique of statistical matching. He demonstrates how a better investigation at the individual level of the benefits brought and the cost borne could help MFIs select better customers.

Galariotis, Villa and Yusupov (2011: 1371) evaluate that MFIs have successfully extended unsecured small loans to poor and opaque borrowers at the bottom of the economic pyramid by developing joint liability and dynamic incentives. They argue that there is a need to map the theoretical development to cope with recent advances in microfinance contracts by pointing out the deficiencies of theoretic propositions that cannot effectively account for the social mission of microfinance. Imai and Azam (2012) also argue that overall effects of MFI loans on income and food consumption were positive by analyzing the nationally representative household from 1997 to 2004 in Bangladesh. Alternative estimation methods confirm a positive impact of MFI loans on food consumption growth, which supports the poverty reduction effects of microfinance in Bangladesh. On balance, there is positive effect of MFIs on the social and economic situation of poor nations and that the augmentation of commercial approach to the old network would better enable MFIs to reach higher levels of outreach without having to compromise its financial sustainability.

Negative Stances against the Commercial Microfinance

Ahmad (2003: 65) argues that NGOs in Bangladesh are overemphasizing microcredit, which leaves little time and few resources for other problems of the poor, so bringing the whole ‘development’ effort of the NGOs into question. Most field workers reckon that many microenterprises are not sustainable and that in many cases clients will remain dependent on the NGOs for credit. Jahiruddin, Short, Dressler and Khan (2011: 1109) argue further that microcredit in Bangladesh has actually worsened poverty among borrowers and investigate the underlying reasons for such an adverse trend. They add that households living in extreme conditions of poverty who possess minimal or no surplus financial capacity to cope with contingencies are prone to adverse effects of microcredit, and suggest ways to avoid microcredit borrowers falling victims to such unintended consequences.

Bateman (2012) points out that microfinance was actually seen as a tool through which a small circle of Wall Street-style individuals deliberately aimed to get fantastically rich and powerful by making use of the artificial manipulation of the poor and the ethical transgressions of supposedly reputable figures and institutions in India. He adds that financial cooperatives, cooperative banks, credit unions, local and national state development banks, community development banks, and other community-owned and controlled financial institutions are better alternative approaches to alleviate mass poverty.

OUTREACH, SUSTAINABILITY, AND IMPACT OF MFIs

The above debates between advocates for, and opponents against commercial approach may be stemmed from their relative priorities on outreach and sustainability. The former keeps a certain distance from outreach and the latter stresses outreach instead of sustainability. If MFI attaches high priority on its outreach, its sustainability may be jeopardized due to increased moral hazard and adverse selection. If MFI sets high priority on sustainability, its boundary to potential customers will be reduced in parallel with the low credit standing of the poor. It may be required to probe the controversy on outreach and sustainability in order to substantiate the benefits and costs of adopting the commercial approach by tracing out how the rural credit agency has developed into commercial MFIs and further transformed into global MFIs.

Controversies on the Effect of Subsidy

Malhotra (1995) points out the viability of commercial approach on MFI can be analyzed by adopting key factors of sustainability such as interest rates, salary costs, operational efficiency, interest and fee policy, and reporting standards. Conning (1999) argues that tradeoffs between outreach, sustainability and financial leverage are shaped by the endogenous monitoring and delegation costs that arise within a chain of agency relationships subject to moral hazard between borrowers, loan staff, MFI equity-owners, and outside investors. He adds that sustainable MFIs that target poorer borrowers must charge higher interest rates, have higher staff costs per dollar loaned, and are less leveraged if all else equal.

If an MFI would like to raise its financial self-sufficiency (FSS) level, it has to increase revenues or decrease expenses. The subsidy-dependence index (SDI) has been suggested as an alternative measure for FSS that more accurately reflects an MFI’s reliance on subsidies relative to its peers. If an institution would like to raise its SDI level, it has to increase loan revenues or decreases donation. Operational self-sufficiency (OSS) is the ratio of total financial revenue and total financial expenses, which comprise operating expenses and impairment losses. If the OSS is greater than one, it has sufficient revenue from lending to cover its costs.

Christen (2001) argues that commercialization which is characterized by profitability, competition, and regulation, does not have any effect on large differences in loan size between regulated and non-regulated MFIs. The result of applying such a commercial approach has been an increasingly competitive environment, leading to deepening market penetration. He also maintains that this does not represent mission drift because larger loan sizes could simply be the function of different factors, such as choice of strategy, period of entry into the market, or natural evolution of the target group.

Cull, Demirguc-Kunt and Morduch (2007) further argue that subsidy may work as detrimental factor for capacity building because of waste of resources under subsidy. They maintain that high subsidy dependency MFIs are likely to have smaller loan size, and tend to lower FSS. With detailed observations on numerous samples, they provide empirical evidences showing that MFIs with higher SDI are likely to have higher average operating costs. Hudon and Traca (2011) also carry out empirical analysis regarding the effect of subsidies on efficiency, using financial statements of 100 MFIs from 2002 to 2005, obtained from rating agencies. They find that subsidies have had a positive impact on efficiency by finding out that MFIs which received subsidies are more efficient than those that do not. But they contend that subsidization beyond a certain threshold renders the marginal effect on efficiency negatively.

But opponents against such a commercial approach contend that it may increase sustainability at the cost of reduced contours of outreach. Olivares-Polanco (2005) carries out an empirical verification with data collected from 28 Latin American MFIs in order to probe the validities of main contentions of Christen. The regression results of this model indicate that the type of institution, in terms of NGO versus financial institution, regardless of being regulated or not, has no effect on loan size. On the contrary of the conclusion of Christen, it appears that more competitions may lead to larger loan sizes and less depth of outreach. It confirms an old belief in microfinance that there is a trade-off between depths and sustainability. Put it another way, the smaller the loan size, the deeper the outreach.

Financial Innovations for Augmenting Commercial Approach

Blue Orchard Loans for Development, the strategic alliance between Blue Orchard and Morgan Stanly, issued the Collateralized Debt Obligation with the magnitude of 110 million US dollars in the late1980s. It extended funds to 20 MFIs which covered about 70,000 borrowers. Several MFIs have resumed the social business enterprises that provide medical service, telecommunication and energy. Such microfinance operations may be matured enough to supplement previous roles of aid.

The newly rearranged domains of donors and experimental credit projects, which almost exclusively resume the operation of microfinance, has evolved during in 1990s into an industry with prospects for financial viability, offering broader ranges of services and significant opportunities for expansion. The focus of donors has been on financial or social performance. But the advocators for sustainability of MFIs maintain that financial services for the poor must be market-driven forces. They point out that a more robust and reliable criterion than financial performance is economic efficiency.

Walji (2010) of the World Bank points out that the great leap-forward of global MFIs over the last several decades has really moved the needle in international development by revolutionizing financial services to the poor. He insists on the positive roles of global MFI, which has grown into the multibillion dollar microfinance industry, as an effective means of facilitating international development by augmenting financial innovations. He adds that micro entrepreneurs often fill the gaps where markets and public agencies fail to meet the needs of poor customers and citizens. ADB also contends that the commercial viability of MFI is feasible by implementing financial innovations. Woller (2002) explains that the microfinance movement qualifies as a revolution in that it radically overturned established ideas of the very poor as consumers of financial services. He concludes that MFIs can best promote financial sustainability and achieve deep outreach by focusing on the needs and wants of the very poor and creating products and services valued by them.

TRAJECTORIES AND PERSPECTIVES ON MICROFINANCE

Historical Aspects

Jonathan Swift in Northern Ireland organized the microfinance Fund in 1700s in order to extend credit to poor peasants who have no collaterals. Raiffeisen of Germany established credit cooperatives in 1849. The claim of credit cooperatives to fame was their ability to make and obtain repayment on very small loans from people who had no assets acceptable to a commercial lender. Such a movement had been spread not only in Europe but also expanded to the Latin America in the early 1970s.

It may be quite natural that the cooperative patterns of MFI can be free from the higher rates of interests like those of kerb markets in that they are desperate to extend outreach within their maneuvering range of sustainability. New business models based on commercial banks had been introduced in the mid-1990s. In 2000s, the MFIs have developed into the large-scale in terms of capital and operation realms, internationalization and commercialization. A minor new development may be the application of microfinance to the urban poor households in industrialized counties. The Street UK of the United

Kingdom, the ADIE of France, the Fundacion Sol Mon in Spain and Aspire of Ireland belong to such categories.

According to the 'dual gap model' of Chenery and Strout, most developing nations need investible funds to build factories or social overhead capital such as harbours, airports or highways. But their savings have been far below the required investment. Besides there have been chronic trade deficits as their imports exceed their exports. Proponents of this model maintain that it may be necessary for developing countries to accommodate foreign aids from rich nations as a means of closing or bridging such gaps. Some portions of microfinance from international economic institutions and global MFIs can be classified as public and private capital inflows which exhibit transformed attributes of official aids.

Project financing has been developed and adopted by industrialized countries as a useful approach to the formation of capital. It is quite similar with the self-supporting financial system or business accountability. It has been also used to increase the capital formation in the corporate sector by linking debts with equities within the boundaries of a certain project or operational unit. Global MFIs and International financial institutions have, somehow, captured pivotal momentums to make a further shift toward microfinance based on project financing.

Geographical Facets

Southeast Asia may be featured by its operation anchored in agrarian society with group responsibility and priorities for women. Pancho Otero, founder of PROEM, is well known for its pioneering work on a zero arrears – zero offs model in Bolivia. Several multinational enterprises have allocated microfinance in the Middle East and Africa region as an extension of their activities of meeting corporate social responsibilities.[4] Most government interventions are designed to resolve pending issues with ad-hoc actions and are devoid of strategic approach in the long run. Most microfinance in Africa has been extended as rural credit as a means of smoothing the consumption in the agricultural or mining sectors.

The United States and the United Kingdom have made use of microfinance as supplementary function for regional development of lower income inhabitants. The United States has implemented financial programs for supporting lower income households since the 1970s by launching the 'Community Reinvestment Act' in 1977. Australia and New Zealand implement MF as a means of extending small amount of loans to lower income bracket. Australia supports the CGAP to build a stronger worldwide microfinance industry.

The new members of the EU have captured pivotal momentums by fully making use of MFIs as supplementary roles which are not covered at the early stages of commercial banking system. Most funds to new member nations have been channeled from abroad and extended to the small and medium-sized enterprises (SMEs) instead of households. The MFIs in this region may have successfully marketed their new products by reducing moral hazard and/or adverse selection.

For the old members of the EU, microcredit has been more akin to micro-lending than microfinance which combines finance with business support services. The Giordano Dell' Amore Foundation contends that social inclusion and employment creation are given more priorities to profitability although microfinance makes sense economically. The European Parliament supports this procedure with the catch-phrase of 'The European microfinance facility for employment and social inclusion'. The old member nations have implemented microfinance as an extension of social safety network, thus, they may attach more emphasis on outreach instead of sustainability.

ALTERNATIVEAPPROACH FOR EVALUATING MICROFINANCE

Importance of Contextual Settings and Intrinsic Role of Microfinance

It may be rather indispensable or prerequisite to clarify the intrinsic nature of microfinance without which it may be highly improbable to reach an appropriate evaluation. Microfinance may be classified into the following five categories on the basis of its inherent attributes or purposes between outreach and sustainability. (1) If it is provided to peasants in the agrarian society as a means of extending the time horizon of current consumption with future income streams, the inverse relationship between outreach and sustainability may be mitigated. But its role may be less influential on economic development compared with those other roles of capital formation, labor absorption, technology choice and irrigation. (2) If it is extended to the SMEs to supplement market failure aspects, it brings forth synergistic effects in terms of the outreach and sustainability as an extension of development banking. (3) If it is extended to the urban or rural poor with preferential interest rates within the government budgets, such organizations may attach prime importance on outreach instead of sustainability. (4) If it is extended through MFIs with commercial motivations, the problem of outreach may be resolved to the extent of commercial viabilities. (5) If it is provided by global MFIs which resort on the hypothesis of profit maximization, there emerges a stark inverse relationship between outreach

[4] Coca Cola is one of such companies which allocate microfinance to Africa to meet its CSR.

and sustainability due to their high priorities on return on assets or return on equities.

Most positive stances on sustainability are based on the asymmetric information and the risk-pooling in the context of general equilibrium by applying econometric models. Most negative stances on sustainability are based on the asymmetric information and more broad approaches of development economics or development studies, some of which are also adopting econometric methods. The common threads of two different strands are asymmetric information and quantitative methods. The positive stance attaches its utmost importance on the sustainability without which the scope of outreach may be reduced. But the negative one refutes the commercial approach based on sustainability by pointing out the erosion of the intrinsic role of microfinance on the outreach for the poor. Such polarized versions may stem from their relative priorities on the outreach and sustainability.

The chief executive officers of global MFIs operate microfinance with the premise of profit maximization without any coherent goals whereas most foreign aids before the collapse of the Cold War had been provided as a means of increasing imperial influence and deterring communist expansion. Despite having achieved their partial achievements in the realms as social investors, such microfinance may be interpreted as malleable or putty-putty clay type aids which may be easily transformed into other types of microcredit for meeting other objectives via fungibility. The global MFIs may reduce the boundary of outreach for poor families by their heavy resort on the patterns of project financing.

If global MFIs attach their utmost importance of procuring their profits on the ground of enhancing sustainability, the microfinance may not be 'micro' any more in an analogous way of the contention of Ladejinsky (1970) on the impact of 'Green Revolution' on the agrarian economies in the East Asia regions. The original prefix 'green' may be derailed if the profit margins generated by marketing petrochemical fertilizers are unduly emphasized. By the same analogy, the unduly strong emphasis on the sustainability from the viewpoint of commercial banking may contribute for the retardation of the original goal of microfinance for alleviating mass poverty. Such a contention may be equally applied for the evaluation on the triangle relationship among outreach, sustainability and impact.

Alternative Approach for Accommodating the Contextual Differences

It follows that there seems to be no single universal criterion for evaluating the outreach, sustainability, and welfare impact of microfinance. Another problem may arise from the lack of available data with common standards. For instance, Morduch (1999 a: 236) calculated that the sum of the direct and indirect subsidies to the Grameen between 1985 and 1996 reached US 16.4 million dollars while Grameen reported US 1.5 million dollars. Such an enormous wedge may be caused by the premature conditions in a dual economy to collect relevant fixed and variable costs.

Judging from the brief comparative analysis on the operation of microcredit between the old and the new member nations of EU, it may be rather a moot point to argue the superiority of between outreach and sustainability without fully taking into account different economic and social contexts. The unduly high returns of several MFIs in Bangladesh may meet the necessary condition for the sustainability of MFIs, but it may fail to cater for the sufficient condition of MFIs for alleviating mass poverty. It may be highly improbable to be free from the inverse relationship between the outreach and sustainability unless such subsidies are provided from the public authorities or private donation organizations.

Merland and Storm (2009) argue that monitoring, coordinated by a wide range of stakeholders such as saving bank associations, depositors, and local communities, plays an important role in securing the survival of not-for-profit savings banks whose major customers are wage earners. Larger board size decreases the average loan size while individually guaranteed loan increases it. They further maintain that a willingness to expand their mission to serve wealthier customers alongside the poor help savings banks become financially viable. They put forward that these findings could prompt a rethinking of microfinance governance, which stresses regulation, for-profit ownership, and traditional vertical board control. They endeavor to strike a balance between outreach and sustainability by taking into account the possible conflicts between stakeholders and shareholders. Their argument may be, nonetheless, more applicable for not-for-profit MFIs than for-profit ones.

In line with the contention of Mersland and Storm, Kar (2011) argues that it may be recommended that MFIs should try to replace small-sized loans with bigger ones when costs are increasing. Kar further maintains that such a corporate strategy may raise the mission drift for efficient MFIs, but that it can be an appropriate one for relatively vulnerable and inefficient MFIs by allowing the possible compensation for the negative impacts of high average costs with increased revenues. Kar adds that the concerns for mission drift can be reduced or counterbalanced to a large extent by demonstrating the more extended loans to poorer clients based on factor analysis. If one gathers the contentions of Acemoglu, Rodrik, and Deaton on the paradigm shift of development economics, it may be rather prerequisite to take into account special attributes of development stages, shifts from categorical advocates for specific approaches to diagnosticians for remedial measures for their idiosyncratic realities, and pending difficulties to capture exogeneity and heterogeneity among a wide range of factors. It may be also required to reflect the special context of affinities of small groups which exerts more leverage than that of social accord. But no matter how elaborate those analytical tools of quantitative methods for the identifying the causation between outreach and sustainability, it may be equally difficult to reach a plausible conclusion of the triangular relationship between the outreach, sustainability, and the welfare impact of microfinance without making a distinction between not-for-profit and for-profit MFIs.,

The outreach may be curtailed for-profit MFIs as they prefer to provide large magnitude of loans for reducing transaction cost. The evaluation of welfare impact may be more complicated due to the uncertain outcomes between outreach and sustainability. It may be, thus, reasonable to evaluate microfinance by making a distinction between not-for-profit and for-profit MFI to be free from such an entangled controversies. Our tentative conclusion is that an evaluation on microfinance may attach its utmost importance on the outreach for the not-for-profit MFIs. The cooperative MFIs may be, thus, ideal patterns to accomplish such goals compared with the global MFIs augmented with commercial approach. The sustainability may be treated with the secondary importance for such MFIs. Although it fully admits that sustainability may be still an important element for the for-profit MFIs, the intrinsic role of outreach need to be insulted from unduly high priority on sustainability by allowing the participation of relevant stakeholders. There emerges an imperative need to carry out empirical verifications on such a caveat for the for-profit MFIs, particularly for the global for-profit MFIs, by reflecting the wide range of contextual differences in terms of economic and social aspects.

CONCLUSION

The microfinance funded domestically may be classified as an extension of development banking in that its interest rates are much lower than those of commercial banks. The microfinance extended from international financial institutions or global MFIs can be classified as public and private capital inflows which retain a transformed attribute of official aid. Project financing has been flourishing since the collapse of cold war in the late 1980s in parallel with the languished role of aids. Such a movement has further proceeded from project financing to microfinance supported by international financial institutions or global MFIs. Most global MFIs have shown a megatrend of pursuing higher profit by augmenting financial innovations. One may be still reluctant to make a blank endorsement on the success of global MFIs if one comes across with those reports on the hefty returns on their investment. The unduly high priority on sustainability of global MFIs eclipses the intrinsic role of microfinance for alleviating financial hardships. Such an approach obviously violates the original goal of microfinance for reducing the social and financial exclusion of the poor. The conceptual basis of social investors put forwarded by the international financial institutions or global MFIs are not so much convincing because the jargon still keeps a certain distance from accommodating the contextual differences.

This article puts forward that the prime objective of microfinance may be outreach and sustainability may be the secondary one. It also recommends that the operation of microfinance may be designed with tailor-made approach instead of unified one by taking into account the different contextual meaning of microcredit tinted with diversified settings of economic and social environment. This article attempts to pioneer further frontiers for microfinance operation by demonstrating the need to reflect relevant economic and social objectives before arguing the superiority between outreach and sustainability. It also points out the need for installing surveillance system on the global MFIs as well as the recipient nations to coordinate the financial and social priorities of microfinance. This article leaves empirical verifications on the roles of different patterns of MFIs to the forthcoming researches for capturing those contours beyond the ongoing controversies on triangular junction among the outreach to the poor, financial sustainability, and welfare impact. Our forthcoming research is tentatively formulated for carrying out empirical verifica1ions by amalgamating the special attributes of socioeconomic contextual differences with the conventional approach in an analogous way of a new approach to consumer theory introduced by Lancaster.

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