

CAPITAL STRUCTURE AND SOCIO-FINANCIAL PERFORMANCE: A STUDY OF SELECT INDIAN MICROFINANCE INSTITUTIONS

Abstract of Thesis

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ABSTRACT

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Introduction

Poverty, across all the developing and under-developed nations, has been the most contemporary issue for discussion. Since Independence of India, various initiatives like insurance, subsidies, health benefits, security, etc. were introduced in order to eradicate poverty and help the needy ones but irrespective of the measures taken the facts reveals an astonishing report. According to the survey report of the Suresh Tendulkar Committee report, the below poverty line or BPL population in India in the years 2009-2010 was of 354 million (being 29.6% of the total population) and 269 million in the years 2011-2012 (being 21.9% of the total population).

India is one of the fastest growing economies in the world; poverty has been on a decline with close to 44 Indians escaping extreme poverty every minute, as per the World Poverty Clock. India has been able to lift significant percentage of its population out of poverty but many still live below it. It had 73 million people living in extreme poverty which makes up 10% of its total population according to Brookings report. It was a minimal 3.6% in terms of percentage. As of 2016, the incidence of multidimensional poverty has almost halved between 2005-06 and 2015-16, climbing down to 33.8 percent from 54.7 percent.

One tool among many that provide credit assistance to poor is microfinance which has extended its prominence in past decades after the success of Grameen Bank model of Bangladesh and UN declaring 2005 as the year of Microcredit. Microfinance Institutions offer small loans and savings services to those who are excluded from commercial financial services. Microfinance is perceived as a key strategy developed for eradicating poverty all over the world.

Review of Literature

Sharif (2018) in his study measure the performance of the Microfinance institutions in India, the pertinent information relating to Loans Disbursed, Loans Outstanding, Client Outreach, Assets, etc. was gathered for the time period 2012-13 to 2016-17.

The indicators relating to overall financial structure such as Return on Assets and Return on Equity, Capital Adequacy Ratio have increased over this period.

Dutta and Das (2016) they observed that the Microfinance industry in Assam has developed as a market comprising of small or medium NGO-MFIs. The MFIs are operational in twenty two districts of Assam, with a grid of 199 branch offices. The study concluded that the total expenses of the MFIs, which take account of Operating Expense, Financial Expense and Loan Loss Expense, exhibit an increasing trend in Assam. Finally the study suggests that MFI can achieve sustainability, either by increasing their yield, or by decreasing their expenses.

Prakash and Malhotra (2016) observed the trend in the Microfinance industry for the period of 2005-13 by take in the variables which impact financial sustainability are Return on Assets, Portfolio at Risk, Operational Self-Sufficiency, Return on Equity, Operational Expenses to Loan Portfolio, Age, Profit Margin. The research study examined the determining factors of financial sustainability of the Microfinance Institutions with the help of balanced panel data set for 30 Microfinance Institutions computing 270 observations that were carried for econometric analysis. It is found that Capital Asset Ratio, Operational Self-Sufficiency, Portfolio at Risk and Operating Expenses to assets impact the financial sustainability. Hence, it can be concluded that by managing these factors, financial sustainability of the MFIs could be improved.

Boamah and Richard (2014) conducted the research to study the effect of capital structure and its factors Ghana Stock Exchange listed companies of 2006 to 2011 period. With the research and OLS model of regression, the various determinants have been studied i.e. Profit After-Tax, Price Volatility, Size, Earning per Share, Return on Equity, Growth in Assets, and Liquidity. The study concludes the analysis the main determinants of listed companies which are Cost on Equity, PAT and Size of the company and conditioned with the note that PAT as the most important factor in paying dividend to the investors.

Statement of the Research Problem

The complete explanation of the research problem initiates the entire process of research. Across the globe, every country has always had to discuss the most contemporary issue pertaining in the society which is poverty in the eyes of the

Government and the Academia as well. After independence, various initiatives viz., subsidies and grants, health insurance, health benefits, etc. were implemented with an objective to improve the living standards of the poor and to facilitate the eradication of poverty, but somehow the ultimate results of such struggles were found to be unsatisfactory. The people residing in the downtrodden parts of the society, especially women, have been benefitted maximum across the globe with the effective functioning of Microfinance Institutions whereby offering financial services to them along with providing supreme access to it. But social and financial performance of Microfinance Institutions (MFIs) is interrogated over and over again. MFIs must to be economically viable and sustainable in long run, however economic inferences of long term sustainability are not being considered. Several researches has been done on measuring the financial sustainability, impact of MFIs on women etc. but very few researchers have focused on the financial performance of the MFIs and the rarest research has been done on socio-financial performance of MFIs. Social performance and Financial Performance of microfinance institutions is the key dimension of microfinance sustainability.

Microfinance, as a practice grew in many parts of the world, especially with respect to being sustainable financially for long-term and functionally sustainable. Such Microfinance Institutions pressurized many countries as well as India to stay sustainable for a longer term of action and this sustainability can be achieved only when the MFIs performs well in its social and financial activities. In India, when the social performance and financial performance of the Microfinance Institutions were researched, it was found to be scanty. In the long run, to be functionally sustainable, Microfinance Institutions faces lot of problems to accumulate funds, but the contributors and the sponsors help the Microfinance Institutions to attain the societal objective. Therefore, with the occurrence of some omissions recognized in the review of literature socio-financial performance of the Microfinance Institutions registered in India needs to be measured and so an index also needs to be developed. The index should take under all the chief indicators which are needed to measure the social-financial performance of MFIs in India.

Henceforth, this research focuses on evaluating the impact of capital structure on the financial and social performance of such Microfinance Institutions. Furthermore the

research focuses on evaluating the Microfinance Institutions which provide debt financing and if they bring large number of borrowers who are poor under their outreach. The Microfinance Institutions have an uncertainty of which style of capital structure (depending on debt financing or equity financing) impacts the growth, outreach, profitability, depth and the efficiency of their performance.

The above mentioned issues act as the backdrop, and thus the study has researched over the effects of capital structure on the socio-financial performance of the Microfinance Institutions.

Significance of the Study

India is deeply affected with the nonexistence of economic wisdom, knowledge, awareness and levels of literacy among the poor. Therefore, the Microfinance Institutions are unsuccessful to attain the targeted standards which it had decided to achieve primarily. So, it is very important to link out the main reason behind such performance by the MFIs and that why they couldn't achieve the desired levels of excellence. Moreover, the social and financial performance standards requires to be defined for the Microfinance Institutions in India which atleast provides an appropriate justification for the diminishing and weakening standards of performance of the Microfinance Institutions, wherein this being the significance of the research.

The study done on the capital structure pertaining in the Microfinance Institutions was of significant importance because of many reasons. Some of them are discussed below:

- The ultimate findings of the research study will aid to be the primary source and major means of providing data to the Microfinance Institutions, the chief shareholders of associations and management in the process of making decisions regarding their capital structure and settling upon the ratio of fund accumulation over expenses and debt financing over equity financing for appropriate decisions to be taken.
- The findings of the research will facilitate the MFIs to choose appropriate financiers of debt and the exact ratio of savings for their functioning with respect to agreement of contracts and interest and also to comprehend and understand the

ways to estimate the debt financing's maximum amount which can be believed and that will bring an increase to the value of the firm.

- The Microfinance Institutions are using the various strategies implemented by the Government to minimize the amount of funds borrowed by them and also to provide assistances to the members sustainably.
- This study contributes to addition of knowledge towards the fields of management and finance specifically in many organizations while in the process of decision making and it also facilitates researchers to conduct their research in future.

Rationale of the Study

- The socio-financial performance and capital structure are meticulously correlated and mutually dependent on each other. Thereby, they form a significant relationship with each other and the support of both the factors facilitates the acceleration of the financial ecosystem.
- The findings of the research benefits the researchers and the theorists, the shareholders or investors, the investment consultants and the managers of the MFIs with appropriate information on the socio-financial performance and capital structure which will facilitate them to focus completely on the models implemented by the MFIs and their value to them as well.
- The empirical researchers and theorists are benefitted with more information about the impacts of the elements of capital structure and socio-financial performance. It also contributes to them as a base to conduct any such future research on the same topic specifically with other varying variables and evaluating their economic credibility and thereafter excluding any unauthentic relationships.
- With respect to the managers, if there is existence of positive impacts of capital structure, sources of funds and socio-financial performance or the stakeholder's value, then they may feel motivated to devote more efforts and time in managing and sourcing such funds. They might also find some interest in examining the fundamental bases of their relationship in order to create a base of allocation of resources too.

Objectives of the Study

The study entitled “Capital Structure and Socio-Financial Performance: A Study of Select Indian Microfinance Institutions” has following objectives:

Objective 1: To measure the levels of financial performance of Microfinance Institutions.

Objective 2: To measure the levels of social performance of Microfinance Institutions.

Objective 3: To analyse the association between financial and social performance of Microfinance Institutions with the Capital Structure of the same.

Objective 4: To establish a framework for understanding of financial and social performance of Microfinance Institutions.

Research Hypothesis

Based on the above objectives following research hypothesis have been framed:-

- **Financial performance**

H₀₁- Capital Structure has no significant relationship with the Return on Assets

H₀₂- Capital Structure has no significant relationship with the Return on Equity

H₀₃- Capital Structure has no significant relationship with the Tobin Q

- **Social performance**

H₀₄- Capital Structure has no significant relationship with the Breadth of outreach

H₀₅- Capital Structure has no significant relationship with the Depth of outreach

H₀₆- Capital Structure has no significant relationship with the Length of outreach

H₀₇- Capital Structure has no significant relationship with the Scope of outreach

H₀₈ - Capital Structure has no significant relationship with the Cost of outreach

H₀₉ - Capital Structure has no significant relationship with the Worth of outreach

Research Design

The research design is a combination of exploratory and conclusive research design where an effort is made to primarily design a theoretical framework of socio-financial performance and capital structure and then the same framework is used to measure the levels of capital structure and socio-financial performance of the Microfinance Institutions in India.

In this research study, all Microfinance Institutions indexes in the list of Microfinance Information Exchange Market (MIX) are taken into consideration as a sampling unit.

In this research study, 50 Microfinance Institutions of India are selected as the sample size, the ones mentioned and indexed in the list of Microfinance Information Exchange Market (MIX). The adequate sample size is decided from the inferences drawn from previous and similar research studies.

In the initial phase of the study, Microfinance Institutions of India are chosen with non-probability judgmental sampling technique. The basis of choosing the Microfinance Institutions is the scope and quality of their information. The Microfinance Institutions selected are of two categories i.e. NGO category while other is NBFC category. The frequency of reporting data to MIX by Microfinance Institutions, their age and their portfolio size are the basis on which the quality of MFIs have been viewed and judged.

Data Collection

The primary data was collected from respondents i.e. representatives of the MFIs by conducting face to face interviews using structured schedule as a data collection instrument. The instrument was developed after comprehensive discussions with various participants such as experts, bank officials and the targeted respondents.

The secondary sources of data with reference to performance indicators and capital structure dimensions were taken from the database of MIX (www.mixmarket.org) and various other sources such as newspapers articles, journals, reports and books delivered by NABARD, Sa-Dhan, Micro finance Status in India Report, USDAI etc.

Variables Considered in the Study

The objectives of the study are achieved with the help of different variables selected on the basis of detailed literature review as well as expert discussion.

For Objective1	For Objective 2	For Objective 3	For Objective 4
Return on Equity	Breadth of outreach	ROA <i>Dependent Variable</i>	ROA <i>Dependent Variable</i>
Return on Assets	Depth of outreach	ROE <i>Dependent Variable</i>	ROE <i>Dependent Variable</i>
Debt Equity Ratio	Length of outreach	Tobin's Q <i>Dependent Variable</i>	Tobin's Q <i>Dependent Variable</i>
Operational Self Sufficiency	Scope of outreach	Breadth of Outreach <i>Dependent Variable</i>	OSS <i>Dependent Variable</i>
Gross Loan Portfolio	Cost of outreach	Depth of Outreach <i>Dependent Variable</i>	FSS <i>Dependent Variable</i>
Yield on Gross Loan Portfolio	Worth of outreach	Length of Outreach <i>Dependent Variable</i>	Debt Equity Ratio <i>Independent Variable</i>
Average Growth rate		Scope of Outreach <i>Dependent Variable</i>	Debt Asset Ratio <i>Independent Variable</i>
		Cost of Outreach <i>Dependent Variable</i>	Firm Size <i>Independent Variable</i>
		Worth of Outreach <i>Dependent Variable</i>	Breadth of outreach <i>Dependent Variable</i>
		Debt Equity Ratio <i>Independent Variable</i>	Depth of outreach <i>Dependent Variable</i>
		Debt Asset Ratio <i>Independent Variable</i>	Length of outreach <i>Dependent Variable</i>
		Firm Size <i>Independent Variable</i>	Scope of outreach <i>Dependent Variable</i>
			Cost of outreach <i>Dependent Variable</i>
		Worth of outreach <i>Dependent Variable</i>	

Data Analysis and Methods

The following statistical techniques are practically applied to the study. The diverse variables concerning the Capital Structure and Socio-Financial Performance are selected from different sources of data collection specified above, of the selected and respective Microfinance Institutions in this research study. Various Univariate and Multivariate data analytical techniques such as Mean and Standard Deviation, Correlation, Regression and Factor Analysis have been employed to get the meaningful results.

Analytical Findings

The findings of the study are divided into four parts based on the objectives of the study. The findings represent the outcomes generated from the data analysis:

➤ Levels of Financial Performance of MFIs

- **Return on Equity:** Across the given MFIs, Bhartiya Micro (25.89%) is seen to have a higher ROE followed by the SV Creditline (21.79%). Also, Spandan (-65.28%) is seen to have the lowest ROE followed by the MFI Sonata (0.74 %).
- **Return on Assets:** It is also found that Sanghamithra across the given sample size secures the highest ROA (4.70%) followed by RGVN. Also, Fusion (0.11%) scores the least ROA among the given list of Microfinance firms, whereas mean figures are (2.22%).
- **Debt Equity Ratio:** It is also found that Agora in the given representation has lowest Debt Equity ratio (1.26%) followed by Disha Microfinance while Cashpor has the highest Debt Equity ratio (8.05%) followed by Annapurna.
- **Operational Self-Sufficiency:** The data depicts that among the 50 selected MFIs, 30 have a positive increasing long-term trend and 20 are having a declining OSS and the remaining. Out of the 30, 10 are having an OSS increasing on an average of 5 per cent over last three years. Though a static low growth trend, OSS is one of the instrumental factors which influence long-term financial sustainability.
- **Gross Loan Portfolio:** 60 per cent of the samples have an average Gross Loan Portfolio below INR 250 Crores and the rest 40 per cent have an average Gross Loan Portfolio exceeding INR 250 Crores. Out of these 40 per cent, 8 have an average Gross Loan Portfolio higher than INR 500 Crores.
- **Yield on Gross Loan Portfolio:** The average figures for the yield on its Gross Loan Portfolio as can be seen ranges from a bare minimum of 6.55 per cent to as high as 30.10 per cent. The mean as it turns out to be near 21 per cent. An average figure of 20 to 30 per cent also shows a good performance of the Microfinance Institutions for the duration under study.
- **Growth Rate - Assets:** The growth rate in assets range from a negative minimum of 9.65 per cent to as high as 83.10 per cent on a positive side. The average as it

turns out to be near 32 per cent. An average figure of 15 to 30 per cent also shows a good performance of the Microfinance Institutions for the duration under study.

- **Growth Rate - Borrowings:** The growth rate in borrowings range from a negative minimum of 12.97 per cent to as high as 52.10 per cent on a positive side. The average as it turns out to be near 31 per cent. An average figure of 10 to 30 per cent also shows a good performance of the Microfinance Institutions for the duration under study.

➤ **Levels of Social Performance of MFIs**

- **Breadth of Outreach:** The first indicator is calculated using the log of active borrowers. The data indicates that the average number of borrowers were 733411.7 (by using the actual figures). Further, minimum number of borrowers were 11408 and maximum number of borrowers were 5888750.
- **Depth of Outreach:** The data indicates that the average loan size per borrower. The data indicates that the average Loan Size per Borrower was INR 23930.5264 (by using the actual figures). Further, minimum Loan size per borrower was INR 443 and maximum Loan Size per Borrower was INR 197473 approximately.
- **Length of Outreach:** The table indicates that the minimum figures for the above indicator are nil while maximum ranges around 19.70%. The average figures range around 3.3642%.
- **Scope of Outreach:** The data indicates that average number of distinct loan products were 6.3800. The number of variants in product design were as low as 1 to as high as 14.
- **Cost of Outreach:** The table is created by using the average figures of nominal yield on gross loan portfolio. The data indicates that the average is around 20.9445%. The minimum figures are 6.55% while finding the minimum and increased to a maximum of 26.60%.
- **Worth of Outreach:** The above indicator is calculated using the Loan Loss rate. The data indicates that the average loan loss rate is around 0.78. The figures reduced to nil while finding the minimum loan loss rate and increased to as high as 11.59.

➤ **Association between Socio-Financial Performance and Capital Structure**

- **ROA and Capital Structure:** Return on Asset has a positive relationship with Net Worth (0.523) and Asset Tangibility (0.621) at 5% confidence level and $p < 0.05$. ROA is negatively correlated with Firm Size (-0.19), Debt Equity ratio (-0.089) and Debt to Asset ratio (-0.259) respectively at 5% confidence level. Whereas, F-Value = 6.638, $p < 0.05$.
- Therefore, it is found that the regression model is a good fit of the data. This means that for every unit increase in Debt Equity ratio, Debt to Asset ratio and Firm Size; there is a decrease by a multiple of 0.149 (D/E ratio) and 0.229 (D/A ratio) and increase by a multiple of 0.112 (FS) plus constant of 4.401 in Return on Assets.
- Based on the Coefficients-Regression Model, p value for Debt Equity ratio is 0.214 and Firm Size is 0.063 which is not significant at 5% level of significance for Debt to Asset ratio p value is 0.000 which is significant at 5% level of significance.
- **ROE and Capital Structure:** It is found that ROE is mildly correlated with Net Worth (0.114), Firm Size (0.092) and Asset Tangibility (0.129) at 5% confidence level and the $p > 0.05$. ROE is positively correlated with Debt to Asset (0.632) and Debt to Equity ratio (0.743) respectively at 5% confidence level and $p < 0.05$. Whereas, F-Value = 9.481, $p < 0.05$.
- Therefore, it is found that the regression model is a good fit of the data. This means that for every unit increase in Debt Equity ratio, Debt to Asset ratio and Firm Size; there is a decrease by a multiple of 1.434 (D/E ratio) and increase by a multiple of 0.906 (D/A ratio) and 4.072 (FS) plus constant of 23.112 in Return on equity.
- Based on the Coefficients-Regression Model, p value for Debt Equity ratio is 0.119, Debt to Asset ratio is 0.619 which is not significant at 5% level of significance for Firm Size p value is 0.000 which is significant at 5% level of significance.
- **TOBIN'S Q and Capital Structure:** It is found that Tobin's Q is mildly correlated with Debt Equity ratio (0.025) and Debt Asset ratio (0.212) at 5%

confidence level and $p > 0.05$. Tobin's Q is negatively correlated with Asset Tangibility (-0.006) and Firm Size (-0.191) at 5% confidence level and the $p > 0.05$. Tobin's Q is positively correlated with Net worth (0.569) at 5% confidence level and $p < 0.05$. Whereas, F-Value = 10.452, $p < 0.05$.

- Therefore, it is found that the regression model is a good fit of the data. This means that for every unit increase in Debt equity ratio, Debt to asset ratio and Firm Size; Tobin's Q would decrease by a multiple of 0.001 (D/E ratio), 0.010 (D/A ratio) and 0.017 (FS) plus constant of 0.401 in Tobin's Q (see equation 3).
- Based on the Coefficients-Regression Model, p value for Debt Equity ratio is 0.727 and Debt to Asset ratio is 0.120 which is not significant at 5% level of significance for Firm Size p value is 0.000 which is significant at 5% level of significance.
- **Breadth and Capital Structure:** Breadth of outreach is positively correlated with Debt Equity ratio (0.442) and Debt to Asset ratio (0.521) respectively at 5% confidence level and the $p < 0.05$. It is found that Breadth of outreach is negatively correlated with Net Worth (-0.048), Firm Size (-0.044) and Asset Tangibility (-0.102) at 5% confidence level and $p > 0.05$. Whereas, F-Value = 8.420, $p < 0.05$.
- Therefore, it is found that the regression model is a good fit of the data. This means that for every unit increase in Debt Equity ratio, Debt to Asset ratio and Firm Size; there is an increase by a multiple of 0.734 (D/E ratio), 1.239 (D/A ratio) and 0.341(FS) plus constant of 408166.21 in Breadth of outreach.
- Based on the Coefficients-Regression Model, p value for Debt Equity ratio is 0.000, Debt to Asset ratio is 0.001 and Firm Size is 0.031 which is significant at 5% level of significance.
- **Depth and Capital Structure:** It is found that Depth of outreach is mildly correlated with Net Worth (0.023), Firm Size (0.312) and Asset Tangibility (0.234) at 5% confidence level and $p > 0.05$. Depth of outreach is positively correlated with Debt to Asset (0.423) and Debt to Equity ratio (0.411) respectively at 5% confidence level and $p < 0.05$. Whereas, F-Value = 9.481, $p < 0.05$.

- Therefore, it is found that the regression model is a good fit of the data. This means that for every unit increase in Debt Equity ratio, Debt to Asset ratio and Firm Size; there is an increase by a multiple of 2.380 (D/E ratio) and 66.366 (D/A ratio) and decrease by a multiple of 5.428 (FS) plus constant of 75.419 in Depth of outreach.
- Based on the Coefficients-Regression Model, p value for Debt Equity ratio is 0.321, Debt to Asset ratio is 0.684 and FS is 0.370 which is not significant at 5% level of significance.
- **Length and Capital Structure:** It is found that Length of outreach is negatively correlated with Net Worth (-0.011), Firm Size (-0.044) and Asset Tangibility (-0.112) at 5% confidence level and the $p > 0.05$. Length of outreach is positively correlated with Debt to Asset (0.112) and Debt to Equity ratio (0.238) respectively at 5% confidence level and $p > .05$. Whereas, F-Value = 3.420, $p < 0.05$.
- Therefore, it is found that the regression model is a good fit of the data. This means that for every unit increase in Debt Equity ratio, Debt to Asset ratio and Firm Size; there is a decrease by a multiple of 0.031 (D/A ratio) and increase by a multiple of 0.009 (D/E ratio) and 1.231 (FS) plus constant of 0.12 in Length of outreach.
- Based on the Coefficients-Regression Model, p value for Debt Equity ratio is 0.001 and Debt to Asset ratio is 0.000 which is significant at 5% level of significance for Firm Size p value is 0.439 which is not significant at 5% level of significance.
- **Scope and Capital Structure:** It is found that Scope of outreach is negatively correlated with Net Worth (-0.048), Asset Tangibility (-0.102) and Firm Size (-0.044) at 5% confidence level and $p > 0.05$. Scope of outreach is positively correlated with Debt to Asset (0.238) and Debt to Equity ratio (0.112) respectively at 5% confidence level and $p > 0.05$. Whereas, F-Value = 1.784, $p > 0.05$.
- Therefore, it is found that the regression model is a poor fit of the data. This means that for every unit increase in Debt Equity ratio, Debt to Asset ratio and Firm Size; there is a decrease by a multiple of 18.499 (D/E ratio), 122.909 (D/A ratio) and 8.797 (FS) plus constant of 313.899 in Scope of outreach.

- Based on the Coefficients-Regression Model, p value for Debt Equity ratio is 0.202, Debt to Asset ratio is 0.217 and Firm Size is 0.807 which is not significant at 5% level of significance.
- **Cost and Capital Structure:** It is found that Cost of outreach is positively correlated with Net Worth (0.044) and Firm Size (0.107) at 5% confidence level and $p > 0.05$. Cost of outreach is negatively correlated with Asset Tangibility (-0.159), Debt to Asset (-0.023) and Debt to Equity ratio (-0.163) respectively at 5% confidence level and $p > 0.05$. Whereas, F-Value = 3.120, $p < 0.05$.
- Therefore, it is found that the regression model is an average fit of the data. This means that for every unit increase in Debt Equity ratio, Debt to Asset ratio and Firm Size; there is an increase by a multiple of 0.011 (D/E ratio) and 0.001 (FS) and decrease by a multiple of 0.612 (D/A ratio) plus constant of 0.062 in Cost of outreach.
- Based on the Coefficients-Regression Model, p value for Debt Equity ratio is 0.007 and Debt to Asset ratio is 0.022 which is significant at 5% level of significance for Firm Size p value is 0.906 which is not significant at 5% level of significance.
- **Worth and Capital Structure:** It is found that Worth of Outreach is negatively correlated with Net Worth (-0.048), Asset Tangibility (-0.102) and Firm Size (-0.044) at 5% confidence level and $p > 0.05$. Worth of outreach is positively correlated with Debt to Asset (0.238) and Debt to Equity ratio (0.112) respectively at 5% confidence level and $p > 0.05$. Whereas, F-Value = 31.809, $p < 0.05$.
- Therefore, it is found that the regression model is a good fit of the data. This means that for every unit increase in Debt Equity ratio, Debt to Asset ratio and Firm Size; there is an increase by a multiple of 76096.543 (D/E ratio), 18108.237 (D/A ratio) and 0.797 (FS) plus constant 542280.243 in Worth of outreach.
- Based on the Coefficients-Regression Model, p value for Debt to Asset ratio is 0.510 which is not significant at 5% level of significance for Debt Equity ratio p value is 0.044 and Firm Size p value is 0.000 which is significant at 5% level of significance.

➤ **Framework for establishing the understanding of social and financial performance of MFIs**

Each of the dimensions could be used mutually exclusively to identify methods or ways by which we can analyse the performance of the Microfinance firms.

- The first dimension is the combination of the financial factors such as Return on Assets, Profit Margin etc. as well as social factors such as Breadth and Depth. Such a combination puts up a rigorous framework by which the performance of the firms can be analysed in detail.
- The second dimension is a skewed method to analyse the Microfinance firms since it only considers two financial fronts of the firms which are Return on equity and Operating Efficiency.
- The third dimension is a skewed method and is a counterpart to the second combination to analyse the Microfinance firms since it only considers two social fronts of the firms which are Length and Scope of Outreach.
- The fourth dimension is another similar skewed method to analyse the Microfinance firms since it only considers two social parameters Cost and Worth of Outreach.

Suggestions

This study suggests that although Microfinance approaches towards the upliftment of the society, it must first provide benefit to itself and become financially sustainable in order to attain its long term social objectives, thereafter move towards providing assistance to the poor. The underlisted suggestions have been made with reference to this research:

- Though the Microfinance Institutions assessment in the past was always done with its impacts on the society but with the changing time the main focus of the Microfinance Industry must be on the financial and operational sustainability.
- The issues and challenges concerning Microfinance should be addressed alongwith the pending bills which require to be implemented in order to avoid any future incidents of crisis. The Microfinance Institutions must have a transparent practice of accounts keeping like other financial institutions and companies and must also keep check of the evaluation system.

- It is also suggested that the Microfinance Institutions must publish their mechanisms at their proficiency level which comprises of both the financial as well as social levels of performance, till the time the regulatory framework is combined. The main objective behind doing this is to encourage the ineffective Microfinance Institutions and also to inform the fund donors concerning the avenues of investment related to their intentions.
- After the initial stage, MFIs need to emphasise upon exploration of other sources of funds other than subsidies and grants and support from the government.
- The- system must be established to enhance bargaining power via. transparent pricing. One way is to charge interest across the Microfinance industry which would enable the customer to comprehend varied products and services and help them to make a better choice.
- The operational costs have been high and one could employ technology to reduce it and make an optimum use of the available services which would also make the products more attractive.
- More branches could be set up in the interiors of rural India which can reach out to the rural population.
- A complete range of products and services which include savings, credit, remittance and other also non-financial services can be offered.

Conclusions

Based on the data analysis some conclusions are presented:

- This study scrutinized the pattern and trend in the Microfinance domain in India during last three years. The research studied the parameters and constructs which had an impact on financial and social performance of the constituent firms which make up the Microfinance industry.
- Some of the new firms did not exhibit sound ROE figures indicating unhealthy picture of the MFIs. It shows that returns provided to the shareholders are not good and adequate enough and hence the objective of wealth maximization is not satisfied.

- It is noticeable that overall figures of ROA are not on a benchmark stating that a lot needs to be done in order to ensure that the losses for the budding firms are kept to a minimum.
- The study concludes that a number of firms are a borderline case defaulting on the marginal lines. More than half of the companies have a Debt Equity ratio in and around more than one.
- Many firms have breached the level of OSS figures and have not been able to retain the average figures required for the sustenance.
- The increase in GLP trends show that that the MFIs are on a long-term growth which also mean higher outreach achieving economies of scale and greater profitability.
- The firms were forced to decline their interest rates charged on their loans resulted in fall of YGLP.
- Microfinance firms are performing when it comes to adding up the number of active borrowers in their statements results in attaining of social objective.
- The microfinance firms are doing significantly well when it comes to doing business by adding up the volumes of loan added in the existing portfolio. Hence, achieving social objective.
- The levels of sustainability on social fronts and objectives are not very sound and numbers are dismal and inconsistent.
- The numbers of products offered by Microfinance firms are various and are different from each other on various counts; it's been greeter greeter since the products to offer have a customized offering.
- Cost is one of the most ineffective indicators accounting for social performance of the Microfinance firms.
- Worth of outreach figures are very consistent and we can safely say that most of the loans tendered are good and the chances of them getting bad are less.
- The outcomes of the study depict that the frequency of occurrence of Return on Assets was minimal in the literature, which is a significant measure of the

financial performance of a Microfinance Institution, must be focused as it is influenced by many fundamental variables which affect the financial performance.

- It is observed that the ROE, TOBIN's Q and Financial Self-Sustainability also impact the financial performance.
- It is observed that the Breadth, Depth, Length and Worth impact the social performance of MFIs as per this study.
- In the end, the study helps to create a robust framework made up of different dimensions each of which helps to analyse the performance on financial and social parameters of relevance. Finally, four dimensions were extracted.
- The first dimension is the combination of the financial factors such as Return on Assets, Profit Margin etc. as well as social factors such as Breadth and Depth.
- The second dimension is a skewed method to analyse the Microfinance firms since it only considers two financial fronts of the firms which are Return on equity and Operating Efficiency.
- The third dimension is a skewed method and is a counterpart to the second combination to analyse the Microfinance firms since it only considers two social fronts of the firms which are Length and Scope of Outreach.
- The fourth dimension is another similar skewed method to analyse the Microfinance firms since it only considers two social parameters Cost and Worth of Outreach.

Limitations of the study

Even after chalking out the irrelevant objects in the study, this research study still holds few limitations:

- This research study, firstly, limits itself to be time-focused for a period of 3 years, commencing from 2015.
- The research underwent various issues relating to the collection of data as most of the respective respondents as they were not disclosing the facts and information very freely.
- The criteria for selecting a MFI was restricted in the study to only the top rated MFIs.

- The data has been composed only for fifty MFIs based on rating given by MIX and their portfolio size.
- The exclusive focus was only on Indian Microfinance Institutions hence results cannot be generalized globally.
- Many other issues related to Microfinance such as women empowerment, human resource sustainability etc. are not taken into study.
- There may be some effect on the findings of the study due to demonetization as the study time period was 2015-18 and demonetization took place in last quarter of 2016.

Directions for Future Studies

This study is a contribution but a number of studies in this concern are a possibility:

- The total time period of this research study is three years, commencing from 2015. With an objective of bringing more accuracy into picture, the total duration of study may be extended beyond three years. A set of more generalized conclusions can be established if other indexes comprising of Microfinance Institutions will also be involved leading to a larger sample size.
- The studies to be conducted in future can also explore such impacts in Tier II and Tier III rated micro finance institutions.
- The future studies can also analyse and involve other social and financial variables to research over their influences on capital structure decisions.
- The cross country analysis of capital structure and socio-financial performance of MFIs can also be done.
- A study on the same research topic can be done considering other variables and tools of social and financial performance of MFIs.
- There is a scope to study the behavioral patterns of Microfinance clients in relation to performance of their portfolios.
- A study on social and financial performance of MFIs can be done on the post period of Demonetization to attain more accurate results.