An Exploratory Study of How and Why Some Micro-Finance Banks Overcome Adversity and Why Others Do Not

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October 2020

Submitted to the University of Hertfordshire in partial fulfilment of the requirements for the degree of

Doctor of Business Administration

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Acknowledgements

Undertaking a programme towards a professional doctorate in Business Administration was more difficult than I envisaged. I am not sure I would have survived the twist and turns of the programme without the mentoring role of Dr. Judith Willetts and Dr. Moira Calverley. Both encouraged me throughout the process, particularly at the most challenging stages of the study. Professor Malcolm Harper’s eagle eye spotted aspects that needed to be improved in terms of scholarship and critical thinking. He also drew my attention to the latest academic materials on the subject area of Micro-finance. He, from time to time, reminded me of the need to be economical with words as, in his view “words are precious”. I want to also thank Professor Hulya Dagdeviren and Dr. Marija Cubric for joining the supervisory team, after my first examination that was cancelled; and for directing me on areas for improvement particularly in the methodology and literature review sections of this submission. The DBA weekends provided me with much needed extra strength to continue my journey, and helpful suggestions from colleagues and the DBA director proved invaluable. I also want to express my appreciation to Mr Tony Anya for proof reading the dissertation. Professor Sue Dopson’s lecture notes, when I was in Oxford, provided me with key materials on organisational leadership and organisational culture. My appreciation also extends to my colleagues in the strategic planning unit of my organisation and my colleagues on the LAPO board, particularly Dr. Godwin Ehigiamusoe, the founder, and to my wife, the first chairman of the board who influenced my perception of the MFB industry. They participated in the research and gave useful insights in their responses. Furthermore, Imose (my wife) and Omo (my son) were a source of great encouragement throughout the study. Finally, I appreciate God Almighty for making this study possible and I dedicate the research to Him.

Abstract

This exploratory study was undertaken to gain an understanding of how and why some Micro-finance Banks (MFBs) in Lagos, Nigeria cope with, adapt to and overcome adversity in response to a spate of failures in the industry in the last nine years. These failures have resulted in a death rate of 31% in both Lagos and Nigeria as a whole. The failures led to poor people losing their life savings and further impoverished them. Prior research focused primarily on the impact of Micro-finance on poverty reduction, and in some cases observed a drift from the core mandate of financial inclusiveness to protect the poor. There has been little or no attention given to the ability of MFBs to adapt to, cope with and/or overcome adversity in Lagos Nigeria. Also missing in related literature are clear insights into how and why some MFBs are organisationally resilient, and others are not. MFBs are the main providers of formal financial services to poor people in Nigeria, and this research aims to explore how and why some MFBs are resilient in the face of adversity whilst others are not. The study reduces a gap in the literature dealing in this specific area. The research also addresses the central question of how and why 69% of MFBs in Lagos, Nigeria survived over the last 9 years (2010–18), whilst 31% did not. The governing philosophy to address the study is pragmatic realism, and consequent abductive research approach. This results in mixed methods research design, based on a non-probability sampling technique that integrated purposeful sampling with snowballing. The researcher also brought valuable insider knowledge and insights to the research from chairing the board of the largest MFB in Nigeria. The research findings suggest that at the heart of failure amongst MFBs is the behaviour of some of the human elements; initiated through deliberate falsification of and lying about credit and deposit information by the managers and leaders. Deliberate poor corporate governance practice, as well as the diversion of company funds and corruption amongst directors and managers of MFBs contributed to failings. Secondly, the research findings indicate that MFB resilience is partly dependent on a business model that is group driven. It is defined by a relatively low interest rate, delayed harvesting, and it focuses mainly on women. Finally, the study finds that organisational resilience in MFB is partly dependent on an organisational culture that promotes team work, learning and the strict observance of key regulatory prudential guidelines. In conclusion, I argue that MFBs flourish or fail due primarily to the activities and behaviour of the human elements, often expressed, in the case of failure, through fraudulence, dysfunctional business models, poor organisational culture, non-observance of prudential/regulatory guidelines and weak institutions. The implication is that a strong and well-articulated monitoring, regulatory and governance regime need to be enforced to stem MFB's failures and spare the poor (who are the lifeblood of MFBs) from any further misery.

List of Abbreviations

ACPC	African Centre for Peace Building and Conflict Transformation
APR	Annual Percentage Rate
ASA	Association for Social Advancement
BOFIA	Banks and Other Financial Institutions Act
BOI	Bank of Industry
CAGR	Compound Annual Growth Rate
BRAC	Bangladesh Rural Advanement Committee
CAR	Customers at Risk
CBN	Central Bank of Nigeria
CBS	Core Banking Software Solution
CEO	Chief Executive Officer
CGAP	Consultative Group to Assist the Poorest
CI	Critical incidents
DAR	Directors at risk
DFFRI	Directorate for Food Roads and Rural Infrastructure
DNA (medical)	Deoxyribonucleic acid – a complex molecule that contains all the information necessary to build and maintain an organism
DNA (in India)	Daily News and Analysis
EFCC	Economic and Financial Crimes Commission
FDI	Foreign Direct Investment
FEAP	Family Economic Advancement Programme
FGD	Focus Group Discussion
FSP	Family Support Programme
FSS	Financial Self Sufficiency
GDP	Gross Domestic Product
GLL	Group Loan Lending
GLM	Group Lending Methodology
HROs	High Reliability Organizations
IFMR	Institute for Financial Management and Research
IL	Individual Lending
ILL	Individual Loan Lending
IMFB	Integrated Microfinance Bank

JLG	Joint Loan Group
JLL	Joint Loan Lending
JLM	Joint Lending Methodology
KYC	Know your Customer
LAPO	Lift Above Poverty Organization
LASTMA	Lagos State Transport Management Agency
MD	Mission Drift
MFBs	Micro-finance Banks
MFIs	Micro-finance Institutions
MISSR	Micro-finance India – State of the Sector Report
MPI	Micro-finance Penetration Index
MPPI	Micro-finance Poverty Penetration Index
MPRSF	Micro-finance Policy Regulatory and Supervisory Framework
MSMEs	Micro, Small and Medium size Enterprises
NACB	Nigerian Agricultural and Cooperative Bank
NACRDB	Nigerian Agricultural Cooperative and Rural Development Bank
NAMB	National Association of Micro-finance Banks
NALDA	Nigerian Agricultural Land Development Authority
NAPEP	National Poverty Eradication Programme
NBCI	Nigerian Bank of Commerce and Industry
NDE	Nigerian Directorate of Employment
NDIC	Nigerian Deposit Insurance Corporation
NERFUND	Nigerian Economic Reconstruction Fund
NFS	Nigerian Financial System
NGOs	Non-Governmental Organizations
NIDB	Nigerian Industrial Development Bank
NPL	Non-Performing Loan
OECD	Organisation for Economic Co–operation and Development
OFISD	Other Financial Institutions Supervision Department
OFN	Operation Feed the Nation
OPEX	Operational Expenses
OSS	Operational Self Sufficiency
PAP	Poverty Alleviation Programme

PAR	Portfolio at Risk
PMB	Primary Mortgage Bank
PSM	Propensity Score Matching
PWC	PriceWaterhouseCoopers
RCT	Randomised Controlled Trial
RMPFN	Revised Micro-finance Policy Framework for Nigeria
Rs	Rupees
SAR	Staff at Risk
SCC	Spearman's Correlation Coefficient
SEC	Security and Exchange Commission
SEEP	Small Enterprises Evaluation Project
SERP	Society to Eliminate Rural Poverty
SHG	Self Help Group
SMEEIS	Small and Medium Enterprises Equity Investment Scheme
SMEs	Small and Medium Enterprises
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VRIN	Valuable, Rare, Inimitable, Non-Substitutable
WEF	World Economic Forum
WIPO	World Intellectual Property Organization

Chapter One: Aim and Objectives of Research

1.1: Introduction

This study is about organisational resilience, albeit in the Microfinance bank industry. And it is being concluded at a time of unprecedented adversity in the world, caused by COVID–19 pandemic. Lagos is the epicentre of the pandemic in Nigeria, with severe consequences for business and society, and many businesses are already in the verge of collapse. Organisational resilience has become a very important topic in public and academic discourse. So is the relevance of this study; as many MFBs are gasping for breath as their customers hit by COVID– 19 fallout, are unable to repay the credits extended to them.

Elsewhere, Flybee collapsed within few weeks of COVID–19 in United Kingdom. Several other businesses are not only laying off staff, they are gasping for breath. While so many organisations are filing for government support, many more are filing for bankruptcy in the developed world. This time has offered a new opportunity to appreciate the importance of organisational resilience, which this study is all about. Interestingly, during this period, our organisation is not only keeping all its staff and giving hardship allowances to its junior ones, it is also donating cash to government to help in tackling COVID–19. Furthermore, it has provided its training School, Ed John School of Management, free to Lagos state government as isolation centre to assist the government in Lagos, which is the epicentre of the virus in West Africa. The donation is with a view to containing the virus and treating those infected. The organisation also sees it as a duty to the community (a stakeholder in the business) at such a time of serious adversity. It is also a duty in enlightened self-interest, as dead customers are usually not in a position to repay credits extended to them.

Consequently, this period has become a major test of organisational resilience, being able to function, cope and adapt in adversity, while innovating ways to survive and prosper. Our company is seizing the unique opportunity to innovate not just to be able to bounce back after the pandemic, but to bounce forward instead; and be stronger and more dominant at the end of the contagion that is wiping out fragile and weak organisations.

The title of this research is "**An Exploratory study of How and why some Micro-Finance Banks overcome adversity and why others do not''.** Exploratory research is "…conducted for a problem that has not been studied more clearly (and it is) intended to establish priorities, develop operational definitions and improve the final research design" (Shields et al, 2013:31). Exploratory research is usually employed when the issue or topic that is being

investigated is new or largely unexplored. It is also used when data sources are problematic and/or data are very difficult to collect. Exploratory research is inherently adaptable, and can help address research questions of different types and shapes (Shields et al, 2013) in a flexible manner. Therefore, exploratory research provides a preliminary framework to generate knowledge and even hypotheses. "The objective of exploratory research is to gather preliminary information that will help define problems and suggest hypotheses" (Kotler, et al, 2006:122). The results of exploratory research are not usually useful or intended for decision-making in and of themselves. They are intended to provide useful insight into a given problem or challenge. The implication of the above is that exploratory research is not usually generalizable, or intended to be so, and consequently not meant to develop a theory; particularly where larger populations are concerned. This is an exploratory study, and the findings are tentative. Consequently, decisions taken on the basis of the research findings must be made with great caution.

Therefore, in undertaking this exploratory study, the researcher initially decided on using focus groups to inductively identify the key issues confronting stakeholders in Microfinance industry, along with some secondary data already in his possession as a practitioner in the industry. Grounded theory although seemed implicated in the methodological approach to the study could not define the path for the research because of prior secondary data about MFB already in his possession. Furthermore, he decided on four critical areas of literature to identify gap(s) in the subject area, and help in identifying themes and lenses, to mirror and discuss the findings. They include organisational resilience, MFBs in Nigeria and international contexts, stakeholder theory, and institutional theory. However, along the way, he found it necessary to review more literature, specifically in areas of critical incidents, organisational culture, dynamic capabilities, ambidexterity and research methodology, inclusive of identifying the governing philosophy (namely Pragmatism), for the research. This approach helped set the stage for the main study.

He identified that both primary and secondary research would be needed, using mixed methods design, underpinned primarily by an epistemological orientation of pragmatic realism. The consequence was an adoption of abductive paradigm, with contributions from inductive and deductive approaches. The mixed methods design, resulting from the approach, applied a non-probability sampling frame with snowballing technique. The research process subsequently included semi-structured interviews of 27 people within the key stakeholder groups, in-depth interview of 5 thought leaders in MFB practice and finally discussion with 6

directors of the largest MFB in Nigeria, intended to evaluate and contextualise earlier findings. Adopting this research approach to the study was deemed appropriate, because the study is practice-oriented, and a composite approach was key in getting all sides to the resilience narrative. The approach also allowed for triangulation of the data sources and to tentatively support the generalisability of the findings.

1.2: Aim of Study

The overarching aim of this (exploratory) study is to contribute to the understanding of the organisational resilience of Microfinance banks (MFBs) in adapting to, coping with and overcoming adversity in general, and in Lagos State, Nigeria in particular. Why and how do some MFBs survive and overcome serious internal and/or external adversities, and why are others unable to do so, particularly in a serious pandemic situation the world has found itself in now? Are there competences, capabilities and/or practices responsible for whichever position a particular MFB finds itself in? If so, can they be developed and embedded in the critical fabrics of the organisation? How and why? Can they be lost? Having been able to answer those questions in the course of conducting this study means it makes a contribution to understanding MFB resilience in the Nigerian context, and hopefully in the context of a wider, global MFB practice. It also fills a gap in the paucity of the literature in this area and bears particular relevance to Lagos State in Nigeria.

It is worth noting that growing healthy and resilient micro and small enterprises require among other things, adequate funds to finance day-to-day operations, as and when needed. These funds can come from the promoters of the enterprise, and the cash-flow of the organisation from trade credit. They can sometimes have their origins in borrowing. This is where micro-finance banks play a role in helping the poor to finance their micro-enterprises and small businesses, as well as to ease their cash flow needs.

"Micro-finance" is generally defined as the provision of financial products and services including, but not limited to micro-credit, savings accounts and micro-insurance. These are supplied commonly to low income clients and micro-enterprises (Ledgerwood, 1999 in Ehigiamusoe, 2011). It is however worth acknowledging that many micro-finance institutions are mono-product enterprises providing micro-credit. Micro-credit is defined "as extending small loans to the active poor for self-employment projects that generate income for themselves and their families" (Agusto & Co., 2015:10). "Micro-finance institutions" (MFIs) are organisations that engage in the business of micro-finance. This they do through the

provision of one or more of the following products: micro-credit, savings, fund transfers, micro insurance and business advisory services. This creates access to banking opportunities for the poor and micro-enterprises. It gives the beneficiaries a sense of financial inclusion. In the case of multiproduct MFIs, micro-credit is often the starting point for providing financial services to the poor. The provision of access helps the poor to take advantage of business opportunities and to engage in productive ventures to improve their lives. It also helps poor individuals with cash-flow (CBN, 2013; Rutherford, 2000). It helps them to pay school fees for children and enables children to receive medical care.

MFBs are a segment of MFIs that are licensed and regulated by the Central Bank of Nigeria (CBN). They are required to operate within prudential guidelines such as maximum Portfolio at Risk (PAR of 5%) and single obligor credit thresholds. The latter must not be more than 5% of equity. This is the percentage of the funds the bank can lend to one person. The guidelines also specify the maximum percentage of equity permitted to acquire fixed assets.

MFBs have three categories, namely unit, state and national. The most common is the unit MFB, whose operation is confined to one local government. With a $66,000 minimum capital base (a decrease from $130,000 in 2005 due to currency devaluation of the Naira) and less than 20 staff per business, unit MFBs are not well positioned to either assist poor individuals or provide financial advisory services. Although their purpose is to meet the financial needs of micro-enterprises as well as SMEs, as government direct intervention is extremely limited and barely scratches the surface, their interventions cannot sustainably meet the financial needs of the poor and their associated micro-enterprises. This is because they are constrained by limited capital base. Furthermore, in pursuit of their mandate in a sustainable manner, they must possess financial self-sufficiency.

“Financial self-sufficiency” is a key issue in microfinance practice. It is the practice of providing financial services at a level that covers all the costs of delivering services to the beneficiaries whilst generating some profit for the organisation. Central here are issues of viability and the sustainability of the enterprise in the absence of subsidies from government or donor agencies (Brau et al, 2004; Ehigiamusoe, 2011). “Of the 10,000 or so MFIs worldwide, it is variously estimated that only 3-5% have achieved full financial sustainability”, while “fewer than 100 claim Self-Sufficiency” (Allen, in Dichter and Harper, 2007: 49).

As an important aspect of Nigeria's economy, MSMEs (Micro, Small and Medium size Enterprises) constitute an important part of the nation's social value chain. They are an important target for solving unemployment. In addition to the lack of funds, various forms of taxation, chaotic urban management, poor rural infrastructure, dysfunctional regulatory agencies as well as inefficient management have restricted the development of SMEs. Osinbajo (Vanguard, 2018) stated that the government's current focus is to ensure that regulators become commercial facilitators rather than obstacles. To achieve that goal, the government established a one-stop service centre to bring together all the regulatory agencies to facilitate the administrative approval of the regulatory needs of SMEs. Unit MFBs can technically be categorised among SMEs.

SMEs have been defined in a general sense, of course in a western context, (Annual Small Business Survey 2008/2009 in Sullivan-Taylor et al, 2011:4) as “businesses with zero to 249 employees”. They are said to consistently suffer from resource scarcity including a lack of access to finance (Sullivan-Taylor and Branicki, 2011). Furthermore, they are also plagued by technological as well as human resource deficits (Vossen, 1998 in Sullivan-Taylor et al, 2011). When they are exposed to adversity, they find it extremely difficult to cope, let alone be able to overcome the situation (Sullivan-Taylor et al, 2011 in Emokpae, 2014). In specific terms, Small Enterprises in Nigeria are defined (Ecobank, 2007) as businesses or enterprises whose turnover is less than ₦120 million per annum (about $0.5m) and with a staff strength of less than 50 people. Medium enterprises, on the other hand, are organisations with less than ₦600 million ($2m) in turnover and fewer than 500 employees. As a result of their resource challenges, SMEs are said to focus on “muddling through” extreme circumstances. This attitude is attributed largely to constraints they face in “areas of resourcefulness, technical and organisational capabilities” (Sullivan-Taylor et al, 2011:4; Ogunyomi and Bruning, 2016). “Rapidity” is perceived as their main capability and organisational attribute in the face of life-threatening crises (Sullivan-Taylor et al, 2011 in Emokpae, 2014). Most of these MFBs with only one unit office are classed as SMEs and they experience similar challenges to other SMEs.

Identifying processes and factors that keep MFBs healthy and those that help them to deliver their services to un-served and under-served persons and micro-enterprises is challenging. Most importantly, identifying evidence-based factors that reduce the mortality rate of MFBs in Lagos, Nigeria could count as a useful contribution to knowledge. The identification of such factors that embed capacity to cope with adversity in MFBs can help create a more

financially inclusive society and a healthy business climate where both the rich and poor are valuable contributors to the economy. This could count as a contribution to practice.

Over the past 25 years, several micro-finance institutions have collapsed in Nigeria. During the same period, LAPO Micro-finance Institution and several others evolved from tiny obscure enterprises to become major players in the MFB industry. They not only survive, but thrive, having overcome life-threatening challenges along the way. This research is in part intended to identify how and why; as well as possible ways to minimise failure in the industry.

1.3: Research Objectives

The research aim can be broken down into specific research objectives as follows:

A. To identify the core products and associated features of MFBs in Nigeria.
B. To determine the organisational processes (how), practices and other factors (what/why) that help MFBs cope with, adapt to and/or overcome adversity.
C. To identify the factors (why) that led to the closure of 65 MFBs of 225 operating in Lagos in 2010, the deaths of 29 MFBs in 2014 and 31 MFBs in 2018.
D. To make recommendations for practice to assist MFBs to cope with adverse circumstances in Lagos State, Nigeria.

1.4: Research Question, Research Topic and Rationale

The research question of this study is "*How and why have 69% MFBs survived while 31% have not in Lagos, Nigeria in the last nine years (2010 to 2018)*?"

The first MFB to be granted a licence in Nigeria in 2006 went into liquidation in 2010. Integrated MFB (IMFB) was not only the first to get a licence, it was also the biggest in Lagos, Nigeria. Bad loans and capital inadequacy led to its inability to continue as an on-going concern. These conditions were identified as the immediate precipitants of its liquidation in 2010. In the Vanguard of 30th November 2018, it was reported that Moody's Investors Service had warned that "bad loans remain high in Nigerian banks", in both commercial banks and MFBs. Reports of the recent liquidation of many MFBs and one commercial bank (Skye Bank later renamed Polaris) were not therefore surprising. The acquisition of Diamond Bank by Access bank in December 2018 due to the capital inadequacy of the former is also unsurprising (Ebulu, 2018).

Much earlier than these events, in 2010, the Nigeria Deposit Insurance Corporation (NDIC) arraigned the managing Director of Integrated MFB, Mr Akinteye Simon Ademola in the

Lagos High Court over the alleged misappropriation of ₦618 million ($1.7 Million). He and other board members were alleged to have fraudulently enriched themselves by granting themselves and their private organisations unauthorised loans and large sums without collateral, contrary to section 516 of the criminal code and section 23(4) of the Failed Banks (Recovery Debts) and Financial Malpractices Act. This was in breach of the single obligor threshold of 5% equity (Agwuegbo, 2010). Compounding this situation was a frenzy of in-fighting between bank directors and a subsequent run on the bank by customers. As it was collapsing, an organisation called ACPC injected ₦6 billion ($20 million) into the bank, putting two directors on the board. The bank nonetheless collapsed (Agwuegbo, 2010). Further capital injection could not help either. The wound may have been too deep to heal.

Consequently, the research question in this thesis derives from the research topic which is: "How and why some MFBs in Lagos Nigeria overcome adversity and why others do not". If more money and more directors could not save the biggest MFB in Lagos, what exactly saved the others, particularly the smaller units which went through a series of adversities and survived?

On Friday, July 1st 2017 in a seminar in Lagos, the CBN Director of OFISD (Other Financial Institutions Supervision Directorate), Mrs. Tokunbo Martins, pointed out that total industry loans and advances to customers and assets of MFBs in Nigeria stood at ₦214.32 billion ($709.7 million) and ₦365.51 billion ($1.21 billion) respectively, as at 31st December 2016. This was considered grossly inadequate given Nigeria's population of 180 million in 2015. The population was largely composed of people at the bottom of the socio-economic pyramid who constitute the biggest percentage of the target market for MFBs. The top ten of the existing 991 MFBs however accounted for 40%, 37% and 39% of the total industry loans, deposits and assets respectively as at 31st March 2017. Mrs Martins also stated that the industry was plagued "by a high spate of distress and failures with many institutions, particularly unit MFBs, technically insolvent or inactive resulting in business closure". Here different types of adversities may have played some part in the failures (Martins, 2017).

Surviving or succumbing to adversity is central to this research. "Adversity" means life-threatening circumstances (Alshebami and Khandare, 2014). A life-threatening circumstance could result from a change in the law that requires MFBs to shore up their capital base by over 100% within a short period of time. This reflects the situation that was recently announced by the CBN on October 2018 when they increased the capital base by between

150% and 900%, depending on the size of the MFB (Adegbesan, 2018). Adversity could also mean the death of a CEO, and/or major financier of the enterprise. Another possible meaning is the inability to recover a substantial part of a MFB's loan that could threaten its ability to meet obligations in relation to savings and deposit portfolios and/or repayments to significant creditors when they fall due. This has become particularly important due to accelerating depreciation in the value of the Naira, the local Nigerian currency. Some MFBs borrowed from international creditors when the Naira to US $ conversion rate was 120:1. This has depreciated to about 350:1. Repaying foreign loans can wipe out a MFB. LAPO experienced aspects of this problem through default in remitting loan repayments as they fell due in 2017. LAPO has however been able to deal with this challenge through foreign (loan) exchange hedging (LAPO, 2018). This means that when a foreign loan is approved for LAPO, it deposits the foreign currency in a local bank and retrieves the Naira equivalent. So when the time of repayment comes the local bank returns the foreign currency to the creditor. What LAPO adds is the interest rate. In this way, LAPO mitigates the effect of risks associated with foreign loans.

"Adversity" could also be used to describe ecological disasters like earthquakes and floods; insurgent attacks, like Boko Haram in Nigeria or the Arab Spring in Yemen (Alshebami and Khandare, 2014). It also describes epidemics/pandemics that can severely affect the operations of MFBs, like COVID–19 pandemic. Such disasters/occurrences could, in fact, threaten the survival of the enterprise. The word "survival" is used here to mean that the MFB continues to exist as a "going concern" either as an independent enterprise or as a part of another organisation while still retaining a distinct identity.

Whilst there is evidence that MFIs and MFBs can thrive by meeting the financial needs of the poor and micro-enterprises, several MFBs are failing or ceasing to trade. In Zambia, the reasons for this situation are documented in a paper by Siwale and Ritchie (2011:1). The paper identifies that poorly practised governance and accountability challenges coupled with "unstable relationships between international donors and the Board, the Board and CEO and with middle management …" were central to the failure. Furthermore a "lack of transparency and disregard for moral obligations, poses serious questions about how… finances were managed and accounted for" were cited as problematic. Fraudulent practices among key stakeholders appear to be central to the entire problem. Nigeria has a similar story (CBN, 2014). By 2010, 224 MFBs ceased doing business in Nigeria, and this approximates to a 27% mortality rate. Some 154 unit MFBs failed in 2018 because of problems linked to

governance, internal conflicts and management fraudulence. Furthermore, the suggestion of outright embezzlement and non-adherence to regulatory prudential guidelines compounded the problems of the MFBs. The MFBs that survived adversity are considered to be organisationally resilient.

Resilience captures the ability of a system and/or organisation to absorb the impact of the failure of one or more of its components or one of its institutions. It also extends to responses to significant disturbances in the business environment to the degree that the business can still function and provide acceptable service (Francis & Bekera, 2014; Berkes & Ross, 2013; Emokpae, 2014). In recent work on organisational resilience, Denyer (2017:3) defined organisational resilience as the way in which an organisation continues to exist and thrive after "incremental change and sudden disruptions". As a result of his analysis of resilience, he was able to identify two "core drivers". The first is a defending technique to combat negatives, while the second relates to positive progress. There were also two differing approaches, one characterised by consistency and the other grounded in flexibility. Denyer was able to derive four aspects relating to the resilience of an organisation using the concepts of: "preventative control (defensive consistency), mindful action (defensive flexibility), performance optimisation (progressive consistency) and adaptive innovation (progressive flexibility)" (Denyer, 2017:3). It is his view that leaders need to use their analytical skills to achieve a suitable blend and balance in respect of these four aspects of organisational resilience. He advised that they should check their suitability to the mission of the enterprise, and its sector, in order to manage tensions and maintain a constant standpoint. Furthermore, Denyer asserts that this issue does not involve simple choices or alternatives. Tensions need to be managed on a continuum between adopting a defensive approach and making progress. The issues of consistency and flexibility are also paramount. In his analysis, Denyer underlines the absolute need for constant, regular maintenance of awareness of the four aspects. If this is not achieved, organisations can "sleepwalk into disaster" (Denyer, 2017:3). Furthermore, Erol et al (2010) and Stephenson (2010) identified various key components of resilience capabilities as agility, adaptability, connectivity and planning. They also discussed how these are managed.

Yunus' (2003) work on MFIs together with contributions from Sullivan-Taylor et al (2011) and Weick-Sutcliffe (2010) in relation to resilience provided useful literature on my subject area. Ayadi et al (2005) and Freeman's (2004) ideas on stakeholder theory provided the foundational basis of my literature review. Of particular interest, however, was the WEF

Global Risk Report (Riskviews, 2013) that identified five dimensions of resilience as Robustness, Redundancy, Resourcefulness, Responses and Recovery. The first three of these primarily comprise the components of resilience. In the report, organisations were advised that 'these components should be designed into a system, and as such, will enable assessments of an organisation's inherent resilience capabilities' (Riskviews, 2013:1).

That said, the researcher decided to adopt WEF's dimensions of resilience (Riskviews, 2013) as well as stakeholder theory (implicating shareholdership paradigm), particularly as it relates to fraudulence amongst organisational stakeholders to discuss the findings of this research. He adopted them because they resonate with his experience in the industry as an insider researcher. For instance, the five key stakeholders in MFBs (shareholders, customers, regulatory authority, depositors/donors and staff) are expected to share a common desire for banks to remain alive and to be able to meet the needs of their customers and depositors, on an on-going basis. Regrettably, it is from these same stakeholders (as well as shareholders) that most challenges confronting MFBs arose and anchored primarily in fraudulent tendencies and practices.

Of the 820 MFBs in Nigeria, examined by the NDIC and CBN in 2010, 224 (27%) were distressed. In a similar exercise conducted in Lagos between 2010 and 2014 examining 225 MFBs, some 65 (29%) closed down (CBN, 2014). More recently in September 2018, some 154 MFBs had closed shop (CBN, 2018) and of these, 31 were domiciled in Lagos. Adding the failed MFBs in Lagos together from 2006 to 2018 and from 2010 to 2018, they came to 40% and 31% MFBs respectively. High levels of non-performing loans (NPLs), gross under-capitalisation, incompetent boards and incompetent management with skills deficits in problem-solving, decision-making and teamwork, as well as poor credit administration were identified, either individually or in combination with each other, as immediate precipitants. These precipitants could have been symptoms of deeper problems relating to fraudulence, integrity and faulty regulation. One of the questions facing researchers in this respect is:"are there underlying factors that promote fraudulent tendencies or integrity deficits among the leaders and other key stakeholders in the MFB industry in the first instance?" Are they cultural, values and motivations of key stakeholders, and resultant dysfunctional corporate governance practices, and are there any other factors? Is fraudulence context-dependent or an inherited human attribute transmittable to the organisational operation of MFBs? This study attempts to provide an answer.

Furthermore, there have been debates over the years about the motives and impact of Micro-finance institutions (MFIs) and more recently of Micro-finance Banks (MFBs). As earlier indicated, Micro-finance Banks are the segment of MFIs regulated by the Central Bank in Nigeria. MFIs are organisations dedicated to providing financial services to those who ordinarily do not have access to the services of commercial banks. They are institutions that focus primarily on the poor and the financially excluded. One school argues that MFIs give the poor access to financial services which they are typically denied by conventional banks, thereby providing such poor people with a sense of financial inclusion (Brau and Woller, 2004; Wamukota, 2016). Others suggest that despite the claims to their social usefulness, the prices at which services are delivered are exploitative and so MFIs do not really benefit poor households (Hulme and Mosley, 1996 in Chowdhury, 2009; Ghosh, 2013). Dichter and Harper (2007) share a similar view with Mosley (1996, cited in Chowdhury, 2009) that "access" to financial services does not generally benefit the poor as much as it is often believed. Copestake et al (2005b:703), however, argue that in many impact studies conducted, the data indicated "that the majority of clients do generally benefit from using the services of MFIs". They further stated that there is however significant evidence that the poorer clients "are the less likely" to benefit (Copestake et al, 2005b:703), a position echoed by Dichter and Harper (2007) two years later.

Yunus (2003), commenting on the most emphasised component of micro-finance, i.e. micro-credit, acknowledged that micro-finance is limited when it comes to dealing with poverty. Micro-credit is the provision of small loans to self-employed poor people and micro-enterprises. The intention is to financially assist micro-entrepreneurs and their enterprises to generate income (North, 2005). Micro-credits also help ease cash flows and consumption purposes. Furthermore, Yunus (2003:171) argued that "Micro-credit is not a miracle cure that can eliminate poverty in one fell swoop. However, it can end poverty for many and reduce severity for others. Combined with other programmes that unleash people's potential, micro-credit is an essential tool in our search for a poverty-free world". The implication is that micro-finance may not be the solution to poverty and even where it is expected to help in reducing poverty, it must be complemented by entrepreneurial skills and development initiatives (Hulme et al, 1996; Mahajan, 2005 in Chowdhury, 2009; Quinones and Remenyi, 2014).

In what is generally referred to as 'mission drift' many MFIs, initially directed at the poor and their businesses, are increasingly shifting to serving middle-class individuals and Small

and Medium Enterprises (SMEs) to the detriment of micro-enterprises and poorer households. This produces high financial returns for the promoters of the MFIs (Armendariz and Szafarz, 2010). The authors above argue that mission drift may be a response to the need for cost subsidisation as the cost of servicing the poor is extremely high. This position has, however, been the subject of heated debate. Copestake et al (2005b:703), posited that "the limitations of micro-finance, particularly credit, as a short-run instrument for poverty reduction cannot be separated from the goal of financial self-sustainability". They further concluded that "MFIs must capture a substantial share of the benefits through interest and other charges if they are to survive". They suggested that MFIs in Peru tend to “tailor products and services to suit poorer clients, a majority of whom are women, so as to maximise overall value added”. (Copestake et al, 2005b:703 – 704).

Although in many cases the poor and their micro-enterprises may have had access to credit to finance their businesses as a result of the operation of MFIs, such credit may not have benefitted some of them. This led Hulme et al (cited in Chowdhury, 2009) to argue that it is only those above the poverty line that mainly benefit from micro-finance. This reinforces earlier research by Copestake et al (2005b) and Harper et al (2007). Similarly, Duvendack et al (2011:3) argued that there is “…no robust evidence of (MFIs’) positive impacts on women’s status or girl’s enrolments – this may be partly due to these topics not being addressed in valid studies. Well-known studies which claim to have found positive impacts on females are based on weak research designs and problematic analyses which may not have survived replication or re-analysis using other methods, i.e., PSM’’. Copestake et al (2005b: 704), added that “in ‘double bottom line’ terms, they (MFIs) must either trade off ‘social performance’ (including poverty reduction) and ‘financial performance’ (hence growth potential and future capacity) or find innovative ways to do both at once (Imp-Act, 2004 in Copestake et al, 2005b). This is more likely to happen if MFIs can monitor variation in both social and financial performance over time and within (as well as throughout) their portfolios.” The debates on impact and MD notwithstanding, Nigerian MFIs have experienced mixed fortunes, including those fully committed to micro-enterprises as well as the poor and those that are not encountering serious challenges and threats. Many micro-finance institutions deliver services to the poor (particularly women) and micro-enterprises, in addition to various other sectors. Although they are able to sustain themselves from this activity, many fail within a short time of starting up (CBN, 2013). Even among the survivors,

many have shown serious signs of stress and over 154 businesses failed in 2018. There are many reasons for this; some appear to be obvious while some need deeper enquiry.

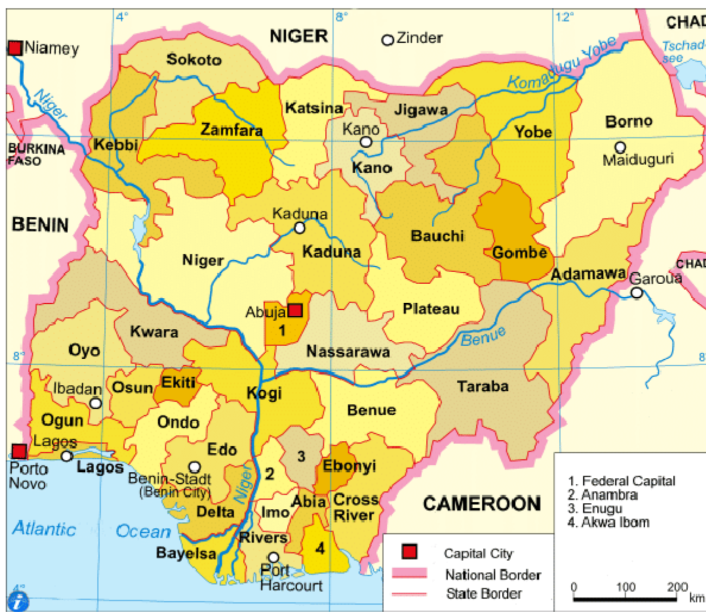
The researcher's primary interest, from the standpoint of a practitioner and investor in the micro-finance industry, is the survival of the industry in general and his MFB in particular. This interest was elevated when Integrated MFB (one of the largest MFBs in Lagos) collapsed in 2010. Prior to this time, only unit MFBs were known to have suffered a similar fate. This occurrence then meant that, although large size and capital are important for resilience, these alone do not guarantee survival in the MFB industry. The implication is that there is something else that is responsible as a unit or in combination with others. Consequently, digging deep is important to unearthing the causes and conditions for resilience, and also failure. This particular approach might contribute towards the widening of the major domain of the MFB to enable enhanced outcomes related to the various investment opportunities for the sector.

1.5: Lagos State

Lagos State is one of the 36 political regions in Nigeria which shares sovereignty with the federal government of the nation. With a land size of 999.6 square kilometres, Lagos State is located in the south west of Nigeria by the coast of the Atlantic Ocean. It has an estimated population of 22 million people and it is the largest city in Africa. Over 90% of its population live in urban areas. It had a Gross Domestic Product (GDP) of $136b in 2017 compared to the national GDP of $375b, and an estimated per capita income of $6181 (Adebayo, 2018). Although Lagos had 12% of the Nigerian population, it contributed about 36% of the GDP in 2017 (World Bank, 2018; Adebayo, 2018). The GDP of Lagos State, Nigeria is bigger than that of 42 countries in Africa and is about the same size of 19 African countries combined (Akinkuotu, 2015). It was bigger than the economy of Angola with a GDP of $124b in 2017 (World Bank, 2018). Describing the economic size of Lagos is intended to clarify the significance of the study, not only to Nigeria, but to Africa as a whole. Organisational resilience of MFBs in Lagos has a wider implication for reaching the poorer people with banking services, and ultimately to improving their lives. The economic wellbeing in Lagos can trickle benefits to the wider West African poor.

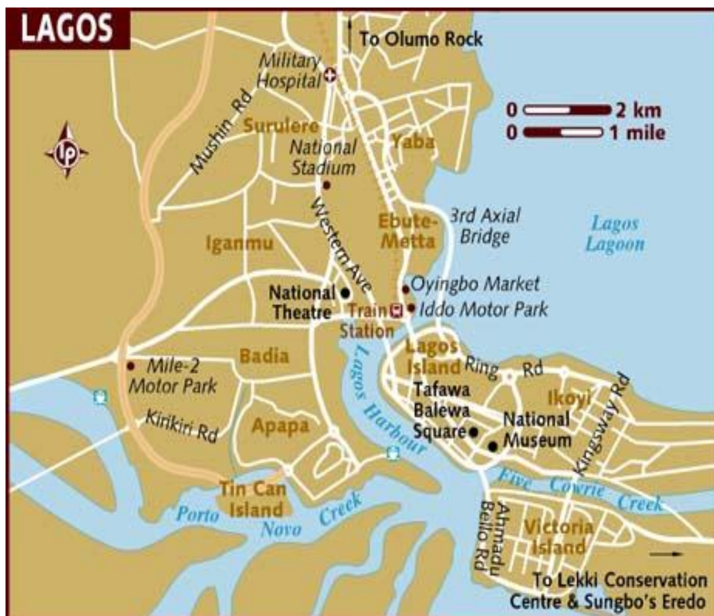
The maps of Nigeria and Lagos state (see Fig 1.1 and Fig. 1.2) are shown below. Nigeria is bordered by Niger to the North, Cameroon to the East, Benin to West and the Atlantic Ocean to the South.

Figure 1:1: **Map of Nigeria-Showing the Location of Lagos**



Source: K.B. Bomah

Figure 1.2: **Map of Lagos**



Source: OrangeSmile.com

1.6: Sign Posting

This submission is an exploratory study of how and why some Micro Finance Banks (MFBs) overcome adversity and why some others do not. Exploratory research is a study conducted to determine the nature of a problem; in this case, the resilience of MFBs in Nigeria to establish how and why some overcame adversity and others did not. The researcher was open

to whatever he could find on the research journey to make sense of MFB resilience. So being an exploratory study that leaned heavily on qualitative research paradigm and abduction, the study did not intend to develop a theory, but to make contribution to knowledge and bridge a gap in the literature that could help future researchers in the same field to develop organisational resilience theories that are specific to the MFB industry, and consequently enhance MFB practice.

Chapter one of the study presents the research question and explains how it has been answered. The chapter begins by defining the aim, objectives and scope of the research and it concludes by sign posting the entire research.

Chapter two sets out a conceptual framework for the study. A critical analysis of relevant literature to underpin the theoretical background of the research is done. The literature review focuses on micro-finance in general, and from an international perspective. It also explores micro finance banking in Nigeria, particularly in Lagos, and examines organisational resilience. To explore those areas in some detail required some discussion of stakeholder theory and shareholdership, as well as institutional theory along with neo-institutionalism. Of particular interest, in the literature review, is the highly contested field of shareholdership versus stakeholdership in corporate governance, and how they build shareholder value. There was also an examination of the organisational culture and capabilities, ambidexterity and dynamic capabilities that underpin them. They were reviewed, to determine how they inform or relate to organisational resilience and sometimes the failure of organisations. There were more reasons behind the decision to review the literature in those areas. These included, firstly the realisation that this research is about the capacity of organisations to cope with, adapt to and overcome adversity. Furthermore, the features and capabilities of MFIs particularly in terms of the regulated segment made up of MFBs were also considered. The study sought to discover if and how these features may relate to the activities of those who have a stake in the enterprise. Stakeholdership, shareholdership and stakeholder theory were instrumental here. Finally, the study sought to determine if those features played a role or not in the resilience narrative. Furthermore, since the research is about highlighting the capabilities and competences embedded in the organisation and if and how they impact on adaptability, it was necessary to examine the internal processes of MFBs. In addition, the research is an exploration of how MFBs are able to cope with and/or overcome adversity based on particular resources and social conditions. The idea was to identify lessons for the industry based on resilience. This explains, albeit in part, why it was considered expedient to

summarise what the literature says in the areas identified above, as well as to identify the primary purpose of MFBs, particularly in terms of how some of them appeared to have drifted from their purpose in what is termed 'mission drift' (MD).

Chapter three sets out the research methodology. The research is informed primarily by the philosophical orientation of pragmatic realism (but implicated social constructivism). This is expressed through abductive research paradigm underpinned by mixed methods design (with induction and deduction making a contribution). Of particular interest in the methodological approach is the application of "Critical Incident Reflections" from the narratives of some of the key players in the industry. This necessitated in-depth interviews at the final stages of the research process as part of the mixed methods approach adopted for the study. Critical incidents, as argued by McAteer et al (2010) challenge assumptions. It makes researchers think differently about certain occurrences. The ideas from the process often serve as a guide for reflecting on unique "incidents''. The outcome leads to asking 'what happened, where and when? Give a brief history of the incident. What is it that made the incident 'critical'? … How might your practice change and develop as a result of this analysis and learning.'' (McAteer et al, 2010:107).

Chapter four presents the findings; some quantitative and some qualitative. The quantitative findings are supported by secondary sources, with the exception of interest rates, while the qualitative findings are based mostly on primary sources. Everything from secondary research to semi-structured interviews with some of the stakeholders in the industry was relevant, alongside the views of some of the directors of the board of the MFB that the researcher chairs. The tabulation of this is presented as Appendices 12 to 25. The researcher presented the outcome, mindful of his own biases as an insider researcher, hoping that the mixed methods adopted, and their composite outcome based on triangulated data sources, would assist in moderating those biases.

Chapter five discusses the findings using the WEF framework (Riskviews, 2013) as the primary lens for analysing and discussing the data. This was however complemented by the key themes from the literature review. This approach was necessary that although the WEF framework tended to capture the essence of most literature that is reviewed, including stakeholder theory, institutional and organisational culture theory, dynamic capabilities theory and critical incidents and ambidexterity, the emphasis differs. Despite this challenge on the basis of the different emphasis each theory gives to organisational sustainability and

prosperity, there is consensus that they all play a role in organisational performance which is necessary for organisational resilience.

Chapter six is a summary of the findings and conclusions. The chapter brings the study to a close by condensing the overarching contribution of the thesis to knowledge and theory, and providing a set of recommendations for practice and future studies. The chapter concludes that the thesis demonstrates a relationship between the behaviour of MFB leaders and customers, organisational culture, business models, stakeholder practices and regulatory frameworks, and organisational resilience. It also demonstrates that a combination and interaction of human and organisational factors tend to activate variables such as governance, managerial skills development/sets, organisational risk profile, capital and a host of others to precipitate survival or failure of MFBs. Life experiences and critical incidents can also affect the values that organisational managers and leaders transmit to MFBs in Lagos, Nigeria. However, it must be remembered that this being an exploratory study, it is based on data that are not statistically significant. The implication of this is that the findings must be handled with caution, but the learning and insight generated can be helpful in implementing a resilience strategy for MFBs, taking the unique contexts of the relevant organisations into consideration.

Chapter seven is the researher's personal reflection on the research journey, from contemplation through the progressions and cancelled examination. It went further to argue that social science, while embracing scientific approach to studying social phenomena, would always remain within the domain of relativism, where subjective interpretations and perceptions would continue to be key in examinations. And that the weaker participant(s) (student(s) will always bear the brunt in an environment of power relation, except a more equitable approach is identified and implemented. The reflection is therefore intended to initiate a debate on the need to negotiate a fairer and more equitable doctoral examination's regime. That debate, it would be argued, must be all inclusive in which the student will have a voice partly through his/her assessment of the examiner(s) and supervisors.

Chapter Two: Literature Review and Conceptual Framework

2.1: Introduction

The aim of this chapter is to develop a template upon which the research findings will be evaluated. This is done through a review of some available literature on terminologies that are associated with MfB survival / failure from both local and international perspectives. The chapter specifically explored the Nigerian MFBs' industry in terms of policy, practice and challenges as well as features, fraudulence and failures. It also elaborated on a wide variety of MFB related issues such as: organisational, stakeholder, shareholder and institutional theories. Other highlights of the chapter include: corporate governance, culture and organisational culture, ambidexterity, dynamic capability, WEF Global Risk model and conceptual framework. Section 2.8 summarised the chapter with some emerging themes.

2.1.1: Definitions

As a first step towards developing a conceptual framework for the thesis, it is necessary to map out the theoretical background to the study. To do this, this chapter begins by defining some important terms and concepts that are used repeatedly throughout the dissertation. "Resilience" for instance has several definitions often linked with an ability to cope with and/or overcome external factors like earthquakes, floods and ecological disasters, pandemics and so forth (Weick et al, 2010). The term is used here in a more general sense to include both endogenous and exogenous factors. Endogenous factors are those that are internal adverse circumstances within the bank and exogenous factors are adverse circumstances external to the bank.

For the purpose of this research, the term resilience refers primarily to three specific things as follows: 1) Surviving difficult challenges, either as an on-going concern or in combination with other organisations. In the latter case, the bank retains its original name and/or identity after undergoing merger and/or acquisition. 2) Coping with and adapting to difficult business and competitive circumstances and 3) Being able to bounce back from adversity in circumstances such as the death of a CEO, the loss of a significant amount of money or even surviving a pandemic like COVID–19. This also includes 'bouncing forward' to even a better state after encountering an adversity.

The reasoning behind the above definition stems from the fact that over 50% of new ventures or enterprises in Nigeria fail within a short time frame usually spanning about five years (Alli and Jimoh, 2013; Aremu et al, 2011). They fail mostly because of an inability to respond to

emerging opportunities or to adapt their offerings to adverse business circumstances (Emokpae, 2014). Coping becomes a struggle, and ultimately the enterprise can be overwhelmed before failure. However, some organisations that overcome adversity may in fact develop new capabilities and strengths that were unrealised before encountering the adversity. This term is often referred to as ‘bouncing forward’.

The term Lagos MFBs in this thesis refers to MFBs that operate in Lagos State, even if they operate in other states of Nigeria as well, or have their head offices outside Lagos.

“Regulatory Authorities” refers to the Central Bank of Nigeria (CBN), and the Nigeria Deposit Insurance Corporation (NDIC). These are the primary regulators. The term also encompasses the National Association of Micro-finance Banks (NAMB), which is a self-regulatory authority. There are however two ancillary regulators, namely the Economics & Financial Crimes Commission (EFCC) with responsibility to investigate financial crimes resulting from whistle-blowing, and the Securities and Exchange Commission (SEC) with responsibility for regulating the securities market.

As indicated in chapter one, Micro-finance bank categorisation in Nigeria refers to the different segments of micro-finance banks as stipulated by the 2005, as amended in the 2011 CBN regulatory and prudential policy. The first segment is a single branch MFB with a capital base requirement of ₦20 m ($66,000). The second segment is a one state MFB with a capital base of ₦100m ($330, 000) and the third is the National MFB with a minimum capital base requirement of ₦2bn ($ 6,600,000). The dollar equivalents are based on the Naira - US $ exchange rate average in 2018. As at 2014, unit MFBs and state MFBs accounted for 43% and 34% of branch networks respectively, while National MFBs numbering 6 accounted for 23% of branch networks (Agusto & Co., 2015). This means that unit and state MFBs dominated branch networks in Nigeria with a combined percentage of 77.

2.2. Micro-finance Institutions: International perspectives

By 2013, there were over 12,000 (twelve thousand) MFIs in the world, made up of several organisations from “credit unions and cooperatives to non-governmental organisations, government agencies, private companies and commercial banks” (Agusto & Co., 2015:20). With over 100 million customers, central Asian countries and Eastern European countries were the most developed micro-finance markets. South American countries followed closely with growth in borrowers apparently accelerating (Agusto & Co., 2015). Overall, non-bank financial institutions served the most clients. Africa and the Middle East were the most

underdeveloped regions accounting for about 10% of the global micro-credit market. Micro-finance key performance indicators in some of the countries are shown in Table 2.1 below (Agusto & Co., 2015). Indonesia is the clear leader in terms of micro-credits followed by India and Bangladesh. Nigeria, Mexico and Kenya have poverty ratios that tend to be highest among the countries highlighted in the table. Micro loans extended to the poor in these nations were very low, and even lower on per capita basis.

Table 2.1: **Micro-finance Performance Indicators in selected countries (in 2014)**

Country	Population	Poverty Ratio	% of Financially Excluded	% of Female Borrowers	Gross Loan
Nigeria	170m	60%	40%	63.4%	$0.66b
Kenya	44.4m	38%	25.4%	64.2%	$0.5b
Indonesia	250m	11.4%	50%	100%	$10b
Brazil	200.4m	9%	29%	63.4%	$1.6b
India	1.25b	22%	53%	98%	$4.2b
Mexico	122.3m	52%	57%	48.5%	$1.4b
Bangladesh	156.6m	31.5%	34%	88.9%	$3.1b

Source: Agusto & Co., 2015

Generally, in the developing world, most poor people are excluded from formal financial systems (Brau et al, 2004). For example, Table 2.1 above indicates that 40% of the Nigerian population of over 170 million people in 2014 were financially excluded. The poverty ratio was 60%, whilst the financially excluded constitutes 57% in Mexico and 53% in India (Agusto & Co., 2015). Most of the financially excluded are in Asia, Africa and Latin America. Formal institutions that provide financial services including payday loans to the poor hardly exist (or have very limited presence) in such places. Most poor people and their micro businesses have no access to formal credit facilities or even the opportunity to save in a formal institution. They have little access to other financial services.

However, for centuries, the poor in those economies, particularly in Nigeria, have evolved informal ways of saving for their micro-enterprises through schemes like Osusu in Edo, Esusu in Ibo, Adashe in Hausa and Ajo in Yoruba parts of Nigeria (Ehigiamusoe, 2011). These are informal community-based arrangements to meet the financial needs of the above group of poor people, often dependent on mutual trust and mutual responsibility to each other (Brau et al, 2004). These are essentially within the local perspective of evolution of microfinance.

Seibel (2004) however argued that the international perspective to the story of MFI is rich with different ways different communities have responded to the need for inclusive financial arrangements to accommodate the poorer people. For instance, in 1884, "twenty-eight workers famously known in cooperative movement as 'The Rochdale pioneers' initiated a consumers' cooperative society in Rochdale, England" (Ehigiamusoe, 2011:17). While cooperatives were being formed in England to help the poor, the 1862 pioneering work by Friedrich Raffeisen on cooperative thrift among rural peasant farmers and Schulze-Delitzsch's efforts to provide small credits to urban salary earners were systematising earlier attempts at providing inclusive finance for the poor in Germany (Ehigiamusoe, 2011; Seibel, 2004). Peoples' banks began to emerge in France at this time as credit associations of urban artisans were established, pooling their savings so that members could get loans with very low interest rates. These are different from usurious money lenders which were still informal community based efforts.

However, formal arrangements have been emerging lately to complement and deepen, and in some cases replace informal arrangements to meet the financial needs of the poor. These formal arrangements have come to be generally referred to as micro-finance (Brau et al, 2004; Ehigiamusoe, 2011). Formal processes and practices of community based institutions for savings products and lending to the poor initially arose as a move largely motivated by development and social motives. The scope later broadened to include financial and entrepreneurial services. While some of these institutions focus on social motives, others focus on commercial ones, leading to two seemingly opposing schools of thought in the industry. These are the "development paradigm" versus the "commercial paradigm" (Brau et al, 2004).

Whereas the "development paradigm" has to do primarily with giving the poor access to formal financial services in a move to improve their economic standing and social inclusion, the "commercial paradigm" has an underlying assumption that serving the financial needs of the poor can be a viable financial and commercial endeavour. The latter is directed at making a profit. These paradigms and schools of thought are intertwined with the history of modern day MFI which has gone through at least three phases (Ehigiamusoe, 2011) namely:

- The feasibility phase initiated by Grameen bank as an action research project by Yunus and financed by the Ford Foundation employing credit experimentally to tackle poverty among peasant farmers.

- The sustainability phase emerged in the 1990s with ASA and BRAC joining Grameen in Bangladesh, and Athiar Lithar in Malaysia which was sponsored by government. Several private initiatives joined in India, Pakistan and the Philippines. Africa was not left out with the emergence of the Kenya Rural Enterprise programme initially funded by USAID and spreading to West Africa with the assistance of the Ford Foundation. This phase was characterised by product diversification beyond micro-credit to include micro-savings and also the diversification of funding sources.
- The commercialisation phase is when private capital began to enter MFIs. MFIs began to operate like any other business, albeit with the remit to serve the poor to make profit for their investors. This phase was experimented within and adopted in Latin and South America. It is now very prevalent in the Middle East, Eastern Europe, South East Asia and Africa. It led to the emergence of regulatory policies and regimes to implement boundaries of operational conduct in the industry, as well as managing by measures. Some MFIs transformed into regulated entities called Micro Finance Banks (MFBs). In Bolivia, Banco Sol prides itself as the first MFI to do so.

Some authors have questioned the capacity of MFIs to alleviate poverty; stating that if MFIs were designed to help poorer people all over the world to alleviate poverty, have they fulfilled that mandate over the years? Duvendack et al (2011:22 & 115) hold the view that a recent Meta study of several MFIs undertaken to identify "evidence of the impact of micro-finance on the wellbeing of poor people" produced inconclusive results. The main reason however for promoting MFIs in developing countries has been to reach the majority population of the poor in order to alleviate poverty. Despite this intention, poverty appears not to have significantly abated. This has incentivised, deepening the debate as to whether micro-finance can actually alleviate poverty by itself, or if it, in fact exacerbates it, as in many cases the relatively wealthier segment of the poor tend to benefit more from MFB financial services (Dichter et al, 2008).

But whatever position one takes and whatever view one holds in the debate, there is one issue that cannot be the subject of doubt. That is, MFIs have become popular across the world, particularly in the developing world, and an estimated 100-200 million of the world's poor are customers (Christen et al, 1995 in Brau et al, 2004).

Elsewhere, despite the fact that the Nigerian Financial System (NFS) is one of the most advanced in Sub-Saharan Africa, its capacity for achieving economic growth and

development has been very limited (Afangideh, 2007). Poverty is said to be increasing in Nigeria, the country progressively hosting the highest percentage of poor people in the world (NTA, 2018). Youth unemployment in Nigeria is 52.65 %, whilst aggregate unemployment is 18.8%. Under-employment is 21.2% of Nigerian population (NBS, 2017, in Obadan, 2018). The report also indicates that per capita income is about $3000. The human development index is 0.527, with Nigeria placed in 152nd position out of 188 countries (Obadan, 2018).

The limited capacity to the achievement of economic development in Nigeria has been largely associated with the overlap of roles amongst the Central Bank, the NDIC (National Deposit Insurance Corporation) and the Federal Ministry of Finance. This has resulted in inefficient and ineffective financial intermediation, and consequently the under-growth of various economic sectors, of which micro-enterprises form a significant part (Adesoye and Atanda, 2012). Corruption is also a part of the equation (Sahara Reporters, 2010). The inadequate capacity of the CBN and the NDIC in their regulatory and developmental functions limits the scope of the Nigerian financial system to offer a full range financial services across the different strata of the economy. The seemingly conflicting roles of regulatory institutions designed to facilitate the development of the financial sector have increased the need for the provision of alternative finance arrangements to cater for the under-served areas of the market. This is particularly the case with the poor and their micro-enterprises. The limitations of alternative arrangements appear to have accentuated poverty by the obvious mismatches between institutional savings, lending and investment practices, as well as the failure of the financial programs offered by commercial and development banks to provide credit at affordable rates for micro, small and medium enterprises (Adesoye & Atanda, 2012).

As argued by Adesoye & Atanda (2012), the general lack of long-term finance for infrastructural development, cash flow smoothening as well as for agriculture has been a key challenge for SMEs and indeed for poor people. This challenge, they claim, cuts across several sectors of the Nigerian economy. The general lack of finance to support the funding needs of micro-enterprises and SMEs, for example, brought to the fore the need to identify the gaps in institutional and market responses to the obvious needs of the country's financial sector. Hence, there is a perception that micro-finance institutions are emerging as 'gap-fillers' to compensate for the failure of the country's financial markets and institutions to provide finance or credit for micro-enterprises, SMEs and the extremely poor. A study by the World Bank, (as cited by Arsyad, 2005), showed that the main objective of MFIs is the

creation of employment and income opportunities through the birth of micro-enterprises and the financing of existing ones. As observed by Anyanwu (2004), the demand for micro-finance services is consequently high and is increasing in Nigeria. This, he noted is also due to massive layoffs of labour from many sectors, and the rising number of unemployed graduates, resulting in an expansion of the informal private sector. Another reason for the increasing demand for micro-finance products is the desire to increase the productivity and incomes of the poor and their micro-enterprises through the diversification of their income generating activities. Hence, according to Mejaha and Nwachukwu (2008), the establishment of MFIs in Nigeria can be attributed to several factors which include, but are not limited to, weak institutional capacity, weak capital bases of community banks, the existence of a huge unexploited market and the interest of both local and international communities. These communities include donor agencies and investment capital including social and commercial investors in micro financing. Other reasons for microfinancing include the need for the economic empowerment of the poor, employment generation and poverty reduction, the need for increased savings opportunities, and the effective and efficient utilisation of funds from the SME equity investment scheme (SMEEIS) (Mejaha and Nwachukwu, 2008). This fund (SMEEIS) is supposedly 1% of total commercial bank lending in a year. Such commercial bank lending is guaranteed by the CBN; which means that if micro-enterprises fail to repay the commercial banks, the Central Bank of Nigeria (CBN) is obligated to pay them.

As at 2001, there were 160 registered MFBs in Nigeria contributing less than 1% of total credit to the nation's economy (Anyanwu, 2004). At the end of 2011, they had increased to 993 registered MFBs in Nigeria and recorded presence in 774 local government areas in the country (Moruf, 2013). These contributed about 1% to GDP. The number of MFBs rose above 1000 by 2018 despite the failure of many of them over the years. The upsurge of the micro-finance industry represents a remarkable development viewed against the backdrop of its history and its expected contribution to the financial inclusion of the poor. It is also an attestation to the commercial argument for MFBs; that while doing social good, money can be made for shareholders as well. And hence the argument that the rise of micro-finance institutions has generally "overturned established ideas of the poor …shattered stereotypes of poor as not bankable, spawned a variety of lending methodologies demonstrating that it is possible to provide cost effective financial services to the poor…" (Mutua, et al 1996, in Brau et al, 2004:2).

A study carried out by Babandi (2011) on micro-finance institutions in Nigeria indicated that the factors that contribute to improvement in their survival rate include:

- A very focused, strong emphasis on the economic growth of the clients; and provision of support to realise it;
- Significantly improved access by the poor to social services and infrastructural facilities;
- Targeted interventions, primarily addressing the protection of low-income population.

There is a general consensus that the growth of MFBs is engendering social community. The social community promotes the sharing of knowledge and the dissemination of information through the group methodology that Yunus introduced in Bangladesh. This methodology is believed to have helped 5% of Grameen Bank customers to exit poverty every year (Chowdhury, 2009). Furthermore, this group approach to delivering MFB services makes the group assume some collateral status or support for each member as shown in JLGs (Joint Liability Groups) in India (Quidt et al, 2016).

Despite the debate surrounding whether or not the JLG may or may not be superior to ILL (Individual Loan Lending) in matching the interests of lenders and debtors, it is generally believed that group lending tends to reduce lenders' transactional costs. It also reduces moral hazards like failure to repay loans through peer pressure (Ghatak and Guinnane, 1999). However, this discussion also raises the issue of who benefits more; the poor or the promoters of the MFIs (Quidt et al, 2016). It can be argued that the group methodology provides a framework that supports members gaining access to much needed funds, and strategic and collective promotion with all stakeholders in the industry collaborating with one another in order to grow.

Elsewhere, Earne, Janson, Koning and Flaming (2014), while opining that Sub-Saharan Africa has the worst banking position in the world with only 24% of the population having access to any form of banking, argued that MFIs have been very slow in responding to the yawning gap for financial access and financial inclusion in the region. "There is a range of strategies for extending the reach of micro-finance, including the transformation of existing institutions, the creation of stand-alone Greenfield MFIs…" according to Earne et al (2014:1). Earne et al (2014) further argued that Greenfield MFIs are a welcome response to the need for accelerating the financial inclusion of the poor into formal financial and banking systems. Consequently, it is necessary to describe "Geenfield MFIs" and situate them within the broad debate of commercial versus social paradigms in Micro-finance practice.

“Greenfield MFIs” have been defined as micro-finance institutions that are newly created without pre-existing infrastructure, staff, clients or portfolios. They focus more on expanding the commercial side of the spectrum of the industry. They are regulated and are deposit-taking from the outset (Earne et al, 2014). The Greenfield MFIs are spread over 12 countries in sub-Saharan Africa including the Democratic Republic of Congo, Cote D’Ivoire, Liberia and Nigeria. They had an aggregate loan portfolio of $527m and about 2 million deposit accounts in 2012 (Earne et al, 2014). In the 1980s and 1990s, donors who were inspired by the successes recorded by NGOs and the desire of commercialising micro-credit adopted the approach of setting up Greenfield banks specialising in micro-finance. These banks possessed banking licences from the onset (Morduch, 1999). As such, the MFBs were founded as corporations with private investors and donor institutions acting as shareholders.

In Nigeria in particular, there has been an upsurge, as identified earlier, in the number of micro-finance institutions, including Greenfield ones, which are creating the opportunity for improved credit and savings access (Oladejo, 2008). This effort creates accessibility as well as addressing the needs of micro-enterprises and SMEs.

Within the international perspective, it has been observed in Pakistan that there has been a major shift in emphasis from the social objective of poverty alleviation towards the economic objective of sustainable, market-based financial services (Rauf and Mahmood, 2009). This occurs in both Greenfield MFIs and those that are not. MFIs are considered as one of the most dependable, effective and flexible arrangements in the fight against poverty (Dokulilova et al, 2009). And that reinforces Terberger’s (2003) earlier argument that in the previous two decades, micro-finance had become an important policy instrument for fighting poverty. This occurs, in his opinion, by providing access to formal financial services for low-income households and fostering social and economic development.

In Terberger’s (2003) view, micro-finance is a very cost-effective approach to dealing with poverty. This, he said is because some not-for profit MFIs that up-scaled into micro-finance banks have shown through their performance that financial services can be offered to low-income households while at the same time covering cost and earning profit (Terberger, 2003). This, he indicated happens even without subsidy from donors and governmental organs thereby demonstrating some capacity for financial self-sufficiency and sustainability. There is also the issue of institutional innovations of downscaling, which is the creation of micro-finance departments at existing for-profit commercial banks like Ecobank in Sierra Leone.

An example of such innovation is found in many other banks, like First Bank and UBA. Similarly, up-scaling is the creation of micro-finance banks from upgrading not-for-profit organisations and NGOs and such measures are being promoted in order to reproduce the successes recorded by micro-finance banks on a larger scale (Terberger, 2003).

According to Morduch (1999), focusing on credit facilitation and client-institution relations may have paved the way for today's MFIs to attain high repayment rates. Morduch's argument (1999:1609), is consistent with the views of Terberger (2003:189), ''to improve the institutional set-up of MFIs and take another hard look at management structures and mechanism design in order to lower costs while maintaining outreach". He also believes that "a second wave of innovation will aid substantial progress in institutional set–up of MFIs''. A further assertion by Morduch (1999), is that most MFIs which started as nongovernmental organisations (NGOs), may have changed their legal structure during the process of ''up scaling'' into Micro-finance Banks (MFBs). There are many examples in South America of NGOs that have successfully up-scaled, albeit with the intervention of donors into MFIs. Subsequently, MFBs such as BancoSol and Caja Los Andes in Bolivia have also up-scaled**.** The same is true of South East Asia and the BRI bank of Indonesia. Nigeria has seen up-scaling with LAPO, and several other MFIs have up-scaled to MFBs in the last ten years.

However, it is worthy of note that in some countries such as Kazakhstan where downscaling programmes have recorded successes, micro-finance is still not particularly beneficial to the poor (Terberger, 2003). This means that poor people do not benefit as expected. The implication is that many poor people and several micro-enterprises still do not have access to banking services and where they do, such services have not been good for business or personal economic wellbeing. It is even more challenging in a country like Nigeria in which both up-scaling and downscaling approaches to serving the underserved micro and small enterprises may have contributed to several failed micro-finance institutions. In such cases, the failure could be linked to a lack of institutional capacity in such organisations (Ehigiamusoe, 2011) as well as to lending challenges.

The CBN (2013) indicates that unit lending, i.e. lending to individuals (IL) who are not a part of a group, adopted by several MFIs has resulted in increasing defaults in the repayment of loans, leading to high inventories of unrecoverable credits. Fortunately, not all Individual Lending (IL) approaches lead to default. Due diligence, some collateralisation and very strict credit management systems may have helped to minimise repayment defaults in some IL.

While group lending (GL) appears to have been easier to manage and monitor, individual lending could only be less problematic under a very strict credit regime.

Although several studies demonstrate that many factors influence the success of MFIs in various countries, it has been indicated (Arsyad, 2005) that any attempt to replicate the achievements of a MFI by imitating its operational and service delivery model should be undertaken with great caution. This is because what works well in one socio-economic environment may not necessarily be effective in another, due to different social and cultural norms as well as other context-related factors, like path dependence (Arsyad, 2005). Hartungi (2007) further cautioned that the circumstances and unique environments of any developing country could be a limitation to the adaptation or application of the successes identified in one country and exported to another. The success factors observed from a study conducted in Indonesia (Bramono et al, 2003), are:

- There was external support from the government by means of the institution of anti-poverty programmes. These efforts were also supported by the IMF and donor agencies.
- There were good and contextually relevant operating principles that aligned with a sound market economy essentially driven by high performance and low transaction costs. These resulted in high efficiency rates of the MFIs.
- A unique lending approach was used for screening the clients. This resulted in clients feeling a sense of belonging and faithfulness towards meeting their obligations.
- The availability of, and access to markets was useful so that vendors could sell their wares through micro-enterprises.
- Indonesia has had a growing economy and a supportive government policy at all levels through the provision of legal architecture and a contract enforcement regime for the MFIs and other formal finance institutions to thrive.

Furthermore, in the Indonesian context, Bramono et al, (2003) studied the issue of organisational leadership. Leadership was then identified as a co-driver of innovation and effectiveness in the industry. The need for continuous innovation within MFIs was recognised and associated with leadership; where leadership is about having an intimate awareness of the hyper-competitive external environment and an awareness of the need to build internal VRIN capabilities, influencing the implementation and monitoring of same in MFBs (Teece and Pisano, 1997). VRIN is a shortened form of valuable (V), rare (R), inimitable (I) and non-substitutable (N); which are attributes of dynamic capabilities (DC) in

firms. VRIN capabilities are relatively difficult to imitate or replicate, but they enable the firm to respond swiftly to challenging circumstances and shocks.

Ahenkora (2012), on the other hand, argued that the Indonesian case reported above can be beneficial, from a learning perspective if other countries are prepared to leverage interactions with development partners and other associations, as well as with other regional and global stakeholders. The purpose, as suggested by the SEEP Network (2011), is to adapt new ideas to local contexts. MFIs can evaluate lessons learned from new initiatives in other markets, sharing both negative and positive experiences with customers.

But broadening customer base has been suggested as impacting negatively on the MFB practice, in such a way that MFBs lose focus in service delivery. This has occurred with several MFIs while reaching out to SMEs, and those above the poverty line, resulted in what is now commonly referred to as "Mission Drift" (MD). This in turn has led to a debate as to why many micro-finance banks are now serving the not-too-poor, lower middle class and SMEs rather than the very poor and their micro-enterprises (Dichter et al, 2008); which is an example of mission drift. This debate is yet to be settled in associated literature. Some questions that may require answers are: Is this phenomenon the result of a desire by the promoters of MFBs to make more money? Is the intention to cross-subsidise the cost of serving the poor to ensure the financial sustainability and ultimately the resilience of MFBs; or is that practice positioning MFBs to better serve the poor? The debate and the above questions underscore the importance of exploring the concept of "Mission Drift" (MD) and understand why the original purpose of MFBs, i.e. financial inclusion of the poor is no longer a priority to some investors and to some MFBs.

Although the original mission of micro-finance institutions is the provision of banking services to low-income families as well as to micro-enterprises (Mersland & Øystein Strøm, 2010); this they are expected to do in a sustainable way. That means MFIs (and now MFBs) have both a social and a financial mission (Dichter et al, 2008, Copestake, 2005). But Wagenaar (2012) has contested that position. He continues to emphasise that the main purpose of MFIs is financial inclusiveness, to ensure that the poor have access to financial services and financial products. This, in his view, means that MFIs, (particularly MFBs) should focus on poverty outreach and not profitability. An example is the provision of loans to women to access potable water from the public water corporation in Indonesia (Amanpoor, 2018). Such access reduced their water bill from $60 per month to $10 and the savings were

used to pay school fees and feed children. This had some impact on the cycle of poverty plaguing the poor. That is where Wagenaar's argument seems to reside. In doing so, outreach becomes the key measure of performance.

Outreach in MFIs is technically defined as "worth minus cost, weighted by depth, summed up across the breadth of users and scope of contacts, and discounted through length of time" (Navajas et al, 2002: 156). This, in simple terms, is about the number of very poor people who are given access to formal banking services. This is not measured in a nominal form but according to depth. This means that the financial services offered by the MFIs can assist with most aspects of the lives of the very poor people; meeting their personal and other financial needs. This is not only about supplying financial services to individuals. The aim is to deepen the relationship in areas of business advisory and mentoring services. At a more general level, Wagenaar's position is that reach in financial services should take precedence over other possible areas of deepening relationships with the poor. It is little wonder Mosley (2010) holds the view that the notion of poverty as understood in micro-finance can be identified according to average loan size. This position has been generally adopted in explaining the position of Bolivia's Bancosol in its quest to deliver small loans to the poor and larger loans to wealthier clients for the purpose of self-sustainability (Dunford, 2002 and Schreiner, 2001 in Armendariz & Szafarz, 2010). However, the increased pressure on MFIs to ensure financial sustainability and to grow may have resulted in the transformation of many non-profit MFIs, evolving into commercial and regulated institutions - MFBs. This drive towards financial sustainability has resulted in many MFBs searching for, identifying and implementing strategic moves to ensure profitability. This raises more concerns about MD; with profitability drive leading to a change in strategic moves at broadening financial activities to offer new financial services like savings and micro-insurance (Rhyne and Otero, 2006 in Wagenaar, 2012). The expansion or broadening of activities has led to increased competition between MFIs. It has also led to competing with commercial banks which are setting up MFBs, a phenomenon referred to earlier as downscaling (Bell et al, 2002 in Wagenaar, 2012). In a way, this development is leading to financial liberalisation and in turn increases in government regulatory activity and policies. It can therefore be argued that when an MFI/MFB reaches out to unbanked wealthier individuals without serving the poor clients, MD occurs. This is at variance with the MFI mission of loan size minimisation (Armendariz and Szafarz, 2010) - a view also subscribed to by Schreiner (2002). It means that when MD

occurs, the breadth and depth dimensions of MFI outreach to the poor weaken (Mersland and Øystein Strøm, 2010).

In arguing that MD is being driven by transaction cost minimisation alone, Armendariz and Szafarz (2010) explain that poverty-driven MFIs can deviate from the mission of extending larger loan sizes. They do this through an interplay of the original mission and the cost differentials between the poor and the unbanked wealthier clients. An investigation into MD indicates that it shows up in average loan size, lending methodology, main market and gender bias (Mersland and Øystein Strøm, 2010). Furthermore, MD also occurs when there is a shift in the lending structure of MFIs from non-collateralised group lending (peer backed) to collateralised individual lending. This brings about a reduction in the overall development impact stemming from group participation that may have been a cornerstone of micro financing (Thorp, et al, 2005 in Mersland and Øystein Strøm, 2010).

Another study has however indicated that transaction cost minimisation alone was not at the root of MD leading to the suggestion that MFIs serving the poor are constrained by the number of potential poor clients that can be found in a certain region. They are further constrained by other non-region-specific parameters such as interest rates, ethical considerations and monopoly of power (Armendariz and Szafarz, 2010). A study of MFIs in Bangladesh (Hishigsuren, 2007 in Mersland and Øystein Strøm, 2010) using archives, surveys and interview data came to the conclusion that the MFI achieved greater cost efficiency even though MD did not occur when the performance of the MFI was measured by depth, quality and range of outreach to poor clients. The issue of depth emerged strongly, meaning that a balance has to be struck between depth and breadth (Copestake, 2005). Furthermore, the findings indicate that MD is not a result of a deliberate decision by the MFI but rather results from the challenges posed by the expansion process (Hishigsuren, 2007). Another study by Paxton et al (2000), presents an argument in favour of a trade-off between serving the poor and being financially viable by explaining that the transaction costs associated with smaller loans are higher compared with those of larger loans (Mersland and Øystein Strøm, 2010).

A study by Fernando (2004) analysed 39 MFIs that transformed from NGOs to regulated financial institutions, and demonstrated that while their financial positions improved significantly, the MFIs did not drift from their original mission (Mersland and Øystein Strøm, 2010). Another study by Cull et al (2007), which analysed 124 MFIs in 49 countries,

concluded that despite the aggressive pursuit of financial goals, MD did not occur (Mersland and Øystein Strøm, 2010). A 15-year study into MD among 1,558 MFIs that transformed from non-profit to for-profit institutions (Wagenaar, 2012) showed that the MFI profit status and drive tended to affect its outreach. On the other hand, research by Littlefield et al (2003), on 62 MFIs indicates that MFIs are capable of ensuring deeper outreach even when they are profitable by showing that MFIs that target the poor tend to have a lower cost level per borrower. This contrasts with the position of most other MFIs, as they ensured higher productivity levels in terms of borrowers per staff (Wagenaar, 2012). A number of conclusions can therefore be derived from the MD debate and these are listed below (Wagenaar, 2012, Armendariz et al, 2010):

- There is an increase in financial pursuit as most MFIs transform from non-profit institutions to for-profit ones. There is also a review of the exclusive mission of serving the poor with favourable terms and that of simultaneous financial and social causes (Wagenaar, 2012).
- Difficulty arises in differentiating between MD and cross-subsidising, especially in the divergent practices of MFIs operating in Latin America and South Asia (Armendariz and Szafarz, 2010).
- There have been efforts taken to reduce loan arrears and monitoring costs. When fund donors are profit-oriented, MFIs tend to focus on unbanked wealthier clients for relatively lower transaction costs and as such MD emerges in the bid to attract more resources (Ghosh and Van Tassel, 2008 in Armendariz and Szafarz, 2010). Agency challenges arise which could undermine the original mandate of MFBs.
- A recent MFI commercialisation trend is evidence as observed in an empirical study of MFIs in different regions whereby the proxy for poverty is the average loan size (Cull et al, 2009 in Armendariz and Szafarz, 2010).
- The inability to deliver loans to the women (which has been a priority of MFIs since the inception of Grameen Bank) due to poor outreach as a result of migrating to wealthier clients (Dowla & Barua, 2006 in Mersland & Øystein Strøm, 2010) or as a result of transformation from an NGO to a commercial institution is notable (Wagenaar, 2012).
- There has been a shift from group lending to individual lending which often increases average loan size and blurs the line between lending to the poor and to the wealthy (Thorp, et al, 2005 in Mersland & Øystein Strøm, 2010).

Consequently, the trade-off between MFI sustainability and poverty outreach continues to attract extensive debate; with the "welfarists" arguing for more outreach and the "institutionalists" arguing for financial sustainability over outreach (Wagenaar, 2012). A great deal of academic research has been carried out in this area. For example, Olivares-Polanco (2005) analysed 28 MFIs in Latin America. Makame & Murinde (2006) analysed 33 MFIs in East Africa and Paxton, et al (2000) discussed the trade-off between financial sustainability and outreach (Wagenaar, 2012). However, research by Christen (2001) showed that commercialisation did not lead to a decline in outreach while Hishigsuren's (2007) study of MFIs in Bangladesh showed no relationship between increasing cost efficiency and outreach (Wagenaar, 2012). Armendariz & Szafarz (2010) emphasize that MFIs do not resolve the trade-off between serving the poor and serving unbanked wealthier clients by having a "mixed" portfolio. This is because while the transaction costs of the wealthier clients might be less as a percentage of the loan or credit, the transaction remains cost effective for the MFI. However, the clients do not contribute less to the MFI objective to maximize outreach. But, when the MFI objective is to have a lower weight of unbanked wealthier clients, then serving the wealthier clients becomes burdensome despite being cost effective and profitable (Armendariz & Szafarz, 2010).

It has therefore been argued that higher profits realised from serving wealthier clients could lead to lower outreach as mentioned in the MFI objectives. Christen & Drake (2002) and Rhyne (1998) are however of the view that a more commercialised micro-finance industry is able to render better financial services to the poor in the community. This, they believe is because high profit motivates an efficient system that seeks out newer markets for credit services (Mersland & Øystein Strøm, 2010). Similarly, a study by Kar (2013a) does not validate the concerns for MD. Despite the common fear that the commercialisation of MFIs may result in MD because of a possible shift in focus to profit-making instead of servicing the poor, a study by Mersland & Øystein Strøm (2010) which analysed 379 MFIs in 74 countries over a period of 10 years concluded that there was no evidence of MD. The evidence however showed that MFIs tend to maintain and even increase the depth of outreach despite changes in the lending methodology and the main market for business and gender bias (Mersland and Øystein Strøm, 2010). Furthermore, when MFIs become more efficient, they are able to uphold lending to the poorest customers despite the increased profitability and increased average costs (Rhyne, 1998; Christen and Drake, 2002 in Mersland and Øystein Strøm, 2010).

Kar (2013b) explains that MFIs are generally influenced by double bottom lines; the first of which is to keep the original social mission intact by serving the poor. The second is to attain financial sustainability and ultimately organisational resilience. It has been demonstrated in an empirical study by Kar (2013b) that these two bottom lines can be mutually exclusive. Copestake et al (2005b), Hudon and Hermes (2018) and Tulchin (2003), on the other hand, posited that the possibility of MFI maximising both goals (i.e. the double bottom lines) at the same time was yet to be clearly established. Copestake (2007:1734) further argued that "notwithstanding the stronger profit orientation of many mainstream financial institutions, there is scope for them to review their social performance more systematically both out of enlightened self-interest and in response to public policy."

In terms of how the above discussion relates to resilience, there are a number of points to make and themes that are emerging:

- Underlying the different strategic approaches and choice of market segments to be serviced by MFIs is the desire to maintain the organisation as an on-going concern, without its future being threatened; which suggests the desire for organisational resilience. That may have led to the suggestion that cross-sector alliances between socially oriented and commercially oriented MFIs might take advantage of the unique capabilities of both types of organisations, consequently delivering a greater, broader impact on poverty alleviation at the bottom of pyramid (BOP) markets (Casselman and Sama, 2013), in a sustainable manner.
- That depth and breadth can coexist in one MFI as long as there is awareness that it must be careful not to sacrifice depth on the altar of sustainability.
- That double bottom line can be achieved (that is, social and commercial goals) at the same time).
- That though MD has surfaced in MFB practice, it can be avoided.
- That the organisational capacity to cope and adapt in difficult competitive and ecological circumstances can occur if the appropriate mechanism is put in place, irrespective of the segment of the banking industry that is served.

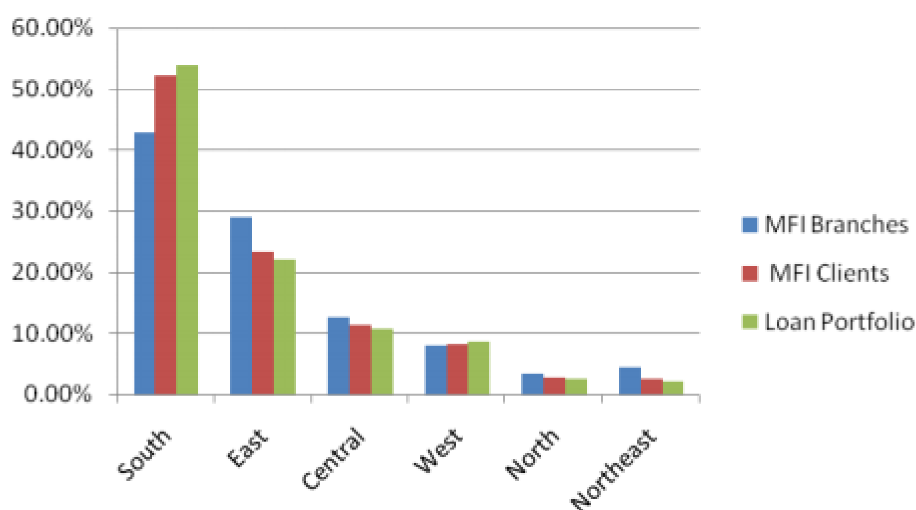
2.2.1: Andhra Pradesh Challenge and lessons for MFB Resilience in Nigeria

Andhra Pradesh in India presents an interesting story of MFI response to its core mandate of financial inclusiveness and the consequences of its practices. In 2006, branches of MFIs in

South East India in the district of Krishna were not only raided, but temporarily closed down on the order of the government of Andhra Pradesh (Ghate, 2008). This was as a result of allegations of fraudulent practices of MFIs in the area. Many MFI staff did not want to return to work in the light of the hostile atmosphere created by negative press reports. The resultant effect was that repayment of loans dwindled by between 10% and 20%. This created serious arrears, and loan defaults. This type of occurrence could extinguish MFIs if proper operational and risk management measures are not put in place in organisations, particularly in a state of weak capital base and where there is a run on the banks by depositors.

Andhra Pradesh is located in the south eastern part of India. It is the fifth most populated state of the 28 states in India, with a population of over 75 million people. This puts the state within the hub of commercial activities in the southern region of India known to have a higher rate of MFI penetration than all other regions combined. The uneven spread of micro-finance institutions in India as indicated in Figure 2.1 below clearly shows the disparity with the number of MFIs in the 3 southern states of Karnataka, Tamil Nadu and Andhra Pradesh. They, comparatively, have a higher MFI presence than the other 25 states in India in terms of numbers of branches, clients and loan portfolio size (IFMR 2010, in Sougata and Sushanta 2014). To support this point, Srinivasan (2011) stated that for every two households in the state of Andhra Pradesh, there were three micro-finance loans. This number of micro-finance loans was gross over lending; which far exceeded the number of loans disbursed to poor households in the states of Orissa, West Bengal, Karnataka and Tamil Nadu.

Figure 2.1: **Distribution of MFIs in India (2010)**



Source: Institute for Financial Management and Research (IFMR), Center for MF (2010).

Two indices provided by the MISSR (2011) scored Andhra Pradesh highly in terms of the Micro-finance Penetration Index (MPI) and the Micro-finance Poverty Penetration Index (MPPI), as can be seen in Table 2.2. The table shows Andhra Pradesh placed as one of the top five states in India. While the MPI shows each state's share of micro-finance clients relative to overall clients in respective regions, the MPPI is determined by dividing the state's share of MFI clients with its share of the poor population. Hence, Andhra Pradesh was in the top 5 in terms of population, MPI and MPPI indices before the crisis.

Table 2.2: **Top 5 States as regards MPI & MPPI**

STATE	MPI Score	STATE	MPPI Score
Manipur	4.23	Manipur	7.26
Andhra Pradesh	4.20	Andhra Pradesh	7.03
Pondicherry	2.57	Pondicherry	3.36
Tamil Nadu	2.00	Tamil Nadu	2.47
Orissa	1.63	Sikkim	2.12

Source: Micro-finance India State of the Sector Report 2011

Prior to the restructuring of MFI's services in India, two models existed. These were Government Supported Self Help Groups (SHG) linked with banks and ever-growing privately funded MFIs, geared towards a more commercial approach intended to increase the scale of its MFI sector (Karmakar, 2008). By November 2010, it was estimated that there were about 4.5 million SHGs, with 58 million members receiving credit, nationwide. Of this number, 1.47 million SHGs operated within Andhra Pradesh reaching 17.1 million clients. Srinivasan (2010) estimated the annual growth rate of MFIs at 80%. The scope of MFI operation was however reported to have remained limited as the main business of most MFIs in India still seemed restricted to the provision of micro-credit (Rutherford, 2010 in Ulrike et al, 2011).

As a result of a commercial drive by MFIs, investments increased in the sector and corruption soon followed. MFIs in Andhra Pradesh were part of a family of organisations that attracted significant investment from private equity firms and players, and this was considered by many to be unethical. It was therefore not surprising that the crisis occurred in Andhra Pradesh (Ulrike et al, 2011).

Furthermore, the Andhra Pradesh crisis erupted following the promulgation of an ordinance by the Andhra Pradesh government on the 15th October, 2010. This gesture was an attempt to

regulate the MFI sector in the state (Intellecap 2012:1). The ordinance, according to the government was “to protect the women's Self Help Groups from exploitation by the Micro Finance Institutions in the State of Andhra Pradesh and for matters connected therewith or incidental thereto. In this ordinance, the government claims that of late, many individuals and entities have come up styling themselves as Micro Finance Institutions and are giving loans to SHGs at very high or usurious rates of interest and are using inhuman coercive methods for recovery of the loans.” (Sougata and Sushanta 2014: 10 citing AP MFI Ordinance Statement of Objects and Reason, Sections 3, 5.1, 9.1, 10.1 and 18)

The government of Andhra Pradesh cited high suicide rates (43 in number) by many poor rural dwellers who had obtained loans from the so-called rogue MFIs. The government suggested it was its duty to protect the poor from exploitation. The government also insisted that all MFIs were to be regulated under the ordinance, and appropriately registered to avoid fraudulent practices. Loan collections dropped dramatically as a direct consequence of the crisis and ordinance (CGAP, 2010:3). Due to the crisis and subsequent media attention, MFIs operating in Andhra Pradesh found it increasingly difficult to access financing. They had to eventually downscale operations, thereby facing a backlash effect from their clientele base that relied solely on regular interactions with MFIs in the region for financing their micro-enterprises.

A precursor to the main crisis in 2010 occurred between 2005 and 2006 on the basis (see Ghate, 2007) of allegations of profiteering, unethical collections and high interest rates. It also cited poor governance and illegal operational practices such as promoting and accepting savings among customers in one of the 23 administrative districts of Andhra Pradesh. This of course necessitated government intervention and resulted in the closure of 50 branches of four MFIs in the region. Wright and Sharma (2010) corroborated this position by stating that there were three smaller crises that led to the “big bang of October 2010”. The events are as stated below:

- In 2006, the closure of 50 agencies of the big MFI by the administrator of Krishna district commenced. This was due to allegations of exorbitant interest rates, illegal operational practices and unethical collections (CGAP, 2010). Clients were advised to decline repayment of loans. With the central bank’s intervention, MFIs agreed to reduce interest rates. The MFIs also embraced self-regulation.

- In 2009, a local MFI in Andhra Pradesh defaulted on loan repayment to other banks. Poor information systems for regulating the ever-increasing number of MFIs were cited as the cause coupled with a lack of proper internal control measures.
- In 2009/2010, a religious organisation staged a borrowers' strike in Kolar district. The purpose was to express customer dissatisfaction with services in the district. In response, the local MFI formed an umbrella organisation to represent the interests of all MFIs.
- Over-indebtedness in Andhra Pradesh was also a point to note. By 2010, a rapid proliferation of debt had been recorded, with the average debt outstanding per household estimated at Rs. 65,000 ($915). This was considerably higher when compared with the national average of Rs. 7,700 ($108) (CGAP 2010 in Ulrike et al, 2011). This was as a result of a programme named "Society to Eliminate Rural Poverty", (SERP), which was set up to fight poverty. It was widely embraced in Andhra Pradesh. The programme was established to achieve total financial inclusion as well as to encourage MFI clients not to default on loan repayments. The kernel of the programme was to guarantee that SHGs' interest payments of more than 3 percent would be reimbursed. The standard limit of Rs. 100,000 ($1,408) placed on borrowing was therefore reviewed upwards of 5 times to Rs. 500,000 ($7,042) under the SERP programme. Thus, while the SERP was meant to encourage members to repay MFI loans, evidence indicated that members had multiple loans from different sources. These multiple loans reached a total debt at Andhra Pradesh of Rs. 165 billion ($2.32b) (CGAP 2010, footnote). In the end, unrecovered loans were estimated at between Rs. 500 million and Rs. 700 million ($7m- $9.9m) (DNA India (2010) in CGAP 2010, footnote).

To conclude, there were several contributory factors that led to the crisis in Andhra Pradesh, such as over-indebtedness, customer dissatisfaction, exorbitant interest rates, information asymmetry, regulatory deficits and the ever-increasing number of MFIs. These MFIs had very poor internal control measures which also contributed to the crisis. Furthermore, illegal operational practices, unethical collections, profiteering, regulatory laxity, poor governance and politics, all made the crisis worse. The government of Andhra Pradesh was therefore compelled to intervene. While the scale of the Andhra Pradesh crisis may not have been evident in several other countries where MFIs exist, similar problems have been identified in many countries. For instance, customer dissatisfaction, exorbitant interest rates, poor internal control measures, poor governance practices, and insider trading have been associated with the challenges in Nigeria's micro-finance industry as well. Did these lead to the collapse of all

the MFBs with such deficits? It is difficult to say, as there is no sufficient evidence in the literature to suggest that. This makes the search for causes of resilience among MFBs all the more challenging.

The next sections deal extensively with Nigeria MFBs, their journey so far, their practices and their challenges; as well as what the literature says about their failings and why. And for those that thrived in the face of adversity, how did they do it?

2.3: MFBs in Nigeria

2.3.1: Policy, Practice and Challenges

As earlier indicated, the Central Bank of Nigeria (CBN) formulated a micro-finance policy in 2005 which was updated in 2011. This was primarily designed to facilitate the transformation of community banks into micro-finance banks. It was also intended to shore up the capital base of existing micro-finance banks and stem sharp practices in the industry. The policy, which included programmes for scaling up all community banks to MFBs, was set up partly as a result of the failure of many community banks to fulfil their statutory roles of financial intermediation. These were directed at the poorer people and micro-enterprises particularly in the rural and agrarian areas. Furthermore, these policies were set up because of the high mortality rate in the industry (Abraham & Balogun, 2012; Oladejo, 2011).

According to the CBN (2005), the launch of the Micro-finance Policy Regulatory and Supervisory Framework (MPRSF) was aimed at addressing most of the challenges connected with non-performance amongst community banks and sanitising the entire micro-finance industry. The framework also sought to deal with the following:

- Weak institutional capacity
    a) Poor corporate governance
    b) Restrictive supervisory and regulatory requirements
    c) Lack of well-defined operations
- Weak capital base
- The existence of a huge unserved market
- Economic empowerment of the poor, employment generation and poverty reduction
- The need for increased savings opportunities
- The interest of local and international communities in micro-finance
- Utilisation of SMEEIS Funds

Another issue requiring urgent attention in the industry was fraudulence, which appears to have been central to the contributing factors of MFB failures. While Adeyemi (2008) identified supervisory/regulatory loopholes and inefficient management as challenges in the Nigeria micro-finance sub-sector, Nwanyanwu (2011) indicated the diversion of funds by fraudulent officials and Mohammed et al (2009), pointed out poor outreach and usurious lending rates as the root causes.

In addition, existing MFIs, which were not originally community banks, needed to be regulated as well, with a view to keeping them healthy and consequently minimising their mortality rate. The CBN policy specified a need to embed the capacity to cope with and adapt to the micro-finance industry. Furthermore, areas requiring significant enhancement in the industry were identified by CBN to include capacity building, organisational sustainability, risk management, succession planning, streamlining product offering, asset spread and deployment, reporting format, governance and ethics.

Regrettably, the CBN policy, rather than minimising the death of MFIs appeared to have accelerated the death of the terminally ill MFIs during its initial implementation (CBN Directors programme, 2013). For instance, 83 out of the 907 MFBs in Nigeria (CBN, 2014) closed down in 2013, necessitating the payment of ₦103 billion ($640m) to depositors by the Nigeria Deposit Insurance Corporation (NDIC) (Erunke, 2014). Each depositor is, by law insured for ₦200,000 ($1250) by NDIC in the case of MFB failure, and ₦500,000 ($3125) in the case of commercial bank failure (NDIC, 2012-2014). Furthermore, despite the honest intentions of the new CBN policy arrangement, most community banks failed to make the transition to MFBs. Those that did make it did not survive long to enjoy their new-found status as they went into liquidation within a short time.

The reason that some could not make the transformation was in part due to the high level of capitalisation required (enunciated in the CBN policy) in moving from a minimum capital base of about $30,000 to $130,000 (₦20 million) (as at 2005). This was compounded by the inability of the banks to pay cash to depositors when they demanded their savings deposits (Abraham and Balogun, 2012). Misappropriation, fund diversion and poor supervision were also implicated (Abraham and Balogun, 2012). The reason why some initially succeeded and later failed may have been due to deficient managerial skills and leadership profligacy.

It deserves mention that earlier, Government interventions (that eventually failed) in policy formulation and implementation, particularly in giving loans to the poor for their micro-enterprises led to establishing the following institutions and initiatives:

- The Green Revolution
- The People's Bank of Nigeria
- The Rural Banking Scheme
- Operation Feed the Nation (OFN)
- The Nigerian Agricultural and Cooperative Bank (NACB)
- The Directorate of Food, Roads and Rural Infrastructure (DFFRI)
- The Nigerian Bank of Commerce and Industry (NBCI)
- The Nigerian Directorate of Employment (NDE)
- The Nigerian Agricultural Land Development Authority (NALDA)
- The Nigerian Economic Reconstruction Fund (NERFUND)
- The Poverty Alleviation Programme (PAP)
- The Family Economic Advancement Programme (FEAP)
- The Nigerian Industrial Development Bank (NIDB)
- Better Life for Rural Women
- The Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB)
- The National Poverty Eradication Programme (NAPEP)
- The Family Support Programme (FSP)

Those institutions and initiatives did not survive to fulfil the purpose for their establishment. Oyemomi (2003) and Acha (2012) suggest that failures occurred because they were all linked to the corruption and fraudulent officials, making it difficult to achieve the primary objectives of their programmes and initiatives. The programmes sought to alleviate poverty, tackle accessibility to funds and offer credit to the poor and create financial inclusion for poor farmers and micro-enterprises (Clementina, 2015). The failures of most of these programmes according to Oyemomi (2003) and Acha (2012) were due to corruption, fraudulence, poor programme implementation and very deficient monitoring systems.

Some evidence of corruption is indicated in the following narrative. "As at December 2004, only ₦8.5billion (29.5%) of the ₦28.8billion released for Small and Medium Enterprises Equity Investment Scheme (SMEEIS) fund had been utilised. Moreover, 10% of the fund meant for micro-credit had been utilised due to lack of an appropriate framework and confidence in the existing institutions that would have served the purpose. This policy provided an appropriate vehicle that would enhance the utilisation of the fund" (CBN, 2005:10). As a result of this, individuals/organisations that were poorly tooled and insufficiently prepared for micro-finance banking began obtaining licences.

Acha (2012) indicated that corruption and fraud remain a drain on resources that could have been put to good use in boosting the local economy of Nigeria. He compared corruption to a cankerworm that has wrought havoc across different sectors in the Nigerian economy. In the banking sector, fraud and corruption are a phenomenon that requires drastic resolution to avoid crippling this sector of the economy (Fatoki, 2000). It is argued that the micro-finance industry has had its fair share of corruption, manifesting itself in several ways - including staffing, credit administration, insider trading and deliberate diversion of funds. Frauds and forgeries were perpetrated by staff, based on the perceived weakness of management. Furthermore, there were anecdotal claims that management of micro-finance banks in Nigeria were found to be competing with and copying the activities of commercial banks rather than carving a niche for themselves. Huge sums of money were allegedly spent on official cars, office complexes and allowances for managers. They indicated a lack of prudence in financial management; which came to wreak consequences upon the MFBs. This occurred when depositors demanded their money back. While managers enjoyed big pay packets, the situation for junior staff was quite different.

Poor remuneration of staff, poor conditions of service and a lack of appropriate training in the micro-finance sector compounded the challenges faced by the banks. It was argued (see CBN, 2005; Irobi, 2008) that the staff, rather than making a career out of their MFB jobs, were always on the lookout for opportunities elsewhere, or in a worst-case scenario, looking to abscond with the customers' money. This emerged from the CBN report (2005) and was corroborated by Irobi (2008). The recruitment of appropriate and effective manpower became a challenge, and this was compounded by high staff turnover, attendant high levels of fraud and forgeries and poor performance. All of this culminated in low staff morale (Ikeanyibe, 2009). Fraud and forgeries by insiders and outsiders in MFBs are prevalent as many MFB

customers generally obtained loans without the intention to repay them (Acha, 2012). All these challenged the on-going concern of Nigerian MFBs.

Furthermore, poor execution of the oversight function by the primary regulatory authorities (CBN and NDIC) who are saddled with the responsibility of policy making and supervising the MFBs was another contributory factor to failure among MFBs. Ana (2009:2) documented the CBN's service to the micro-finance sector as "primarily issuing licences and periodically carrying out routine supervision". Routine supervision and findings had, over time, resulted in the withdrawal of the operating licences of numerous micro-finance banks when these banks had hit troubled waters that could have been avoided if the regulatory authorities had paid more attention to the sector to nurture it to maturity. Worthy of note regarding this reputational damage and unintended consequence of poor routine supervision of MFBs is the withdrawal of the licences of 224 such businesses by CBN (2010). It was argued that these organisations were "technically insolvent, terminally distressed and had closed shop for a minimum of 6 months" (Agwuegbo, 2010:12).

The closed MFBs represented 27% of the total number of MFBs in operation, and Sanusi (2010) emphasised the weakness of the apex bank in its supervisory role, citing the closure in December 2009 of five MFIs without appropriate disclosure to the public. A follow-up list of additional 83 micro-finance banks earmarked for liquidation by the CBN was drawn up in 2014 due to non-operational offices and fraudulent activities (Erunke, 2014). Furthermore, the emergence of "wonder banks" that promised outlandish returns on investments that in the end turned out to be false affected the image of micro-finance banks in Nigeria and this was primarily due to inadequate regulatory oversight.

Failures in corporate governance, due to poor ethical standards adopted in many micro-finance banks in Nigeria resulted in the abuse of positions. Recruitment processes were manipulated, stage-managed and influenced, and insider loans and advances that were far beyond regulatory limits were obtained without repayment considerations. This was another indicator of fraudulence in the sector. Statutorily, MFBs' limit for single lending to individuals was ₦500,000 ($1,650) while companies were allowed up to of ₦5,000,000 ($16,550). These limits complemented the single obligor regulation of a maximum of 5% of equity. This clearly spelt out the regulatory thresholds and shed light on the fact that some MFBs had exceeded the limits giving rise to the non-repayment of loans (Alegieuno, 2008:33). This concept, known as 'insider abuse', was highlighted by Okpara (2009) who

alleged the misuse of privileged positions by directors to obtain unsecured loans far in excess of the statutory lending limits.

Theft, and outright refusal by customers to repay loans due to fraudulent and incompetent management and the deliberate programme by many to game the system led to bank failures. So also was the implementation of processes and procedures that were considered weak in bringing people to justice perceived as contributing to MFBs' failures. As documented by Ana (2009), clean lending in other countries such as India and Bangladesh was subject to high rates of repayment. This was not the case in Nigeria, as some of the deliberate acts of theft and refusal to repay loans were justified by many as their share of "free funds" handed out by government through the MPRSF. As earlier stated, based on the misconception of the MPRSF, many borrowers from MFBs botched this payback partly due to the high interest rates charged by MFBs. While repayment accounts were abandoned by some clients, MFBs with poor outreach in rural areas managed to get patronage in urban areas where they were mainly domiciled, in the first place (Mohammed et al, 2009).

According to UNDP (2003), MFBs pay 4.5% - 6% interest on savings while charging between 30%-100% interest on loans. The interest rates charged on credit were considered to be ridiculously high, portending negative trends in the development of the micro-finance practice (Anyanwu, 2004). This high interest rate in lending was documented by Sinclair (2012). He stated that LAPO charged as high as 144% interest for its loans. This was debunked by Dr. Godwin Ehigiamusoe in his interview with Armitstead (2012). He argued that the total interest per year was 42% and the bank had obtained a licence to serve as a leverage to lend out deposit monies, and in turn charge interest rather than relying solely on grants.

Elsewhere, corruption and fraudulence, in the MFB industry, is corroborated by claims of financial crimes, money laundering and micro-finance frauds. Examples include: loans to close associates, friends and family members, loans that were thereafter not repaid; bribery/kick-backs from clients to obtain loans and collusion with clients to approve bogus loans which were shared afterwards. Further malpractice included granting fictitious loans to non-existent clients where loan proceeds were diverted for personal use. The manipulation of financial data and stealing cash as well as financing illegal activities were also documented.

The Chairman of the committee of the Nigerian House of Representative consequently asked the CBN and other regulatory authorities to come up with ideas on how to curb fraudulent

practices in the MFBs' industry and minimise failures. He advised the Honourable members on the ways of salvaging the financial situation. To this end, the Chairman called on the corporations to bring forth credible proposals for the amendment of the NDIC Act as well as BOFIA and other banking related laws that would enable the regulatory authorities to achieve greater performance.

It was thought this would engender public confidence in the banking sector and ultimately guarantee financial system stability (Vanguard, 2017). The response to that request resulted in the recent increase of the minimum capital base of units of MFBs from ₦20 million to ₦200 million ($660,000) (900% increase). State MFBs rose from ₦100 million to ₦1 billion ($3.3m), a 900% increase, and National MFBs rose from ₦1 billion to ₦5 billion ($16.5m) representing a 400% increase (Vanguard, 2018). These alterations were driven by the Central Bank of Nigeria, with the intention of improving the capital base of MFBs. There is however a three-year grace period which means that existing MFBs may not need to comply until 2021.

Six themes emerged in this section:

- Poor managerial competence in MFBs
- Poor corporate governance
- High spate of fraud and misappropriation
- Poor loan repayment regime
- Regulatory policy review to deal with identified problems to stem failure in the industry
- Monitoring and enforcing compliance was weak, and hence failure continued

Those themes are explored deeper in the next section.

2.3.2: Features, Fraudulence and Failures

While shoring up the capital base is very important to the health of MFBs, the literature on Nigerian MFBs (Decker, 2015) indicates that what appears to be the most fundamental challenge of the MFB industry in Lagos, Nigeria is fraudulence. This manifests in different shapes and sizes such as falsifying financial reports, borrowing with no intention to repay, embezzlement and outright theft as well as corruption, and a disposition to defraud or deceive. And the main culprits in this narrative come from leaders, managers and customers of the MFBs. The Central Bank of Nigeria organised special training for non-executive Directors of MFBs in June 2013. I was one of the people that benefited from that training.

One of the modules was the "code of business ethics" where the code of ethics is a set of guiding principles rooted in the core values of the bank.

Honesty was identified as a core value (FITC, 2013) in three areas:

- Working with business partners
- Collaborating with colleagues
- Protecting the business

These are the requirements of managing operational and other risks associated with MFB practice where operational risk was defined (FITC, 2013) as:

> "The risk of direct loss resulting from inadequate or failed internal processes, people and systems or from external events".
>
> (Source: "Bank of International Settlements". Not dated in FITC, 2013)

Furthermore, one of the key risks highlighted is mismanagement of funds and fraudulent behaviour and activities by management and the board of the MFBs. Mismanagement is identified according to the level of honesty of the individuals running the functions of the organisation, which could include fraudulent activities. Honesty is defined as an act of uprightness, truthfulness or fairness. An honest person can be trusted to tell the truth and is not likely to cheat or steal (Cambridge English Dictionary). Integrity has been used as a synonym for honesty; whereas fraudulence is about lying, deception and wrongdoing to achieve personal and financial gains. Similarly, Duggar (2013) defines integrity as a character trait of honesty, transparency and ethical behaviour whereby a person of integrity is expected to be honest and always do what is right. Kvalnes (2014:590-600) stated that "honesty is singled out as one of the four most important values" in project management, where honesty is related to either character traits or circumstances of decision-making. The definition of weakness of character is that it does not take account of context that can affect the virtues exhibited, whereas the circumstance approach recognises context and that honesty cannot be absolute but can vary based on the circumstance in which people find themselves (Ariely, 2012; Darley and Batson, 1973).

PWC (2013:35) related resilience in organisations to the "ability to demonstrate integrity and ethical business through alignment of corporate purpose and personal values". Integrity was defined by PWC (2013:39) as honesty, with a further definition of honesty as "adherence to moral and ethical principles (and) soundness of moral character", echoing the Cambridge English Dictionary. Because PWC associated Organisational Resilience to a kind of "buffer"

which offers the space to absorb shocks, and adaptive capacity which combines flexibility with agility (PWC, 2013); honesty was argued to affect behaviour and enhance resilience capability, where fraudulence can undermine resilience (PWC, 2013:39), as a result of "a gap … between values the organisation espouses and how it behaves or is perceived to behave against the yardstick of shifting social expectations."

According to Idowu (2009) and Akinyomi (2012) as cited in Alexander Decker (2015), fraudulence is the deliberate falsification, camouflage or exclusion of the truth for the purposes of damaging an individual or an organisation. The Association of Certified Fraud Examiners (1999) views it as the use of one's profession for personal enhancement through the conscious misuse, misapplication or employment of organisational possessions or property. Similarly, Fadipe-Joseph et al (cited in Alexander Decker, 2015), referred to it as an action through which a person intends to gain deceitful advantage over another or an organisation. Fraud is also relevant here, which is about lying, deception and wrongful activities usually designed to achieve personal and financial gain.

Dike (2004), Ribadu (2006) and Aburime (2009) presented several reasons for the high rate of fraudulence in Nigeria. These include an obsession with materialism, widespread poverty, inequality in the distribution of wealth, poor reward systems, greed, glorification and the approbation of ill-gotten wealth. Such fraudulence also included the perception of leadership as the primary means of gaining access to wealth due to brazen display of wealth. This was particularly the case with public officials. Other examples of malpractice included the complicity of bankers, ineffective taxing system, weaknesses in social and governmental enforcement mechanisms, the absence of a strong sense of national community, and the availability of safe havens for corrupt and fraudulent Nigerian officials to embezzle money, which are hidden overseas.

As earlier highlighted, Acha (2012) indicates that fraudulence remains a drain on resources that could have been put to good use in boosting the local economy of Nigeria. In the banking sector, fraudulence has been identified as a phenomenon that requires a drastic resolution to avoid crippling the sector and the overall economy (Fatoki, 2000). The micro-finance industry has its fair share of fraudulence, manifesting in several ways. Some of the ways, were earlier indicated to include frauds, forgeries, pilferage, and the diversion of company funds as well as the wilful destruction of documents to cover fraudulent activities. The directors and bank officers are involved sometimes with the connivance of regulatory

officials (Agusto & Co., 2015). Hence, finding and recruitment of honest and effective manpower has been a key challenge, with attendant high levels of fraud and forgeries. Inefficiency and poor performance added to poor managerial practices and low staff motivation were also problematic (Ikeanyibe, 2009). Sadly, fraud and forgeries by insiders (e.g. staff, managers and directors) and customers of MFBs are prevalent as some customers take loans without the intention of repayment (Acha, 2012). Nwanyanwu (2011) reinforced the above argument by asserting that deliberate funds diversion away from the purpose for which they were borrowed to others like funerals, marrying new wives and even political campaigns were very rampant in MFBs.

It has also been argued that failures in corporate governance and poor ethical practices adopted in many micro-finance banks within Nigeria derive from fraudulent motives (Alegieuno, 2008:33). These result in the abuse of positions, the manipulation of reports and stage-managed recruitment processes that bring unqualified staff into organisations. Furthermore, fraudulence has been highlighted as central to obtaining insider loans and advances that were far beyond regulatory limits without repayment considerations (Alegieuno, 2008; Okpara, 2009).

In addition to theft and outright refusal by customers to repay loans, many attempt to game the system, taking advantage of processes and procedures that are considered relatively weak (Ana, 2009). As further documented by Ana (2009), other countries such as India and Bangladesh, have seen high records of debt recovery as they tend to use group members as their collateral. As earlier observed, the same cannot be said for Nigeria which has seen acts of theft, and refusal to repay loans often justified on the basis of quite spurious grounds. The MFBs' customers carry the perception that loans from MFBs represent their share of "national cake", handed out by government through the MPRSF funds to MFBs. These loans are provided on the basis of single digit interest rates primarily to micro-enterprises.

Elsewhere, fraudulent arguments in MFBs are corroborated by claims of financial crimes, money laundering and micro-finance frauds (Agusto & Co., 2015). Some of these include: loans to close associates, friends and family members, loans that are not repaid; kick-backs from clients to obtain loans, and collusion with clients to approve loans which are later shared. Further examples include granting fictitious loans to non-existent clients with loan proceeds diverted for personal use, manipulation of financial data as well as stealing cash and financing illegal activities (Agusto & Co., 2015).

Atonko (2010), in his contribution to the debate, reported that fraudsters appeared to have taken over MFBs, citing abrupt closure by the promoters of Koffy Multipurpose Cooperative Society after defrauding members of its society in December 2010. Integrated Micro-finance Bank was also mentioned. Reference was made to its growth from 4 to 24 states and its capital base steadily increased to ₦4.4 billion. It serviced 700,000 clients and this number continued to grow. Eventually, the board of directors and management team were alleged to have absconded, stealing the bulk of its funds leading to the bank's demise (Atonko et al, 2010).

Sahara Reporters (2013), in support of the Daily Trust's report stated that fraudulence were the main causes of MFB failures in Nigeria. It cited the following examples to corroborate its proposition. "Doyin Abiola, former Concord Newspaper Boss was arrested for fraud in connection with insider abuse of the sum of ₦26,611,246.48 without collateral alongside the indictment of three other Directors: Akinteye Simon, Dr. Jerry Orimovuohoma and Oladapo Bello for unauthorised credit facilities to the tune of ₦327,556,000.00". Sahara reporters added the complicity of EFCC in the fraudulence narrative that led to the closure of the criminal case filed by the NDIC against the MD of the defunct Integrated Micro-finance Bank, Simon Ademola Akinteye citing "lack of diligent prosecution" as the cause. For his part, Opeseitan (2015) reported that: "Nigeria: NDIC Abandons ₦604 Million Fraud Case Against Bank (Integrated MFB) MD, Directors." Why would this happen? Fraudulence of the regulatory authority officers, EFCC and broken legal system were culpable, the argument goes (Opeseitan, 2015).

Ahmad (2015) further stated that the failure of MFBs in Nigeria is primarily as a result of fraudulent officials. It corroborated the argument by stating that "Kano anti-graft commission uncovers ₦207 million fraud in micro-finance Banks". It went further to report that a total of ₦74 million realised from share capital was pilfered. Some 37 micro-finance banks were involved and a total sum of ₦207, 732,500.00 in fraudulent acts were carried out in the period under review. Similarly, Odunsi (2015) made the following comment: "EFCC arraigns Micro-finance Bank MD for ₦317million Fraud (Acting MD of Uda Micro-finance Bank arraigned for allegedly raising over-drafts at different times above the statutory single obligor limit)".

As if to confirm the above, a CBN director opined that fraudulence and funds diversions were rife in MFB industry in Nigeria (CBN, 2017). He further stated that "there were 978 MFBs in

existence as at December, 2016 with total deposits liabilities of ₦158 billion and total loans and advances amounting to ₦195 billion out of which ₦87.75 billion or 45 per cent were NPLs (non-performing loans) where ₦68.25 billion or 35 per cent constituted insider related/Directors' loans that were mostly fraudulently given out". The NPLs were a result of over-lending and poor corporate governance. They also arose from accumulated interest charges.

During the various regulatory inspections by CBN and NDIC, they found that directors and managers of several MFBs were implicated, while staff members were also involved in pilfering. It was also reported that "the existing 42 primary mortgage banks (PMBs) had total deposits liabilities of ₦69 billion but with total loans portfolio of ₦94 billion, which indicated another case of over-lending, accumulated interests, poor corporate governance and high ratio of NPLs. This amount stood at ₦51.7 billion, or 55 per cent out of which ₦42.3 billion or 45 per cent were insider related directors' loans" (Vanguard, 2017a:41). The resultant impacts of these developments included poor earnings and the erosion of shareholders' funds. It was observed that this situation had posed serious issues bordering on corporate governance practices which were capable of eroding public confidence in the banking system. NDIC argued for strict compliance with the existing code of ethics for bank directors, and advocated for a review of existing laws and regulations to proffer firmer sanctions against directors who exploit their positions. It also suggested that these should also cover those who default on the payment of their credit facilities while still occupying directorship positions in the banks.

Furthermore, fraudulence in the MFB sector resulted in the emergence of "wonder banks" that promised outrageous returns on investments that, in the end turned out to be false. This development affected the image of MFBs in Nigeria. Fraudulent officials in the regulatory authorities led to poor oversight of MFBs. Poor execution of the oversight of regulatory authorities who are saddled with the responsibility of supervising credit bureaus, the bureau de change and other institutions, including well over 900 micro-finance banks, was a major contributory factor to MFB failures. Ana (2009:43) documented that CBN's service to the micro-finance sector was "primarily issuing licences and periodically carrying out routine supervision". The discoveries by regulatory officers during routine supervision resulted in the withdrawal of the operating licence of numerous MFBs when they ran into difficulties that might have been avoided had regulatory authorities paid adequate attention to the sector.

As earlier observed or regarding the reputational damage and unintended consequence of the routine supervision of MFBs, is the withdrawal of the licence of 224 banks by CBN (2010). They complained that the organisations were either technically insolvent or terminally distressed (Agwuegbo, 2010). These foreclosed MFBs represented 27% of the total number of MFBs in operation in 2010. As earlier highlighted, Sanusi (2010) also emphasised the weakness of the apex bank (CBN) in its supervisory role and shed light on its fraudulent complicity. This led to the closure in December 2009 of five MFI operations without appropriate disclosure to the public. A follow-up list of an additional 83 MFBs earmarked for liquidation was executed in 2014 due to non-operational offices and fraudulent activities (Erunke, 2014). In September 2018, the apex bank revoked the licences of 154 MFBs (The Punch, 2018). In October, 2018, it revoked the licences of Garu MFBs, a micro-finance institution in Bauchi State, while the National Association of MFBs revealed that nine out of the thirty four MFBs in Niger State had likewise lost their operational banking licences (Vanguard, 2018). Thus, a total of 471 Nigerian MFBs have closed since 2005 when the new micro-finance regulatory policy was introduced. This amounts to about 40% of MFBs in 13 years. Most of these MFBs are small unit businesses. The small unit MFBs are most affected because they do not have the robust capital to provide against fraudulent practices of their officials or provide for non- performing loans (NPL). They also struggle to meet their obligations to depositors in the case of financial adversity.

2.4: MFBs, their Capabilities and Organisational Resilience

"My husband became President because he never gave up". That is a statement credited to Aisha Buhari - wife of the Nigerian president Muhammadu Buhari, who contested the presidency four times before winning. She defined resilience at the personal level as not giving up on one's goal in the face of grave difficulties and set-backs (Dauda, 2017).

In an earlier MSc research dissertation which was submitted at Cranfield University in 2014, the definition of resilience taken from the Business Dictionary (2014) was "the ability for a system to absorb the impact of failure of one or more components or a significant disturbance in its environment, and still able to provide an acceptable level of service" (Business Dictionary, 2014 in Emokpae, 2014:32).

Aaron Wildavsky (1988:77-79) defined resilience as "the capacity to cope with unanticipated dangers after they have become manifest, learning to bounce back". He defined 'anticipation' as the "prediction and prevention of potential dangers before damage is done". In my

Cranfield work, it was also argued that resilience is the way an enterprise survives and thrives even when things go wrong (Seville, 2009 in Emokpae, 2014). Relevant here are the views of Starr et al (2003: 24) who noted that "organisational resilience involves both the ability of organisations to withstand systematic (and systemic) discontinuities as well as the capability to adapt to new risks inherent in their business environments". For instance, economic recession, hurricanes, tornadoes, earthquakes, tsunamis, fires, explosions and terrorism are just a few examples of events that can have catastrophic implications for both large organisations and micro, small and medium-size enterprises. Hence, organisations have to develop appropriate capabilities, often in advance, to deal with them (Smith and Fischbacher, 2009). Dagdeviren et al (2015:2) have argued that "although it (resilience) is commonly understood as a response to a negative shock, three questions about it have been raised in the literature. The first question is whether responses to ordinary change should be treated as resilience or if resilience is a more relevant term in the context of shocks and serious adversities." They went further to give an example (Canvin et al, 2009: 40 and Masten, 2001: 227 in Dagdeviren et al, 2015:2) that highlights "the importance of defining and employing resilience in everyday terms, indicating that otherwise resilience would require extraordinary achievements". They also recounted Martin and Sunley's (2014, in Dagdeviren et al, 2015) argument that resilience should be focused on the study of shocks.

The question was then raised (see Martin and Sunley, 2014 in Dagdeviren et al, 2015:2), as to whether resilience could relate to the "ability of going back to the initial state after some shock, or absorbing the disturbance and remaining in the same state, or successfully adapting to the adversity and achieving a different state, or turning shocks into opportunity and transforming oneself to a better state." Dagdeviren et al (2015) concluded that the notion of returning to or remaining in the initial state may be more relevant for physical or mechanical entities. This means it will be less appropriate for humans, particularly in consideration of Dewey's remark (1896 in Dagdeviren et al, 2015:2) that "work implies that perception, reaction, learning and memory will give rise to a new state in the post-shock phase." Dagdeviren and her colleagues aver that scholars regard the notion of going back to the initial state as a complex phenomenon. Resilience (Dagdeviren et al, 2015: 2) "should be understood as a process, involving any or a multitude of these possibilities. For example, Raco and Street (2012: 1067 in Dagdeviren et al,2015:2) regard it as a process in which disturbances provide an opportunity to transform, develop and do new things while Folke et

al, (2002, in Dagdeviren et al,2015:2) describe the term as the capacity to self-organise, learn and adapt."

Denyer (2017), on the other hand argues that in organisational resilience, survival and continued prosperity depend on anticipating and being ready to handle incremental, sudden, and often negative changes. There are two key core drivers that play a central role: defensiveness, or the ability to prevent untoward events, and progressivity, which is the ability to make positive things happen. Denyer (2017:3) further notes four perspectives in his view of organisational resilience: "preventative control, mindful action, performance optimisation and adaptive innovation". These are discussed below:

- Preventative control: Risk management is called for to achieve organisational resilience, and will necessitate barriers of various forms, including physical ones. These include backing-up all systems and having consistent, regularised procedures in place to set standards and spare capacity. This is also known as redundancy. These measures are protective of threats, and also mean an organisation has the capacity to recover its stability after encountering difficulties (Denyer, 2017).

- Mindful action: Mindful action is about "organisational resilience that is produced by people, who notice and react to threats and respond effectively to unfamiliar or challenging situations". Mindful perspective recognises that organisational resilience goes beyond just learning to bounce back (Wildavsky, 1988), but also recognises the ability to make a progressive recovery (Manyena, O'Brien, O'Keefe and Rose, 2011 in Denyer 2017:7). The combination also helps the organisation to grow and prosper in the future (Reich, 2006 in Denyer, 2017:7).

- Performance optimisation: Performance optimisation is about organisational resilience that occurs through continual improvement, "refining and extending existing competences, enhancing ways of working and exploiting current technologies to serve present customers and markets" (Denyer, 2017:7).

- Adaptive innovation: The organisational resilience that results from the investigation, creation and design of new markets and new technologies is termed adaptive innovation and is akin to improvisation to mitigate a situation after the event.

To deal with tough challenges, a balance is required between these perspectives. It can therefore be argued that resilience is a multi-faceted, multi-dimensional and multi-angled concept which resides in both the individual and the organisational responses to change or

challenges. The challenge could take the form of turbulence and disruption in the environment (Gunderson, 2000; Cumming et al, 2005), or could in fact be internal to the organisation. An example might be the death of a founder/financier. “Resilience in times of economic hardship at individual or household level is influenced by the general history of social, familial and cultural development such as the wealth, health and knowledge/education of parents, close relatives and previous generations and the choices they made in their lives as well as by the specific histories of regions and social groups. These in turn affect the inherited resources and abilities of current generations and their resilience as well as their need for developing it further” (Dagdeviren et al, 2015:7 & 8). Therefore, understanding resilience is a very important step to identify building blocks for both individual and corporate sustainability. Emphasis is placed on progression with recovery after a crisis. This emphasises the importance of thinking differently and developing strategies to explore possible organisational plans (Brockner and James, 2008) and actions.

Given the potential that extreme events could lead to the termination of the life of an enterprise, there has been an increase in academic research on the dynamics of successful and resilient organisations (Aleksic et al, 2013 in Emokpae 2014) and their impact on the operations of the enterprise. According to earlier work by Knight and Pretty (1997), resilience is a critical issue in organisational life. Referring to the works of Gunderson and Holling (2001), it is observed that they measure resilience by the magnitude of disturbance the system can tolerate. High levels of resilience can occur due to the system's adaptive capacity if it reacts to disturbance by changing its structure, processes and functions in order to increase its ability to persist.

The term 'adaptive capacity' is often used interchangeably with 'resilience' in the literature of complex socio-ecological systems, whereby “organisations plan appropriately and proactively in order to deliver effective responses if and when adverse events occur. This is to ensure an overall increase” (Emokpae 2014:44), or at least the maintenance of stakeholder value, which could otherwise be in decline or eroded without prior anticipation of a crisis and provision of an effective response. In addition to the above, resilience can be viewed as adaptability in the context of being able to ‘‘rebound from adversity, strengthened and more resourceful’’ (Sutcliffe & Vogus, 2003: 97). This is a preponderant argument in the literature of high reliability organisations (HROs). HROs are described as organisational systems in which reliability is rated above organisational efficiency. This is because failures can escalate rapidly, leading to wide-scale damage (Weick, 1987). Examples include nuclear power

generators, aircraft operations, air traffic control systems and also emergency medical treatment (Weick and Sutcliffe, 2001). Since exploration is not an alternative option for organisational learning, it becomes imperative to develop an array of adaptive strategies such as a decentralised decision-making system that facilitates the positioning of decisions in search of alternatives (Roberts, Stout and Halpern, 1994).

This results in highly developed situational awareness as well as the acknowledgement of troublesome situations when they are just starting (Weick and Sutcliffe, 2001). Failures within HROs do occur. There are, however, sophisticated structural and cultural mechanisms in place to reduce the number of such occurrences or to manage to contain them within smaller scales, avoiding large-scale collapse. HROs have successfully developed a pattern of organisational capability, whereby they systematically ‘‘preserve detail, refine distinctions, create new categories, draw attention to context, and guard against mis-specification, mis-estimation, and misunderstanding’’ (Weick and Putnam 2006: 284). It is important to note that HROs achieve high reliability at a technical level. The challenge lies in transferring learning from the operational to the strategic level. However, a system may also be very resilient due to its ability to resist change and maintain its current structure and processes. In this case, the system is able to tolerate disturbance and absorb shocks rather than adapt to change. Differentiating between these two opposing manifestations of resilience as either offence (adaptation) or defence (resistance) to internal or external disturbance is critical. This is especially the case in organisational systems, where these attributes assume a strategic character and can be influenced and adjusted based upon a better understanding of the system, state and condition. It can be argued that organisations can exhibit a combination of both adaptive capacity and resistance to change. They can even improvise based on the circumstances faced. Appropriate preparation is key as demonstrated in the cases of Grooming and LAPO in the Nigerian MFB industry in the last nine (2010-2018) years.

Furthermore, the organisational resilience literature specifies the “attributes of enterprise resilience, some of which are agility, flexibility and connectivity” (Erol et al, 2010:3). Another major attribute of a resilient organisation is adaptability. This is often the case in a dynamic situation (Hearnshaw and Wilson, 2013; Radford et al, 2013). As argued by McManus et al (2008), a crucial characteristic of a resilient organisation is leadership. Such leadership, as explained by Vargo and Seville (2011) is crucial in addition to an adaptive culture. An adaptive culture brings about change to individual attitudes, values and behaviours in developing collective approaches which promote adaptive capabilities. Another

attribute according to Stephenson (2010) is planning. This view is supported by Seville (2009) who reiterates the need for planning to ensure that, as an element of organisational culture, the understanding of resilience is embedded at all hierarchical levels and departments of an organisation. Here, organisational culture has three components, namely: assumptions, values and artefacts (Schein, 2010). Assumptions are made up of feelings, thoughts and unconscious attitudes. These are often shared throughout the organisation. Values are the ideals that the organisation honours in the discharge of its mandate, while artefacts are observable behaviours, structures, tools and documents which are utilised in organisational management. While organisational culture can aid or work against resilience, sub-cultures can emerge within the organisations that make adaptability and system flexibility difficult. This can in fact constrain the necessary level of agility in times of grave challenge. Agility is an essential resilient feature (McCann & Selsky, 2012). The understanding of the interaction and dynamics of the above attributes facilitates a commitment to resilience through learning from errors. Consequently, awareness of resilience challenges is created as they arise. There is a need to effectively implement strategies that prevent failure and/or minimise enterprise mortality rates.

In a 2012 survey for Japanese Risk Managers, five components of resilience were identified namely Robustness, Redundancy, Resourcefulness, Response and Recovery (WEF Global Risks 2013, in Riskviews, 2013). Whereas robustness captures reliability and capacity to absorb shocks, redundancy is about having backup systems and facilities that ensure 'maintenance of core functionality in the event of disturbance'. Furthermore, whereas resourcefulness is the ability to adapt, response is the ability to move quickly in the face of adversity. Recovery is about regaining some degree of normality after a disturbing event. It also means adaptability and flexibility in improvising to meet changed circumstances. These findings reinforce some of the arguments in the earlier literature. In all, the attributes tend to overlap and complement one another (WEF, 2013 in Riskviews 2013). I have deployed the WEF components of resilience as the primary thematic framework in the discussion section of this dissertation because the framework, which came out of a primary study tends to capture the main arguments of Erol et al (2010), Henshaw and Wilson (2013), Radford et al (2013), Stevenson (2010) and McCaan, Sullivan- Taylor and Branicki (2011) and Selsky (2012). As a practitioner researcher, I believe the WEF framework appears particularly relevant in the Nigerian context. That position notwithstanding, some of the other frameworks (relating to fraudulence, ambidexterity, stakeholder theory and culture) and

emergent themes were drawn into the discussion, where found necessary. The literature on resilience capabilities and components is summarised in Table 2.3 below:

Table 2.3: **Summary of Literature on Resilience Capabilities and Components**

Author	**Resilience Capabilities**	**How they can be expressed**	**Expected outcome**
Starr et al, 2003; Weick et al, 2001; Dagdeviren et al, 2015	Adaptability Improvisation Questioning Absorbing disturbance, self- organise, learn	• Capacity to deal with and respond adequately to life threatening situations and shocks • Teamwork • Deal with risk • Opportunity	Survival of shocks with key elements of business or family intact. Return to initial state, attain new state, transform- even improving on old state
Knight & Pretty, 1997; Stephenson, 2010	Planning	• Proactive preparation for adverse situations	Coping with extreme events possibly with some organisational changes ("Emergent strategy")
Gunderson, 2000; Cumming et al, 2005	Reactive	• Business sustainability • Continuity	Absorbing stresses, coping and Survival at any cost
Erol et al, 2009; Erol et al, 2010	Agility Flexibility Connectivity Efficiency	• Quick response • Change course without inhibition • Interdependency • Cost minimization	Able to make significant changes going forward
Hearnshaw & Wilson, 2013; Radford et al, 2013	Adaptability	• Inventing new approaches	Innovate, create new products and processes
Sullivan-Taylor & Branicki, 2011; WEF,2013 (Riskviews, 2013)	Resourcefulness Technical Organisational Rapidity Robustness Redundancy Recovery	• Innovative • System capability • Process optimisation • Quick reaction • Improvisation • Recovery	Innovate and find way quickly out of defeat; Deploy resources and competences in eventuality to chart a way out
Seville et al, 2006; Seville, 2009	Culture Adaptive Management Situational	• Readiness for any eventuality • Anticipation • Ability to read occurrence correctly • Planning	Survival and sustainability
McManus et al, 2008; Brockner & James, 2008	Adaptive Leadership	• Capacity to evolve new ways to promptly respond or react • Positive Influence and motivation	Top management capacity at influencing organisation's response to life threatening occurrences
Braes & Brooks, 2010; Denyer,2017	Anticipation Defensiveness Progressivity	• Planning for eventuality • Preventative control, Mindful action, Performance optimisation, Adaptive innovation	Overcoming fall, Improvement post distress; proactivity

“Resilience capabilities” are resource configurations and competences often defined by a combination of attributes, some of which are agility (Braes & Brooks, 2010), adaptability (Mallak, 1998), anticipation (Reinmoeller & Van Baardwijk, 2005), flexibility (Horne & Orr, 1998) and improvisation (Weick et al 2001). Erol et al (2009) applied this thinking to the MFBs as mechanisms which facilitate their ability to absorb stresses from the environment (Longstaff et al, 2013) and/or even anticipate and prepare for them in advance. The literature on resilience capabilities has been summarised in Table 2.3. Common to most of the authors are issues relating to the internal system of the organisation (Barney, 1991; Prahalad and Hamel, 1990 and WEF, 2013 in Riskviews, 2013). They are either proactive or reactive as summarised in Table 2.4 below:

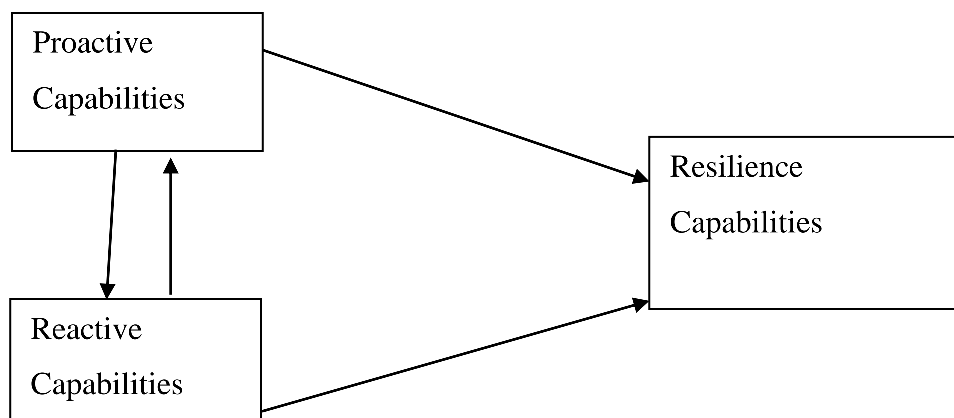
Table 2.4: **Issues relating to the internal system of an organisation**

Proactive	**Reactive**
• Embedded culture of learning, adaptability and building strong internal processes	• Rapidity, agility and improvisation
• Technological/Organisational/Resource capabilities	• Connectivity, agglomeration
• Leadership and Effectiveness	• Managerial, Efficiency and team work
• Robustness, Resourcefulness, Planning and anticipation	• Flexibility, or resisting change/maintaining current system, improvement on current system

Sources: Barney, 1991; Prahalad and Hamel, 1990 and WEF, 2013 (Riskviews, 2013).

In the MFB market, the dynamic interface between proactive and reactive attributes tends to generate resilient capabilities within a MFB as graphically illustrated below:

Figure 2.2: **Resilience Capabilities**



The ability to anticipate incremental change, prepare for it, respond in an appropriate manner and adapt to sudden disruptions is critical in organisational resilience (Emokpae, 2014:48, Denyer,2017). Organisations need structures and processes to manage the tensions between flexibility (made up of ideas and actions) and consistency (routines, processes and goals); between defensive (protecting results) and progressive (achieving results) (Denyer, 2017). Also relevant here are adaptive innovation and mindful action (noticing and responding) as well as monitoring and complying. Finally, performance optimisation (improvement and exploitative) and the dimensions of organisational resilience are also of relevance (Denyer, 2017).

An overemphasis on defensive dimension can impede resilience because the organisation could become inflexible and unproductive. Similarly, an overemphasis on the progressive dimension may impede Organisational Resilience because of the tendency to embark on excessive cost cutting. Furthermore, resilient organisations were argued to be highly adaptable to movements in the market. At the same time it focuses on a coherent business approach (Neilson, Pasternack and Van Nuys, 2005, in Denyer, 2017). Consequently, organisational leaders have to manage the tension between consistency and flexibility (Denyer, 2017, March, 1991). Tensions often generate conflicts and inconsistencies, which can motivate a search for new possibilities or new alternatives (Festinger, 1957 in Denyer, 2017). They can generate creativity and learning. Furthermore, superior performance could be compromised in situations where organisations enjoy a long period of success (Hollnagel et al, 2006). Denyer, (2017) maintains that resilience requires a combination of four features: 1) preventative control, 2) mindful action, 3) performance optimisation and 4) adaptive innovation.

Preventative control diminishes over time. Mindful action also diminishes, when organisations stop investing in the competence of their people and when they fail to maintain efficacy or encourage growth (Sutcliffe and Vogus, 2003). In hierarchical organisations, those with expertise who are closest to the problem may not be empowered to act (Weick and Sutcliffe, 2007) and people compromise responsibility for taking action (Latané and Darley, 1970). Organisational resilience can be undermined as these factors combine to create feelings of deficit, forcing the organisation into disaster. Once failure occurs, an organisation may respond by adding new safeguards in attempts to reinforce barriers. It could reinforce its training programmes without undertaking the necessary fundamental changes to the "adaptive innovation or mindful action aspects of resilience" (Denyer and Pilbeam, 2015 in Denyer and

Pilbeam, 2017:17). Furthermore, it may decline to demonstrate to staff how to be alert to the warnings. It might take steps to counter any weaknesses that may indicate forthcoming difficulties. Denyer's (2017) approach is what he calls "variation", which means garnering input from a large number of various sources, encompassing a variety of aspects and views. This is aimed at continually refining the status of on-going operations and the environment that is faced. This means building situational awareness as well as avoiding "becoming detached from what users and employees do, say, think and feel. It involves spending time observing, engaging and empathising with people to understand their experiences and motivations. One must immerse oneself in the physical environment to have a deeper personal understanding of the issues involved. Some of the most powerful realisations come from noticing disconnects between what someone says and what they do" (Denyer, 20017:8). The dissonance between theory espoused and theory in use (Argyris and Schon, 1974) is key. Eliciting stories from the people one talks to is important "to uncover deeper meaning. Sometimes it is important to reframe or disrupt conventional thinking about solutions by challenging the commonly accepted understanding of the underlying problem" (Denyer, 2017:14). Denyer (2017:15) goes further to suggest that the above enables "people to explore the contradictory aspects of a problem and encourage novel solutions, which might shift people's mindsets". In this way, it is possible to monitor and review what has happened while assessing changes. The organisation can then institute a concrete series of procedures that will scrutinise the business for potential critical risks, such as investigation and identification as well as management and continuous observation. This leads to innovation and improvement in accordance with the business climate. In other words, this is about balancing performance and compliance. To achieve this, it must ensure that management's actions are consistent with corporate strategy, reflecting the culture of the business that is in line with the organisation's risk profile.

Denyer (2017) affirms that organisations must check and control their own progress, successes and performance against the goals set. They must become aware of the risks to which a business may be exposed. The targets and mission of the business must be maintained for it to continue its operation. There must be a discussion regarding the business's fundamental assumptions relating to its exposure to risk, and some recognition of what failure can signify. To what degree is management prepared to consider failure? Could the company come under threat? (Denyer, 2017). However, organisational leaders may use leading indicators that are focused on future performance, continuous improvement and

continuous adaptation. These measures are proactive in nature and report what employees are doing on a regular basis to ensure resilience. Denyer, (2017:20) argues that "contemporary thinking around resilience places a high emphasis on the advantages of learning from success, as well as failure. In high reliability organisations, failures are rare and success is the normal state. If learning is derived mainly from the former, then the opportunities to improve are limited. Instead, a better understanding of what works well, including those situations where a good outcome was achieved despite threats or failures in the system, provides many opportunities for learning".

"Leaders in the organisation (are required) to create safe (environments) that allow people to experiment without fear of failure. They also need to recognise that, whilst some changes will be successful, others may fail immediately or could lose their value, so they know when to abandon ideas, products or practices that no longer work" (Denyer,2017:20). This is with a view to balancing performance with permanence both in the short and longer term. This position resonates with adaptability (Mallak, 1998), anticipation (Reinmoeller & Van Baardwijk, 2005), flexibility (Horne & Orr, 1998) and improvisation (Weick et al, 2001). It can therefore be argued that it is through bringing together and adapting the core ideas of Denyer (2017), WEF (Riskviews,2013) and some others identified above (like Mallak,1998, Weick et al, 2001, Longstaff et al, 2013; Horne& Orr,1998) that organisational resilience framework could be formulated, albeit in a holistic manner in MFBs in Lagos, Nigeria. In this way, the argument on the content or definition of resilience might move from the "tyranny" of the "or" to the liberating position of the "and" (Collins and Porras, 1996).

2.5: Relevance of Business and Organisational Theories to Resilience

2.5.1: Stakeholder and Shareholder Theories

There are competing debates on whether organisations should maximise the wealth of shareholders or indeed focus on a more holistic stakeholder paradigm in governing organisations (Howell and Nwanji, 2007). The early part of this review focuses on stakeholder theory, followed by the Shareholder theory. The section is concluded by bringing both paradigms together to argue that reconciling both approaches can indeed produce a desirable outcome for organisational resilience.

The literature has indicated that some critical stakeholders like the promoters of MFBs, the staff, regulatory officials and customers, have in one way or the other contributed, as individuals or interaction with each other, to the failures of MFBs in Nigeria (Sanusi, 2010,

Erunke, 2014, Ehigiamusoe, 2015). And that corporate governance that ought to moderate the behaviour of key stakeholders, ensuring they keep strictly to their mandate, failed the banks. Hence, the importance to review the literature on stakeholder theory and corporate governance. And how organisations are governed and for whose benefit and to what extent are competing interests reconciled or moderated.

Organisations, through their activities, impact the society in which they operate, and in some circumstance, the organisations are impacted by the society as well. Society is defined as the grouping of people with common traditions, values, institutions, goals and collective interests (Caroll & Buchholtz, 2014). Society is composed of semi-autonomous and sometimes fully autonomous groups of people that, at some point interface with the enterprise (Caroll and Buchholz, 2014). These groups are often referred to as the stakeholders of the organisation or enterprise. The very term "stakeholder" is widely used in the business world today. Orts & Strudler, (2002) argue that scholars in the field view the concept as relatively vague. Despite this, stakeholders are generally regarded 'as any group or' individuals 'that can affect or' be 'affected by the' pursuit and/or realisation of a company's objectives (Freeman, 1984 in Freeman, 1999). According to Caroll and Buchholz, (2014), stakeholders are those groups or individuals with whom an organisation interacts or has interdependencies. Businesses and stakeholders sometimes operate with selective relationships (Caroll and Buchholz, 2014). Such relationships between the business and the stakeholders often occur through various interactions and interdependencies.

According to Freeman et al, (2001:4) "a stakeholder approach to strategy emerged in the mid 1980's (Freeman, 1984) building on the process work of Ian Mitroff, Richard Mason, and James Emshoff". The compelling reason behind a stakeholder theory was an attempt to develop a framework capable of responding to the challenges of business leaders and coordinators confronting "unprecedented levels of environmental turbulence and change" (Freeman et al, 2001:4), who traditional strategy frameworks could not help. Specifically, they were unhelpful in terms of developing new strategic directions or understanding how to create or simply embrace novel opportunities during serious turbulence. As Freeman observed, "Our current theories are inconsistent with both the quantity and kinds of changes that are occurring in the business environment of the 1980's…A new conceptual framework is needed." (Freeman, 1984:5). Freeman and colleagues went on to suggest seven critical reasons for a stakeholder approach. "First, a stakeholder approach is intended to provide a single strategic framework, flexible enough to deal with environmental shifts without

requiring managers to regularly adopt new strategic paradigms… Second, a stakeholder approach is a strategic management process rather than a strategic planning process. Strategic planning focuses on trying to predict the future environment and then independently developing plans for the firm to exploit its position…. Third, the central concern of a stakeholder approach is the survival of the firm" (Freeman et al, 2001:12–13). It can be gleaned from Freeman's position that for the survival and ultimate resilience of MFBs in Nigeria, embracing the stakeholder framework could be helpful, because it provides a framework to relate with the community in which it operates for mutually beneficial outcomes. However, how this works out in practice becomes a critical challenge. Freeman (2001) went further to argue that, a stakeholder approach encourages management to develop strategies by looking out from the firm and identifying, and investing in all the relationships that will ensure long-term success. Good stakeholder management, as argued by Freeman et al (2001), develops integrated business strategies. That was not all as they (Freeman et al,2001:14) added that the "stakeholder approach is both prescriptive and descriptive... rather than being purely empirical and descriptive". In their view, the purpose of a stakeholder approach is to actively help in planning a new direction for the firm. The stakeholder approach indicates that stakeholder relationships and commitment are not static, as they can be constructed and deconstructed.

Furthermore, the stakeholder approach, in Freeman et al's (2001:15) opinion, "is about concrete 'names and faces' for stakeholders rather than merely analysing particular stakeholder roles. As such, what is important is developing an understanding of the real, concrete stakeholders who are specific to the firm, and the circumstances in which it finds itself. It is only through this level of understanding that management can create options and strategies that have the support of all stakeholders. And it is only with this support that management can ensure the long-term survival of the firm."

Finally, Freeman et al (2001:15), aver that for the stakeholder approach to be purposeful to management requires an integrated approach to strategic decision-making. "Rather than set strategy stakeholder by stakeholder, managers must find ways to satisfy multiple stakeholders simultaneously". Freeman further developed and deepened this position in his more recent works (Freeman, 2010 and 2013 and Cambridge, 2015).

The importance of stakeholder management and stakeholder commitment to the long term success and survival of the organisation has been further advanced by Mark Zuckerberg

(CEO of Facebook), Tim Cook (CEO of APPLE), Justin King (former CEO of Sainsbury) and Mark Beniof (CEO of Sales force) (Morphy, 2019). Such management requires organisational leaders to play a crucial role in negotiating the terms of the relationship among those stakeholders for mutually beneficial outcomes. In this way they bring together the resource-based and market-based views.

It is worth noting that stakeholders tend to relate to the organisation in particular ways with identifiable patterns and motivations and this is referred to as stakeholder theory (Jones, 1995). According to Damak-Ayadi and Pesqueux, (2005), stakeholder theory offers a framework to understand the organisational-group relationship. In earlier work, it was argued that stakeholder theory is recommended particularly as a way of thinking about business firms in their engagement with the economic interests of other groups beyond the shareholders (Orts and Strudler, 2002). For the purpose of stakeholder management, stakeholder theory is based on the integration of stakeholder concept, economic theory, insights from behavioural sciences and ethics (Jones, 1995).

In MFBs in Nigeria, there are four critical stakeholders: the owners/shareholders, the customers (made up of borrowers and depositors/creditors), the employees and the regulatory authority. These are in addition to the community in which the MFBs are located and/or do business in; often perceived as a secondary stakeholder. Much of the research on stakeholder theory has taken place in four sub-fields (Freeman et al, 2001). Freeman et al (2001:16; 2010, 2013), argue that they are "normative theories of business; stakeholder and shareholder paradigms; corporate governance and organisational theory; corporate social responsibility and performance; and, strategic management". This thesis examines the first two, as they hold special significance for MFB organisational resilience.

i. Normative Theories of Business

A stakeholder approach counsels business leaders to invest in developing relationships with people who influence and can be influenced by the firm as a matter of priority. Thus, stakeholder theory encourages managers to incorporate personal values in formulating and implementing strategic plans (Freeman et al, 2001).

Furthermore, the stakeholder approach emphasises the importance of developing an enterprise strategy, while leaving open the question of which type of values are the most appropriate.

Donaldson and Preston, (1995 in Freeman et al, 2001:17) argue that stakeholder theories can be divided into "descriptive, instrumental or normative''. The first, which is a descriptive framework, illustrates "that firms have stakeholders, an instrumental theory would show that firms which consider their stakeholders devise successful strategies; a normative theory would describe why firms should give consideration to their stakeholders."

Evan and Freeman (1993, in Freeman et al, 2001) justified the stakeholder approach on Kantian principles. The "approach argued that we treat people as ends unto themselves" (Freeman et al, 2001:18). Donaldson and Dunfee, (1999) on their part developed a justification for a stakeholder approach that is based on social contract theory (Freeman et al, 2001). Phillips (1997) argued that the stakeholder approach is important to business on the principle of fairness. Philips' argument resonates with the idea of exercising fairness in dealing with the poor who are customers of MFBs, while at the same time taking the interests of investors seriously.

ii. Stakeholder and Shareholder Paradigms

The body of stakeholder research in corporate governance, Freeman et al (2001:20) argued, grew "out of the contrast between the fiduciary duty of management to protect the interests of the shareholder and the stakeholder view that management should make decisions for the benefit of all stakeholders", echoing Phillips (1997) philosophy. Williamson (1984 in Freeman, 2001:21) states "that a shareholder's stake was uniquely tied to the success of the firm and would have no residual value should the firm fail". This is not like the case of the labour of an employee, so its interest should be prioritised over other stakeholders. In a later study conducted by Reynolds, et al, (2006), it was identified that resource divisibility or indivisibility and the unequal levels of stake holders' importance constrain efforts to balance stakeholder interests. Resource divisibility also influences managerial approaches to balance stakeholders' interests. This would suggest a corporate governance framework in moderating the interests.

Howell and Nwanji, (2007) extensively discussed the two main competing models of corporate governance, namely the Anglo-American that tends to emphasise shareholders, and the German system that focuses on the wider community of those whose interest (stakeholders) the organisation should serve. The outcome of their study suggests that both models must be combined to address the needs of key stakeholders. They also

argue that through this approach the wealth for the shareholders could be maximised in the long term organisational life.

In specific terms, Howell and Nwanji (2007) argue that contemporary corporate governance has gone further than reporting traditional financials to shareholders. And that it "…now starts with defining the objectives of the company before moving on to consider the wider implications for management. Many countries have now introduced corporate governance codes, complying with the OECD's (1999) principles, including emerging markets and developing economies" (Howell and Nwanji, 2007:11). They went further to acknowledge the OECD's definition of corporate governance as "A set of relationships between a company's board, its shareholders and other stakeholders. It also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance, are determined" (OECD, 1999 in Howell and Nwanji, 2007:11). Furthermore, they are of the view that the European corporate governance practice apes the German's Stakeholdership model.

In Anglo-Saxon tradition, Howell and Nwanji state that "The Cadbury Report of 1992 l, Volume 5, Issue 1, Fall 2007 provided the 10 foundations of corporate governance. This is for the UK, USA and many other countries." And that the collapse of Enron and WorldCom, drew incremental attention to corporate governance in running organisations. "The issue of corporate governance has centred on shareholder vs. stakeholder and which of the two models is best for corporations, and therefore, the board should follow in managing the affairs of the business" (Howell and Nwanji, 2007:8). Whereas the Shareholdership Model is of the view that corporate governance is about two main issues, namely accountability and communication on the one hand; and communicates and accountability on the other. All these are to shareholders, investors, regulators and customer groups interested in the affairs of the organisation. Whereas Stakeholdership paradigm focuses on corporate governance, as about directors and managements, it is more so about managing for stakeholders. This often means that attention is given to more than just "maximising shareholder wealth".

Howell et al further states that corporate governance is fundamentally based on the shareholder model in the UK, a consequence of capitalism. This is with the objective of profit maximisation for shareholders. Howell and Nwanji (2007:8) then argue that "It can be said that the main problems are not that corporate governance is not effective as a guide to management in running their companies. Some of the problems may be due to the fact that in

the light of scandals such as the Enron and WorldCom (2001) in USA, any changes in the nature of corporate governance require changes in the nature of shareholders' theory of profits maximisation as the main business objective, to include the interests of the stakeholder groups". The shareholders' role in governance practice is to focus on the appointment of the directors and auditors. This way, they satisfy themselves about putting in place appropriate governance. The board is therefore saddled with the responsibility of setting the company's strategic aims and strategic direction. This is in addition of providing leadership and supervising the management. This way "reporting to shareholders on their stewardship" becomes less burdensome.

The OECD has been very instrumental in defining corporate governance "as that structure of relationships and corresponding responsibilities among a core group consisting of shareholders, board members and managers designed to best foster the competitive performance required to achieve the corporation's primary objective (IMF, 2001). … (and) attempted to describe corporate governance in the broadest terms in order to embrace as many different forms of corporate governance systems as possible….. The above definitions illustrate the principle of corporate governance and demonstrate that it is concerned with both the internal aspects of the company such as internal controls and the external aspects such as an organisation's relationship with its shareholders and other stakeholders" (Howell and Nwanji, 2003:3). Consequently, corporate governance today is not just about traditional financial report for only shareholders. It firstly articulates the objectives of the company. Thereafter, it moves to define the wider implications for the company and its staff. Consequently, many countries now operate corporate governance paradigm; in line with the OECD's (1999) provisions.

In the midst of those debates, the Stakeholder Theory has been challenged by several authors. According to Sternberg, (1997), although stakeholder theory has been widely offered as a corrective concept to perceived defects of business and business ethics, it is said to be very limited in use. It is also criticised for its inability to act as a means of providing a route to better corporate governance, or a strategy for superior business performance or even business conduct. This, in Sternberg's view, is because stakeholder theory is intrinsically weak in areas of compatibility with substantive objectives in relationships (Sternberg, 1997). Similarly, Lepineux (2004) argues that stakeholder theory is weak, with a number of flaws arising from the confusing status of society in the theory.

In a further critique of stakeholder theory, Key (1999) states that although it may be an appropriate model to describe a firm's behaviour and replace the dominant paradigm (the economic model of the firm), the current conceptualisations of stakeholder theory perhaps do not meet the requirements of scientific theory. In line with this view, Key (1999) suggests steps that may be taken for stakeholder theory to satisfy the conceptual requirements of the theory. The specific suggestion was that contractual interests may be the basis for stakeholder relationships in the same way the agency may underlie the relationship between managers and stockholders. This is somewhat similar to the prescription for traditional economic theory (Key, 1999). However, Damak-Ayadi and Pesqueux (2005) argue that before evaluating the field covered by stakeholder theory, there is a need to clarify its key tenets (see below):

- An organisation tends to maintain relationships with groups that affect, or are affected by its decisions (Freeman, 1984 in Damak-Ayadi and Pesqueux, 2005).
- The theory will often be dependent on the nature and the required intensity of such relationships. This is because the processes involved and outcomes achieved affect society and stakeholders (Damak-Ayadi and Pesqueux, 2005).
- Stakeholder interests have certain intrinsic values; however, no single individual or group interest should be able to dominate all of the others (Clarkson, 1995; Donaldson and Preston, 1995 in Damak-Ayadi and Pesqueux, 2005).
- Stakeholder theory is interested in managerial decision-making and the outcome of such decisions (Donaldson and Preston, 1995 in Damak-Ayadi and Pesqueux, 2005).

In a further critique, Ambler and Wilson (1995) argued that stakeholder theory could be detracting as it has a tendency to divert attention from creating business success to concentrating on the distribution of the tangible outcomes. As a result, they ask the question about what right stakeholders have in making the claims that they do. Ambler et al (1995) therefore suggested that perhaps a new model may be needed. For the business world where decisions are taken routinely, Orts and Strudler, (2002) explain that ethical values such as the moral obligation of a business to obey the law cannot be captured in stakeholder theory. They argued that it therefore cannot be applied to corporate decision-making, which must include an appreciation of ethical values. According to Agle et al (2008), the question to be asked with regard to stakeholder theory is whether its arrival means a continued drive, refinement, or relevance, and furthermore, if and how superior stakeholder theory can continue to develop.

In a symposium held by Agle et al (2008), where different works focusing on the instrumental development of stakeholder approaches were reviewed, some findings were made known. A primary finding was that with or without a stakeholder focus, corporate performance is the same. This raises a fundamental question as to the real purpose of the theory, as the finding could necessitate stakeholder-focused management that benefits a larger constituency while doing no harm to stockholder interests, if that is possible (Moneva et al, 2007, in Agle et al, 2008). Orts and Strudler, (2002) opined that stakeholder theory runs into philosophical difficulty in providing credible ethical principles for business managers, particularly in dealing with issues like the natural environment that may not directly involve human beings within a business firm. This is also true of those who engage in transactions with the firm.

It is interesting that, in spite of the above debate, stakeholder theory has struck some resonance in the business disciplines. In an attempt to structure earlier stakeholder theories, a three-part typology was used by recent authors to clarify some traits that the earlier formulations appear not to have done adequate justice to (Donaldson and Preston, 1995 in Jones and Wicks, 1999). According to Jones and Wicks (1999), the academic world has observed a significant divergence of perspectives regarding responses to stakeholder theory. Some view it as a foundation for the growth of social science, based on research. Some others view it as an umbrella term describing narrative accounts based on individual moral principles. Most academic arguments on stakeholder theory stem from authors trying to propose a means of converging these perspectives, and others defending divergent perspectives. From this, there are two approaches to stakeholder theory which can be derived. The first is a social science approach, and the second is a normative ethics approach. The structures adopted for discussing the social scientific approach of stakeholder theory tend to be based on the instrumental and descriptive variants introduced by Donaldson and Preston in 1995 (Jones and Wicks, 1999).

The descriptive variant as introduced by Donaldson and Preston (1995) and reiterated by Damak-Ayadi and Pesqueux (2005) hypothesis that is at the centre of all situations that involve cooperation and competition with each possessing its inherent value, an organisation emerges. Hence, descriptive theory is used to describe certain characteristics of an organisation in relation to the stakeholders and these are: organisational management (Halal, 1990 in Damak-Ayadi and Pesqueux, 2005); diffusion of societal information (Ullmann, 1985 in Damak-Ayadi and Pesqueux, 2005); target stakeholders and their significance

(Mitchell et al, 1997; Jawahar and McLaughlin, 2001 in Damak-Ayadi and Pesqueux, 2005); and the nature of the organisation (Breener and Cochran, 1991 in Damak-Ayadi and Pesqueux, 2005). In the views of Damak-Ayadi and Pesqueux (2005), a descriptive structure only allows for exploratory proposals as it does not enable any connection to be made between stakeholder management and conventional business objectives such as growth and revenue. It allows reflections on the past, offers explanations about the present and predictions for the future.

The instrumental variant as introduced by Jones (1995) explores relationships between cause and effect. However, it hypothesises that, all things being equal, the business objectives such as profitability, stability and growth will be better achieved if the organisation practises stakeholder management (Jones, 1995 in Damak-Ayadi and Pesqueux, 2005). This resonates well in MFBs in Nigeria because of the conflicting goals between different stakeholders. For instance, while MFBs exist to make banking more accessible to the poor and their micro enterprises at minimal financial burden to the customers, the business paradigm tends to suggest profit maximisation. Crucial here is the fact that optimality can become a critical challenge. Hence the descriptive and instrumental variants ought to reinforce each other, offering complementary lenses to view stakeholder theory.

While no conclusive position has been arrived at, it appears that stakeholder theory has something to offer in providing an understanding of what is required in embedding resilient capabilities in MFBs. Crucial here are the areas of funding, good governance, regulatory support and oversight, and dealing with fraudulence and managerial skill deficits in the industry. Furthermore, the stakeholders are committed to providing funding, observing regulatory guidelines, repaying loans and generally supporting the organisation in every eventuality. They have the capacity to infuse the appropriate structures, processes and practices in the enterprise to give it the institutional robustness which, when combined with a conducive regulatory environment, results in the MFB's capacity to withstand adversity. Institutional robustness in turn re-energises stakeholders through performance feedback and it strengthens their resilience capabilities in a dynamic relationship (Teece et al, 1997; Eisenhardt et al, 2000). This relationship is also inspired by a conducive regulatory framework; a kind of regulatory intervention that keeps the MFB solvent.

The board of directors of public limited company (plc) has responsibilities to act in the interests of their company's shareholders and to take into account the needs of other

stakeholders when taking decisions in running the affairs of the company. Directors have many responsibilities placed upon them by law, through the various Companies Acts requirements and by regulation (e.g. Listing Rules of the London or Lagos Stock Exchange). The main issue of Corporate Governance relates to the accountability to shareholders by directors on their stewardship. The responsibilities of the Boards of Directors include: setting company's strategic aims, providing the leadership to put them into effect, supervising the managements of the business, and reporting to the shareholders on their stewardship. Furthermore, Pettigrew (1992) observed that in many studies of boards, great inferential leaps are made from input variables such as board composition to output variables such as board performance with no direct evidence on the processes and mechanisms which could link the inputs to the outputs (Pettigrew, 1992 p. 171).

Pettigrew goes on to argue that future research on boards of directors should focus on the actual behaviour of boards thereby supplementing our knowledge of what boards do. Forbes and Milliken (1999) argued that studying boards behaviour should be "underscored by evidence that practitioners, in some cases, boards themselves, are also beginning to pay more attention to what boards do…(p.489)". Whereas the events that led to the collapse of three major public companies in the UK in the 1990s questioned the ethical behaviours of directors in carrying out their duties in monitoring and controlling managements of their corporations towards meeting the long-term objectives of their shareholders. The collapse of two major USA public corporation in 2001 (Enron and WorldCom) has increased demand from both shareholders and other stakeholders on the behaviours of boards of directors. Corporate boards today are increasingly finding their actions closely monitored by institutional investors (Heard, 1987; Judge and Reinhardt, 1997) as well as by the media (Byrne, 1996, 1997; Orwall and Lublin, 1997; Forbes and Milliken 1999).

Further evidence of interest in board behaviour can be seen in the increased level of legal scrutiny to which boards are subjected and into the growing competitiveness of the market for corporate control (Kesner and Johnson, 1990; Monks and Minow, 1995, and 2001). The reactions to the corporate governance failures of Enron and WorldCom in the USA as well as the other UK public companies in the 1990s have seen an increase in corporate governance regulations and legalisations in order to prevent such major corporate failures in the future and to restore confidence in the Anglo-American system of corporate governance. How do the boards of directors go about their responsibilities and duties set out both in the Company Law and the Combined Code on corporate governance? We need to look at studies that have

tried to evaluate behaviours and characteristics. Forbes and Milliken 1999: 489) observed that; as boards assume a more central oversight role in the governance of organisations, researchers and practitioners alike are seeking to better understand the processes and behaviours involved in effective board performance. Research developments have reinforced Pettigrew's (1992) point that it is necessary to go beyond the demography outcome approach in order to understand fully the performance implications of board characteristics. The weakness of the principal agent model of the shareholder theory of not being able to assess directors and managements behaviours due to the use of quantitative research methods call for a new research method.

In conclusion, this study illustrated the importance of Shareholder Theory and its impact on the business objectives of a company. It shows that each of the models of corporate governance discussed above has its own advantages and disadvantages which present problems for the boards of directors to deal with in order to meet the business objective of their companies. Consequently, it may be that the main problem may not necessarily be that corporate governance is not effective as a guide to management in running the affairs of their companies, as it may be due to the fact that people are now questioning this idea of shareholder theory and the use of profit maximisation as the main business objective. Effective corporate governance should not be based on just shareholdership model and the protection of shareholders' interests alone. It should be on how corporations and their boards of directors should work together with all the other stakeholder groups for the good of the corporation and its stakeholders. In discussing the stakeholdership model, Howel and Nwanji (2007) stated that a corporation cannot afford to ignore the issues of its stakeholder needs if it has to maximise its shareholder wealth, as those stakeholder groups contributed to the success of the corporation. The stakeholders of a corporation change from time to time due (in part) to the decisions taken by management or because of external events which are outside its control. It is up to management to find out who their company stakeholders are and what their needs involve and how to meet such needs. Similarly, boards of directors have many responsibilities: some statutory, some a matter of trust. Directors have to be clear about their personal responsibilities and those which affect them as officers of their company. Accountability in its traditional sense, has always exercised the minds of directors but invariably only in the context of the profit and loss accounts, the balance sheet and shareholders' interests. The conduct of board of directors or individual directors can affect not only the market value of their company's business but as the case of Enron and

WorldCom shows, the world financial markets. The success of the world economy depends on the capitalist systems which are based on trust and creditability of the financial market by investors. Therefore, good and effective corporate governance is needed. This can be achieved if there is "Global Corporate Governance" which should comprise the shareholder systems as it is in UK and USA and the stakeholder system as in Germany and some other countries. Howell et al acknowledge that even though the shareholder model of corporate governance, particularly the traditional Anglo-American paradigm of corporate governance, may be the best way of achieving the company's purpose of wealth maximisation of the shareholders, the need of taking business ethics into consideration is deemed worth the while. Consequently, in making decision on the business objectives of the company, it should be considered to meet the expectation of the company's stakeholders, and that in doing so meets the shareholders' value maximisation in the long term. And that in modern interconnected business environments, like COVID–19 spreading to the world so quickly from Wuhan China, Howell et al's position will suggest that the role of companies should not be based on shareholders' wealth alone. It is argued that companies should take the interests of the entire stakeholders within them into consideration when setting their business objectives.

One major gap, however, identified in the literature on stakeholder theory is the lack of emphasis on "fall back" factors, (Fuji and Morimoto, 2012). An example might be critical staff, capital and technology contingency backups in building resilience. This is incorporated within the institutional robustness dynamic. Fuji et al (2012) further argued that leaders need to manage the tensions within organisations and between the organisation and its eco-system if the organisations they manage are to find some resilience. And that organisational resilience depends on the nature of the organisation, its operations, and the industry. This is due particularly to the level of uncertainty and the industry rate of technological, (legal, and political) and market changes. They (Fuji et al, 2012) further argued that the extent to which the interests of shareholders, workers and customers are reconciled satisfactorily to all concerned; in alignment with industry imperatives, requires recognition in organisational resilience narrative. Alertness to every dimension of the tension between short- and long-term goals, profit and financial inclusiveness, attention to investors (financial) and attention to customers (social), reconciling the resource based view and market based view of the firm is of prime importance in the overall alignment in the MFB ecosystem. This is especially the case if the organisation is to harvest the anticipated benefit of embracing stakeholder and

shareholder management (intersecting both) for prosperity, sustainability and organisational resilience.

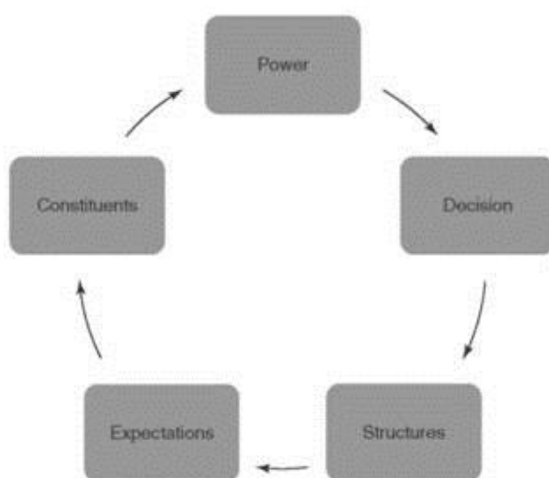
2.5.2: Corporate Governance

De Wit and Meyer, (2014) defined corporate governance as all activities that are intended, and assignments designed, to supervise the behaviour of senior managers and directors of an organisation to ensure transparency in catering for the interests of all those who have a stake/interest in that organisation. Cheffins, (2015) extended corporate governance to include a system by those who run organisations to have checks and balances. Dalton et al., (2003:371) first defined governance, before attaching "corporate'' to it. They defined governance as "the determination of the broad uses to which organisational resources will be deployed and the resolution of conflicts among the myriad participants in organisations." This definition goes beyond earlier ones that focused on the control of executive self-interest. This is in addition to the protection of interest of shareholders. Dalton et al (2003) stated that: "most of the governance researches over the years have been on the efficacy of the various mechanisms available to protect shareholders from the self-interested whims of executives". Many years of research into the field yielded valuable insights into many aspects of the manager-shareholder conflict. Furthermore, an intriguing element of the extensive body of corporate governance research is that 'we now know where not to look for relationships attendant with corporate governance structures and mechanisms, perhaps even more so than we know where to look for such relationships' (Dalton et al, 2003:371). Corporate governance has been defined as "the manner in which organisations, particularly limited companies, are managed and the nature of accountability of the managers to the owners" (Hussey, 1999:97). Cadbury (1992) argued that organisations must institutionalise systems to control and direct work in a framework of corporate governance.

Policies governing operations of microfinance banks are often enacted by Central Bank of Nigeria (CBN). And of course, the boards of the MFBs in turn set up policies, processes, programs and committees to help them implement governance issues and to perform their oversight role effectively (Agusto &co, 2015). In many organisations, like MFBs, governance and policy begin with the legal and organizational roles of the board of directors. And in particular, the institutionalisation of Board and Management committees in the governance and creating the enabling environment for financial sustainability of the Organisation. Francois (2014) states that "the word "governance" comes from the Latin world, *governare;* which means to be responsible for an assignment and have authority over it. Governance is

therefore about the actions and processes of granting power and authority to a legitimate body within the organisation. This is intended to facilitate decision making, setting goals and monitoring same in managing the organisation. Examples are Board Committees (BCs) and Management Committees (MCs). The underlying philosophy for the institutionalisation of such organs is that of agency, performance optimisation and designing principles to meet the expectations and achieve the goals of the organisation. Francois (2014) in Figure 2.3 illustrates the governance process, "the structures tend to be the assembly of members, the board of directors, or committees. Power is granted to such a structure on behalf of the collective. There are expectations that such a structure will exert the granted power in the best interests of the organization. The exercise of power occurs mainly in the form of decisions that can positively or negatively affect a group of people who are basically the constituents of an organization. The constituents can be internal, in the case of members of an organization. The constituents can be external, in the case of clients or potential beneficiaries of … an organization" (Francois, 2014:5). Governance exists, by organisational arrangement, and sometimes to meet regulatory requirement in the case of banks. This is particularly evident in the 2005 governance policies enunciated by CBN in Nigeria for the entire banking industry; and the responses by MFBs in setting up BCs and whistle blowing policies (Agusto & Co, 2015). Good governance is anchored in structures and processes of legitimacy and participation, operating within clear boundaries of behaviour, transparency and accountability (Francois, 2014)

Figure 2.3: **The Governance process**



Source: Francois (2014)

As observed earlier, the governance of corporate organisations is operationalised through board of directors and board committees. It also involves "rules and principles, processes, customs, policies, and laws that influence the interactions among internal and external stakeholders as well as the administration and control of a corporation" (Francois, 2014:6). Corporate governance defines the rights and responsibilities of stakeholders, as well as procedures for making decisions. It also involves how decisions are implemented, monitored and controlled.

Table 2.5: **Sample Definitions of Corporate Governance**

Definition	**Source**
Corporate governance is the process carried out by the board of directors, and its related committees, on behalf of and for the benefit of the company's stakeholders, to provide direction, authority, and oversights to management.	Sobel, P. J. (2007). *Auditor's risk management guide: Integrating auditing and ERM.* Chicago, IL: CCH.
Corporate governance involves a set of relationships among a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined.	Organization for Economic Co-Operation and Development. (2004). *OECD principles of corporate governance.* Paris: Author.
A system of law and sound approaches by which corporations are directed and controlled focusing on the internal and external corporate structures with the intention of monitoring the actions of management and directors and thereby mitigating agency risks that may stem from the misdeeds of corporate officers.	Sifuna, A. P. (2012). Disclose or abstain: The prohibition of iTrading on trial. *Journal of International Banking Law and Regulation,* 27(9), 340-353.
Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimized. Good corporate governance structures encourage companies to create value (through entrepreneurism, innovation, development, and exploration) and provide accountability and control systems commensurate with the risks involved.	ASX Corporate Governance Council. (2003). *ASX principles of good corporate governance and best practices recommendations.* Sydney, Australia: Author.
Source: Francois , 2014	

Corporate governance is often explained using some major theoretical frameworks, mostly around Stakeholdership, Agency, Resource Based Views of the Firm and even Institutional theories (Francois, 2014). A brief explanation will suffice here as they will be extensively discussed later in this chapter.

Agency theories are a consequence of the distinction between the owners and the executives hired to manage the organization. These executives are referred to as agents. "Agency theory argues that the goal of the agent is different from that of the principals, and they are conflicting'' (Johnson, Daily, & Ellstrand, 1996 in Francois, 2014:7). Consequently, agency theories argue that the managing executives can be incentivized to maximize the profit of owners or shareholders (Eisenhardt, 1989, in Francois, 2014). So, a board of directors is appointed in the organisation to be accountable to the shareholders in areas of involvement in decision making processes (Francois, 2014; Agusto & Co, 2015). The Stewardship theories in some way support the agency theory by arguing that the executives of the organisation are stewards. They perform such role for the owners of the organisation, in a way that they share common goals with the owners (Davis, Schoorman, & Donaldson, 1997, in Francois, 2014). The Stewardship theories therefore argue for "relationships between board and executives that involve training, mentoring, and shared decision making" (Shen, 2003, in Francois, 2014:8). On the other hand, the Resource-dependence theories argue that to provide resources for executives, Boards are created. So the board is set up to create the enabling environment to achieve organizational goals (Hillman & Daziel, 2003, in Francois, 2014; Agusto & Co, 2015). Resource-dependence theories advocate for strong financial, human, and intangible supports to the executives. "Resource-dependence theories recommend that most of the decisions be made by executives with some approval of the board" (Francois, 2014:8). So the board performs more of implementing measures to manage performance. It is empowered to reward superior performance and sanction poor performance.

Similarly, the Stakeholder theories are implicated in defining governance and policy making for the organisation because of the assumption that there are other groups outside shareholders that have a stake in the prosperity of an organisation. Stakeholder theories therefore argue that customers, staff, suppliers, banker who give credits to the organisation and the community in which the organisation does its business have a stake in the organisation as well. Consequently, organisational executives have a responsibility to ensure that all stakeholders are fairly rewarded for their stake in the organisation and receive a fair return from their stake in the company (Donaldson & Preston, 1995). ''In that context, the

board has a responsibility to be the guardian of the interests of all stakeholders by ensuring that corporate or organizational practices take into account the principles of sustainability for surrounding communities’’ (Francois, 2014:8). It is in furtherance of the need to enact governing policies to engender a healthy microfinance market that led to the upsurge in regulatory intervention in many countries, and making some of these institutions transform into banks. In Nigeria, regulatory intervention occurred in 2005, leading to the transformation of many MFIs and community financial organisations. MFIs' and MFBs' most popular product is micro-credit. (Agusto & Co., 2015). A further intervention occurred 2011 essentially to strengthen Governance in MFBs.

2.5.3: Institutions, Institutional Theory and Neo-institutionalism

Institutions and Institutional Theory

To regulate the financial and operational performance of banks, the government of Nigeria established two institutions namely CBN and NDIC. EFCC was also established to investigate financial crimes in the banking sector, among several others, of the country of which MFBs are a part. Each MFB is required by law to establish internal institutions like Finance and General Purpose Board Committee and Audit and Risk committees to monitor and ensure that MFBs align/comply with regulatory provisions/guidelines. That position necessitated the review of the literature on Institutional theory and its implication for the Nigerian MFBs.

What makes an institution and how it works to fulfil its purpose has made the concept of the institution particularly relevant in social science organisational resilience. The institution has the capacity to achieve unique goals. According to Bjorck, (2004), there is no universally agreed definition of ‘institution’, as it is a highly contested field. There are, however, several suggestions from different scholars in the field. For instance, Scott (1995; 2001) holds the view that institutions are social structures that have attained a high degree of resilience and internal strength to adapt in stressful situations. Noting that resilience is about coping with, adapting to and overcoming adverse situations, Scott’s definition tends to resonate with organisational resilience literature. His idea is that building strong institutions could hedge or insure against organisational failure, and therefore promote the health and wellbeing of the organisation.

Fligstein (2001:25) echoes Scott’s emphasis on regulation and human cognition as critical elements in institutions. However, he defines an institution as comprising the “rules and

shared meanings that define social relationships, help define who occupies what position and guide interaction by giving actors cognitive frames or sets of meanings to interpret the behaviour of others". Additionally, Bellah et al (1991), in their earlier studies came to the conclusion that institutions are a series of social activities that define group and individual experiences. According to Bellah et al (1991), an institution not only develops an individual's behaviour in relation to other people, it more importantly shapes their character. This happens through the delegation of responsibility and accountability. This is in addition to demanding and providing the standards by which each person recognises the importance of his or her role and achievement. However, one of the most commonly cited definitions of an institution is the one advanced by North (1991). This has won the attention of a number of institutional scholars such as Bellah et al (1991). Institutions have been defined as "formal constraints (rules, laws, constitutions), informal constraints (norms of behaviour, conventions and self –imposed codes of conduct), and their enforcement characteristics" (North, 1991: 98). This is partly because studies indicate that institutions comprise cultural, normative and regulative elements. These are combined with associated activities and resources to provide stability and meaning to social life (Scott 1995). Consequently, institutions are perceived as multi-faceted and multi-angled. They are durable social structures, made up of symbolic elements, social activities, and material resources. They carry unique properties that are relatively resistant to change (Jepperson, 1991). This may explain why Giddens (1984: 24) states that "Institutions by definition are the more enduring features of social life, giving solidity to social systems across time and space." Hence, like culture, they can be transmitted from one generation to another, maintained, and reproduced (Zucker, 1977).

Scott (1995, 2001) went further, proposing three institutional elements, which, in his view are related to three behavioural factors namely: legally sanctioned, morally governed and recognisable, and, finally, taken-for-granted behaviours. Each of these elements has been identified as a vital component of the institution. Hoffman (1997: 36), affirms that the three institutional elements form a continuum moving "from the legally enforced to the taken-for-granted and from the conscious to the unconscious". These elements are Regulative systems, Normative systems and Cultural-cognitive systems. Regulative institutions include "explicit regulative process: such as rule-setting, monitoring and sanctioning activities" (Scott, 1995:35). Such an institution defines the boundaries of conduct of internal participants in response to all dimensions of the organisational purpose. While this institution can be set within an organisational structure, it could also be orchestrated by organisations external to

that institution. Regulatory bodies (for instance, the UN Commission on International Trade Law and CBN) and the World Intellectual Property Organization (WIPO) fall into this category. In terms of MFBs, regulative organs include the board, board committees and sometimes executive committees. The organs and processes through which they govern the organisation and moderate competing interests are the board committees' meetings and the standing committees of management. These help to enforce and execute programmes, ensuring that prudential and regulatory guidelines are adhered to and relevant thresholds are complied with. These internal institutional organs focus on the risk, financial and reputational concerns in managing the demands of regulators and governments (Kelman, 1984). Such institutional organs are the engines, not only for enforcing the organisational code of conduct but also for effective corporate governance. The institutional organs are also instrumental in developing and evaluating the corporate strategy of MFBs. However, they can sometimes be manipulated by organisational players who pursue a different agenda from that of the company's interest, particularly in regard to a lazy board.

It is no surprise that March and Olsen (1984; 1989; 1996 in Peters, 2000: 10) argued that the best way to moderate both individual and collective behaviour is through a "logic of appropriateness". They suggest this is often acquired by individuals through their membership in institutions. They also held the view that people who function within institutions behave as they do due to normative standards rather than their willingness to achieve individual goals. Furthermore, these behaviours are acquired through participation within the institutions and, perhaps also through implementing rewards and sanctions. Normative rules are therefore said to introduce prescriptive and obligatory values into social life within the institution and organisation (Scott, 1995); which include both values (conceptions of standards to which existing structures or behaviours can be compared) and norms (legitimate means to pursue valued ends). Blake and Davis (1964), much earlier argued that a normative system defines and captures goals or objectives at the institutional level. Furthermore, such a system was said to also prepare appropriate ways and rules to pursue organisational objectives.

Furthermore, Scott (1995) suggested that cognitive elements constitute the nature of reality in institutions. They also deliver frames through which meaning could be abstracted or even constructed. Although all components of institutions are largely associated with culture (Neale 1994); cognitive systems are also arguably intertwined with culture (Jepperson, 1991). D'Andrade and Roy (1984) suggested that what an organisation does is, to a large extent the

responsibility of the organisation's response to its environment. Berger and Kellner (1981: 31) earlier summarised that "every human institution is, as it were, a sedimentation of meanings or, to vary the image, a crystallisation of meanings in objective form".

Jepperson (1991) later argued that institutions do not exist on their own, but are rather transmitted by being embedded in institutional carriers. The carriers include symbolic systems, relational systems, routines and artefacts. They are somewhat similar to the dimensions of culture which are discussed later in this chapter. Scott (2001) identifies four types of institutional carriers. These are:

- Symbolic systems: such as rules, values, laws, expectations, typifications, and categories.
- Relational systems: such as governance systems, authority systems, structural isomorphism and regimes.
- Routines: examples are protocols, jobs, roles, obedience to duty and standard operating procedures.
- Artefacts: objects complying with compulsory specifications, standards, objects possessing symbolic value.

These types of institutional carriers possess characteristics that range from regulative, normative to cognitive–cultural aspects.

The history of institutional theory can be traced back to the 19th century (Scott, 1995, in Najeeb, 2014). Greenwood et al (2008 in Najeeb, 2014:25), stated that "Institutional theory evolved as an antidote to the overly rationalist and technocratic perspective of 1960s". At the inception of the early stages of development, institutional theory was closely linked with neo-classical economics (Hogson, 2004; Sayilar, 2009) and later to resource dependence and ecology theory (Greenwood et al, 2008). It has more recently been linked with structural theory (Scott, 2008 in Najeeb, 2014).

In previous years, the basic contribution of institutional theory to the organisation was to show that there is more to institutions than economics. Institutional theory as observed by Lincoln (1995) focused on social structures and processes. These tended to achieve stability and inspiration in their own right and generated meaning for society and organisations. Lincoln argued that such meanings are coordinated in a wider social context to reappear as stabilisers of the organisation. Taking this further, Bjorck, (2004) argued that the term 'institutional theory' cannot be described as a coherent system of rules. Rather, it should be

seen as a group of ideas that collectively form a consistent perspective of the mechanisms supporting and restricting social behaviour. This perspective of institutional theory was previously adopted for research by various disciplines such as economics, sociology, political science, and business studies (Johansson, 2002).

Although institutional theory is not yet as developed as many other disciplines in social and management sciences, it is still one of the most dominant theories employed in organisational analysis (Powell in Cooper and Agyris, 1998). Institutional theory has consequently proved a popular and important explanation for both individual and organisational action. It has been argued that it is a dynamic theory, developed and contrasted with a number of other approaches. It explains the persistence, resilience and the homogeneity of phenomena (Tina et al, 2002). Tina et al's (2002) arguments around institutional theory resonate with the organisational practice the researcher is used to, in which institutions are strengthened to support organisational resilience in an effort to bring young managers onto the board. These efforts serve to develop succession programmes that could stand the test of time.

According to Peters (2000), the institution can alter its nature and its impact on the individuals with which it often interacts. This is particularly the case when incentives are involved. Several studies reveal two types of institutional change (Peters, 2000). One is the internal development of the institution, or a process of institutionalisation. The other type of change is a change in values or structures that are assumed to describe intentions. Scott (2001) observed that much of the emphasis in the institutional theory literature focuses on institutional change processes. Moreover, an equally important, although less explored area is deinstitutionalisation, which "is the process by which institutions weaken and disappear" (Scott, 2001: 182). This kind of situation leads to death in MFIs, particularly when risk management and corporate governance collapse.

In Nigerian MFBs, with new regulatory policies coming into force in 2005, every organisation in the industry is now expected to evolve practices to align with and implement these regulatory provisions. This is particularly the case with those that were able to adapt and survive because of their adaptive capacity and alignment with the organisational core purpose. Such organisations made use of effective regulatory and legal frame works.

There are four dimensions used for measuring the level of institutionalisation in any structure. These are autonomy, adaptability, complexity and coherence and they have been applied to various types of institutional arrangements (Polsby, 1968; Ragsdale and Theis, 1998 in

Peters, 2000). Such arrangements provide an avenue for understanding the transformation process that structures make in order to survive. These influence both the members of the organisation and its external environment. The dimensions in question are elaborated below:

- Autonomy - This represents the ability or capacity of institutions to create, implement and monitor their own decisions.
- Adaptability - This describes the extent of the institution's capability to adapt to change in the environment. It is also about the capability of changing that environment. The institution could be positioned to import much needed resources despite changes in the relevant environment.
- Complexity - This concept demonstrates the capacity of the institution to construct internal structures to meet its goals and to adapt to the environment.
- Coherence represents the ability of the institution to manage its own workload. It is also about the ability to develop procedures to process tasks in a swift and reasonable manner. Furthermore, it represents the capacity of the institution to make firm decisions about its core tasks and beliefs in order to filter out irrelevance.

These attributes as demonstrated by Peters (2000) may help in measuring the degree of institutionalisation of institutions during difficult moments such as those that many Nigerian MFBs have endured over the last twenty years. Interestingly, Peters states that the four attributes enumerated earlier do not capture all of the complexity of institutionalisation. As a consequence, there are calls for two additional factors (Peters, 2000):

- Congruence - This reflects a concern that reveals the depth of relationship between political institutions and social relations which should be regularised and maintained. Additionally, it reflects a concern about differences between the values of political, albeit economic, elites and the values of the masses.
- Exclusivity - There is some chance of long-term survival when there is little or no competition. However, when there are multiple institutions attempting to perform the same duties, competition is resolved in some way, particularly by the termination of one or more institutions.

Elsewhere, Oliver (1992), in Dacin et al, (2002), identified three major sources of pressure on institutionalised norms and practices. These institutionalisms have diverse origins and focus on research strategies as well as various advantages and disadvantages. These include historical institutionalism, which arises from pressures that may have arisen from perceived problems in performance. They could also be perceived as a form of utility associated with

institutionalised practices. The pressures Dacin et al (2002) debated, may be linked to broad environmental change such as intensified competition for resources.

In a similar research, Lounsbury (2002, in Dacin et al, 2002) focused on sociological institutionalism which is related to shifts in institutional development driven by environmental change. It was observed that deregulation fundamentally alters the prevailing regulatory regime which can lead to an increase in new market opportunities for finance professionals. This could be likened to the regulatory requirement for the transformation of community banks to MFBs in Nigeria in 2005. Since the industry was ill-prepared, it led to massive deinstitutionalisation. Those that could both adapt to and embrace the challenge as a new opportunity to access deposits and expand the scope of the enterprise not only survived but prospered. Their institutional practices were extremely helpful in the process.

Lee and Pennings (2002, in Dacin et al, 2002) provided an additional perspective on how historical pressures could influence deinstitutionalisation and institutional change. Institutional change and deinstitutionalisation can also be influenced by social and societal pressures, which could be associated with an increase in workforce diversity, community demands and even the existence of external divergent beliefs and practices. They can also be influenced by changes in laws or social expectations that might disrupt the continuation of a practice (Oliver, 1992; Scott 2001, in Dacin et al, 2002).

Scott (1987, in Kshetri, 2010), stated that institutionalism can be characterised by both macro- and micro-level approaches, which are distinguishable by observing if the sources of institutionalisation are internal or external. In addition, macro-institutionalism considers the sources of institutionalisation in the external environment and argues that organisations exhibit isomorphism with respect to external institutional pressures. They do so by adopting structures and processes. On the other hand, micro-institutionalism assumes that these sources are internal to the organisation (Bresser and Millonig, 2000 in Kshetri, 2010). Scott (1995) observed the essence of external and internal dimensions of institutions by stating that values and norms are both internalised and imposed by others.

The institutional environment impacts the actions, decision making processes and outcomes of the organisation, including the nature of governance and management within financial markets. This can help explain the underlying issues to the various borrowers and tools utilised by MFBs in serving their target market. Although regulatory bodies may choose to implement and enforce policies guiding the financial market, the stability of the political

climate within a country and the degree of economic development coupled with the will of the political elite do influence the ability of MFBs to execute and align with the regulations of financial markets (Weber, 2004, cited in Paris 2013). However, these cannot substitute the robustness of the internal organs, such as internal audits, credit committees; internal processes, like credible risk management regime, or cost control for example and credible board oversight function in enforcing organisational discipline, innovativeness and improvisation. These are all required if MFIs and MFBs are to show resilience. Interestingly, these are also examples of institutional organs that serve the purpose of the day to day operations of MFBs and their capacity to hone organisational resilience at the same time. Success occurs when these are appropriately utilised by an agile board, that is proactive and composed of honest directors and individuals, who intentionally avoids fraudulent activities and enforce compliance with prudential regulatory guidelines.

Neo – Institutionalism

This section will not be complete until a cursory visit to neo-institutionalism also referred to as New Institutionalism (Nee, 1998). Nee (1998) argues that Neo- institutionalism is a concept of choice (Hofmans, 1961, in Nee, 1998). This is usually within constraints by Institutions. Where Institutions are defined as how governance of social relationships are done; often creating, webs of interrelated norms and rules (Nee, 1998). These are made up of both informal and formal regulations. They in turn inform the choice of human participants. Consequently, they reduce uncertainty in human conduct. This they do through explicit and implicit rules of behaviour within a community (Nee and Su, 1996). It can also be in a close knit group, and even in a society and larger groups, but share cultural assumptions and norms.

To reduce unpredictability and to a large extent, uncertainty in human relations, the idea of norms as a central issue in the debate of the importance of neo-institutionalism was invoked by Homans (1974: 361, in Nee, 1998:8) as "a moral code, especially a code supporting trust and confidence between men: a well-founded belief that they will not always let you down in favour of their private, short-term gain." Norms are defined as a collective good (Coleman, 1990a). This is because the benefits are often shared by all members of the group. By prioritising cultural beliefs within behaviour is exactly what differentiates neo institutionalism from institutionalism. "The instrumental view of network ties, which sees actors using their social ties to achieve private gain beyond that which could be obtained through their stock of human capital (Lin 1982, in Nee, 1998:9). As in the network definition

of social capital, individuals derive benefits from the norms, but such benefits are realized at the cost of short-term private gain by opportunists" (Nee, 1998:9).

Said differently, norms, as they help in solving social challenges become social capital; which could "otherwise result in suboptimal collective outcomes caused by individuals pursuing private advantage at the cost of collective goods" (Nee, 1998: 9). Nee further suggested that the notion of norms being social capital was highlighted on theoretical basis in Robert Ellickson's "welfare maximizing" hypothesis (1991, 167, in Nee, 1998:9). The members of a closely knitted group tend to develop and maintain norms. The content of those norms serves to maximize the collective welfare of members. This often occurs in their workaday affairs in relating with one another. In alignment with Ellickson's hypothesis is the theory of social norms. That theory builds on the paradigm that individuals jointly produce norms. And that they equally, uphold such norms to benefit from cooperation. This allows social capital to be put on an analytical footing similar to that of other forms of capital. Human capital theory and practice suggest a positive effect of education and work experience on an individual's income returns (Schultz 1961, in Nee, 1998). The social mechanisms through which social norms are produced and maintained, not the norms themselves, give rise to social order. Informal norms are monitored by means of sanctions and rewards, like a pat on the back, commendations are as common as social approval and disapproval, the by-products of social interactions in close-knit groups (Homans [1961] in Nee, 1998). Universal preference for approval and aversion to ostracism contribute to maintaining the norms of a group. Formal rules are produced and maintained by such organizations as the state and the firm. When formal organizational rules are in conflict with interests and preferences embedded in social norms, customs, and conventions, they are costlier to monitor. On the other hand, when formal and informal norms are congruent, the monitoring of formal organizational rules is assured to a larger extent by individual members of small groups and close knit ones (Nee and Su, 1996). In conclusion, Nee (1998) argues that neo-institutionalist paradigm rests firmly within the choice-theoretical tradition. This seems to be evidenced by LAPO grouping system of close knit grouping of 10 to 12 people with explicit norms of good conduct, and choice tradition that is built on team support in accessing credit and skill acquisition, an approach many MFBs now adopt with Grooming leading the pack. Key, here is the adoption of a communal culture, and social capital that members guide jealously, as infringement could lead to ostracisation.

2.5.4: Culture and Organisational Culture

Organisational culture can, in fact be the foundation of institutions through work processes, routines and organisational artefacts. In this way, institutions and culture feed into and reinforce each other. Culture itself is "a system of shared assumptions, values and beliefs'' which creates patterns of shared norms of behaviour and collective expectations (Dopson, 2010:4). Organisational culture (CMI, 2015:1) "is the way that things are done in an organisation, the unwritten rules that influence individual and group behaviour and attitudes". It has been argued that culture creates a sense of identity and acts as a glue for members (Dopson, 2010). Schein (1992) highlighted three levels of culture namely, 1) artefacts- visible but often undecipherable component; 2) values- a belief system that generates a greater level of awareness and 3) assumptions; the often taken for granted, invisible component of culture. Dopson (2010) argued that culture: "…reduces uncertainty and ambiguity about context within which we live; and helps us to make sense of complex and ambiguous situations. It influences how we interpret events and make sense of the world around us. It helps us to understand what we should do and how we should act in uncertain situations and thus guide behaviour. It also codifies and consolidates the understanding of the relationship between members and also with external environment" (Emokpae, 2014: 66).

In a composite paper by CMI (2015:1), the culture of an organisation was said to be its personality and character. It argues that "…organisational culture is made up of shared values, beliefs and assumptions about how people should behave and interact, how decisions should be made and how work activities should be carried out" reinforcing the works of Schein (1992) and Dopson (2010). An understanding of organisational culture is essential for managing change and business in general. CMI (2015) argues that leaders and managers are better positioned to implement strategy and to achieve their goals if they have a good understanding of the culture of their organisations. It is often difficult to specify what exactly drives a particular culture, and its effects are easier to observe. Similarly, while in practice an organisation may have an 'umbrella' culture – broadly defining how things should be done and what is acceptable – subsidiary cultures can emerge based on work roles or other allegiances' (CM1, 2015). Such a culture is experienced and interpreted subjectively by those in the organisation. Such interpretation is done in the context of the individual's belief system and organisational perception. The CMI (2015:1) argues that 'to gain an understanding of the culture of an organisation, its written and unwritten rules should be examined alongside the relationships, values and behaviours displayed by its people'. Morcos (2018) indicated the

factors which may underlie organisational culture. These include the organisation's structure and processes. Furthermore, it captures the procedures by which work is done as well as how employees behave. They also include the traditions and core values they observe and attitudes they exhibit at work. "Organization culture is the characteristic and the tangible personality originated inside every organization. Even if we are not familiar with companies like Starbucks, Google or WWF, their names represent the taste of their workplaces, the attitude, the unwritten protocol of interactions and the company values" (Morcos, 2018:2). Morcos further suggested, that as against popular held view that culture cannot be controlled, that "organisational culture is unexpectedly tangible. It can be deliberately designed and leveraged". It in fact affects employee engagement and their morale in the work environment. Organizational culture is a critical differentiator between thriving organisations and those that are struggling.

In examining the approaches to understanding organisational culture, Schein (1992) believes that culture is the most difficult organisational asset to change. Hofstede (1984, 2015) and Waisfisz (1984, 1985) developed an organisational culture model with six dimensions. These are:

1) Means oriented vs. goal oriented (the extent to which goals and means of achieving same are implemented). This could affect attitudes to taking risks like MFBs credit administration to the poor.

2) Internally driven vs. externally driven - cultures. The external culture is expressed in MFBs focusing primarily on meeting customer requirements, whereas internally driven culture may exhibit a focus on shareholders and staff.

3) Easy-going vs. strict. Stricter cultures embed high levels of discipline and control, whereas easy-going cultures tend to embrace more freedom for staff in terms of work schedules, improvisation and goal setting.

4) Local vs. professional. Local culture addresses the extent to which organisational staff identify with immediate colleagues and conform to organisational norms; whereas professional has to do with association with wider group of people and practices.

5) Open system vs. closed system. Whereas open system has to do with the extent to which newcomers are accepted, closed system tends not to welcome new ideas or new blood.

6) Employee-oriented vs. work-oriented express the extent to which staff interest is prioritised at the expense of the task or the reverse.

Herskowits suggested that culture was a human-made part of the environment (Herskowits, 1955 in Morcos, 2018). Some part of culture is said to be “objective culture” (e.g., tables, computers, trains) while some others are said to be “subjective culture” (e.g., norms, roles, values). (Treven, Mulej, & Lynn, 2008 in Morcos, 2018) “In a recent article in Harvard Business Review, the writers said that, Organizational culture is the collective effect of the common beliefs, behaviours, and values of the people within a company. Those norms within any organization regulate how employees perform and serve customers, how they co-operate with each other, whether they feel motivated to meet goals, and if they are sincerely into the company's overall mission”. (Morcos, 2018:2) Organisational culture also extends to employee experience. And that “It does not matter if the organizations develop a high-quality product or plan a killer kick-off meeting, if there is an underlying attitude of unpleasantness, resentment, or boredom, the long-term outlook for the organisation will not be good. Organization culture is the filter through which everything else happens”. (Morcos, 2018)

Morcos then suggested that culture should be defined through 4 filters namely:

i. Every culture is unique.

ii. Cultures give us a clear guideline

iii. Cultures are fluid like and growing organically

iv. Some organizations can raise their internal cultures to become part of their external identity and set themselves apart. Consequently, companies like Facebook, Whole Foods, Citibank and Nestle, those brands do reflect “the energy and spirit found inside the company. Their internal cultures distinguish them and power their financial success” (Morcos, 2018:2). Morcos (2018:2) concludes that the four filters help in the definition of organizational culture, as they reflect the employee experience. And that they “often determine whether companies win or lose”.

Watson et al (2017), in a study in over five different countries, with a sample size of 378 came to the conclusion that culture, albeit national, impacts entrepreneurial orientation particularly in risk taking, innovativeness, pro-activeness and autonomy among others; but that the risk narrative is contextually sensitive to national cultures. So, a parallel can be

drawn between organisational and national cultures as both are seen to matter in managing enterprises, whether they are franchisees or MFBs.

Johnson and Scholes (1992) developed the Cultural Web which captures the taken for-granted assumptions of an organisation. Such assumptions help management to highlight the key tenets of culture and their possible influence on decision-making and goal attainment. The Cultural Web contains six inter-related elements: stories, rituals and routines; symbols, organisational structure, control and power structures.

Four years later, Goffee and Jones (1996), in Emokpae, (2014) proposed four categories for culture, namely:

- Networked culture - this is a cultural formation that creates the environment that is usually very friendly, although goals are often unclear. This culture is high in sociability but low on solidarity and overall commitment between individuals, and between people and the organisation. Akute and Allover MFBs tend to embrace this cultural type.
- Communal culture creates an environment that is friendly. Goals are clear and the path to goals is clear. This culture is high in sociability-relationship and solidarity; that is, commitment to the organisation and to each other. This type of culture helps the organisation pull together in difficult times and often with clear guidelines in terms of behaviour in times of distress and difficulties. Communal culture embeds resilience in communities and organisations. It enables the organisation to cope with and overcome distress. When the organisation falls, it can stand again. LAPO and Grooming are examples of MFBs that have entrenched such cultures in their organisations.
- A mercenary culture is one that is high in solidarity-commitment and low in sociability. Internal alliances and teamwork are difficult. Integrated MFB and ICMB MFBs are exemplars of this culture.
- Fragmented culture is one that is low both in sociability and solidarity. Every organisation at this level finds it difficult to achieve its objectives or even stand together during threatening moments.

O'Reilly et al (1991), in earlier work argued that there are seven organisational culture profiles as follows:

- Innovativeness: innovative, experimenting, risk taking, flexible, opportunistic;
- Stability: stable, predictable, rule oriented, secure;
- People-oriented: fair, respectful of individual rights, supportive, praise for performance;
- Outcome-oriented: achievement-oriented, demanding, result-oriented, action-oriented;
- Aggressiveness: competitive, searching for opportunities (not socially responsible);
- Detail-oriented: analytical, precise and careful;
- Team-oriented: collaborative.

Goffee and Jones' typology can be reconciled and integrated with that of O'Reilly and Hofstede's. For example, communal culture is team-oriented and can achieve organisational goals by combining innovativeness, stability and people-orientation, all achieved with team effort and overall organisational resources. A mercenary and fragmented structure is one in which people find the achievement of organisational goals more difficult, particularly when faced by threatening circumstances and when pulling together to tackle failure. On the other hand, a networked culture could be so people and stability-oriented that it could compromise the requisite aggressiveness needed for outcome orientation. This could mitigate against taking very critical decisions for the survival of the organisation in difficult circumstances.

There was a land mark research study about corporate performance and Organisational culture. "Scientists looked at operational data from 207 large US companies in 22 industries across 11 years and compared the results of companies that dynamically led their cultures versus those that did not. Companies that managed culture well enlarged their stock prices by 901% versus 74% for those that did not. Culture-focused companies increased their income over the 11- year period by 682% versus 166%. Net revenue also saw a growth of 756% for companies that managed culture well versus 1% for companies that did not." (Morcos, 2018:3) The outcome of that study indicates that organisational culture is worth investing in; as culture can have significant impact on productivity (Cui & Hu, 2012). Morcos therefore counsels that organizations should embrace flexible organizational and governance structure. And that it must be centred around agility. Such organisations should be encouraged to do two things namely "hire new talent and assign the current employees to the change program, empowering them to make decisions in the best interest of the change program with little or no influence from the legacy organization," (Morcos,2018:3). Furthermore, such organisations should structure itself to engender teamwork, intentional communication plus information flow, and in the process generate, employee empowerment. Morcos went further

to suggest that organizations should prioritise building a leadership mind-set and environment, “that rewards innovation, experimentation, learning, and customer centric design thinking… Organizations that sustain a prominent level of trust have substantially greater engagement by colleagues, an effect that has been measured multiple ways. This shows that organizational trust should be considered a valuable asset that can be measured and managed to sustain a competitive advantage over rivals” (Morcos, 2018:4).

Morcos (2018) further argued that although organisational culture is unexpectedly tangible, it can be deliberately designed and leveraged to energise employee experience. And that some organisations embraced this early in their operational journey and consequently have been reaping the benefits of being successfully adaptable to and coping with the rapid changes of the world systems, thereby creating continuous value for their organisations. Same value creation is extended to their customers and employees.

In MFBs in Nigeria, many organisations have their own cultures. That is, the way they do things that are codified. Some implicit assumptions are passed from one group/generation to others. Those with a communal culture tend to emphasise groups and teams in their approach to doing business with customers. LAPO and Emerald have tended to be more communal, whilst Ojokoro and Integrated MFBs were more fragmented, and sometimes mercenary. The latter is neither high in sociability nor in solidarity. As such they configured and implemented a business model that was individualistic both in accessing funding and offering credit. LAPO (a national MFB) and Emerald (a unit MFB) are thriving, although Ojokoro (a unit MFB) and Integrated (a national MFB) have gone into liquidation. Their cultures may have been contributors to this, because they largely captured the way they operated their business (including honing “ambidexterity”) and how they dealt with daily challenges while preparing for future ones.

2.5.5: **Ambidexterity and Dynamic capability**

Organisational ambidexterity was defined as an organisation’s ability to be aligned and efficient in its management of today’s business demands as well as being adaptable to changes in the environment at the same time. The term 'organisational ambidexterity' was first used by Duncan (1976). However, it is March (1991) who has been credited for developing and generating greater interest in this concept. “Ambidexterity in an organisation is achieved by balancing exploration and exploitation, which allows the organisation to be creative and adaptable to face any eventuality” (March, 1991:38). Such an organisation can

also rely on more traditional means of managing business to deliver seemingly conflicting values to all stakeholders. LAPO, ACCION, SEAP and a couple of other resilient MFBs managed to hone these capabilities. On the other hand, Integrated MFB, Ojokoro, and Alliance MFBs epitomised a one-handed organisation that appears to be able to exploit resources for today's advantage but with little or no attention to the future whereas the redundant factors and resourcefulness appeared to have been lacking in these dead MFBs.

Furthermore, a part of the business model to hone resilience in MFBs stems from embedding dynamic capabilities amongst others within such MFBs. "Dynamic capabilities are the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. Dynamic capabilities thus reflect an organisation's ability to achieve new and innovative forms of competitive advantage, given path dependencies and market positions". (Teece et al, 1997:516; Leonard-Barton, 1992). They are often rooted in high performance routines operating inside the firm, embedded in the firm's processes, and conditioned by its history (Teece, 1997) and the life experience of the founders and leaders. As a result of the "non-tradability of 'soft' assets like values, culture, and organisational experience, these capabilities generally cannot be bought; they have to be built. This may take years - possibly decades" (Teece, 1997:528). This has proven to be true in the case of LAPO which could handle threatening challenges between 2000 and 2006 having gradually built its capabilities from 1987. Neither Integrated nor Ojokoro had such capabilities.

Ambidextrous organisations that also hone dynamic capabilities appear able to survive difficult circumstances, size notwithstanding. Examples are LAPO, which is a national MFB, while Emerald is a unit MFB. Both survived, whilst neither Integrated, a national MFB, nor Ojokoro, a unit MFB could survive. This seems to suggest that competitive success, and consequent organisational resilience occurs in part because of processes and structures already established, and experience accrued in earlier periods. The notion here is that competitive success arises from the continuous development, exploitation, and protection of specific organisational capabilities. Successful MFBs achieve competitive advantage in a particular market by bringing something which was either unique or delivered in a unique fashion to the market. It appears that the dynamic capabilities approach, including ambidexterity is a worthwhile vector to evaluate and embed resilience competences, particularly the VRIN (Valuable, Rare, Inimitable, Non-substitutable) attributes. Although VRIN in the mid to long term can be replicated, those MFBs that embrace them were not only able to outcompete others in the industry but were also able to survive difficult

challenges. Examples of such challenges include repaying loans denominated in foreign currencies based on a very unstable foreign exchange situation in Nigeria. As already highlighted, LAPO, for instance, hedged its foreign loans. This is a VRIN attribute which is being replicated by other resilient MFBs.

2.6: WEF Global Risk Model

The WEF Global Risk Report (Riskviews, 2013) is a modelling framework originally developed in Japan and later adopted in Europe for assessing organisational preparedness for adversity and shock. It was designed also as a prescriptive framework of resilience elements necessary to be designed into the critical fabrics of an organisation, to enable it withstand shocks particularly by HROs. This is to ensure that the failure of one part does not imperil other parts, leading to the failure of the entire organisation. The essence of this argument is that the organisation can continue to function in spite of the failure of one of its components. The model identified five dimensions of Organisational capabilities that must be present in the organisation for it to withstand adversity, These, they characterised as organisational resilience components. This resilience paradigm or model has now been embraced by several European and Japanese companies to assess their readiness for adversity, and in some cases used to appraise how they in fact survived earlier shocks. In the WEF report, organisations were advised that 'these components should be designed into a system, and as such, will enable assessments of an organisation's inherent resilience capabilities' (Riskviews, 2013:1). WEF (Riskviews, 2013) introduced five components of resilience as robustness, redundancy, resourcefulness, response and recovery. They argue that any organisation that desires to embed resilience must acquire those attributes.

Those attributes like resourcefulness and recovery have a relationship with dynamic capability and Institutional theory. So are capabilities like robustness and redundancy have something to do with agency and stakeholdership and shareholdership. Response is embedded in critical capabilities of shareholder commitment and organisational agility and flexibility.

Consequently, WEF (Riskview, 2013) was utilised in this study as a practical tool to operationalise the multiple theories that are relevant for organisational resilience analysis, as it implicates most issues in such theories. It is therefore argued that the five WEF (Riskview, 2013) components of resilience: "robustness, redundancy, resourcefulness, response and recovery" are particularly suited as practical analytical tools; agreeing with WEF prescription

for organisations that desire to be resilient to employ the five elements of its model. This is because WEF components of resilience are all relevant, and useful to interrogate MFB research data on resilience; primarily because they are rooted in a resource-based view of the firm, the stakeholder concept and agency.

Furthermore, WEF components have something to do with institutional theory and institutions as they relate not only to resources and capabilities but also to organisational practices that have been developed over time. This linkage provides the support for WEF (Riskview,2013), as a lead concept that provides the thematic aggregate to discuss the findings, somewhat implicating other theories like Institutional, Stakeholder, Agency, Ambidexterity and so forth, the priorities of their emphases, notwithstanding. But because of some differences in emphasis, key emergent themes in the literature on organisational culture and critical incident theories particularly as related to fraudulence and dysfunctional human behaviour are employed to complement WEF in analysing and discussing the data. The WEF five components are rendered explicit below.

a. Robustness

Robustness is the ability of an organisation, and in this case a MFB, to exercise reliability. This refers to the capacity to absorb disturbances and cope with crisis. Underlying this position are considerations that where and when failure confronts an organisation, insulations embedded into its critical networks and processes come to the rescue. Robustness defines a critical part of organisational capabilities as well as core competences. Most times, such capabilities are expected to be dynamic where context flexibility is exercised. It also refers to the organisation's decision-making processes in response to changing circumstances, often a consequence of the governance practices and internal institutions in the organisation. In such circumstances, an imminent challenge to an aspect of the MFB may not disrupt other aspects of its operation.

Robustness is also about adaptive decision-making and related to the theme of chosen business model. This attempts to demonstrate how managerial structure and the decision-making process could be designed to facilitate an organisation to become very flexible in a way that captures the capability of a unit of the company to function seamlessly, irrespective of the failure of its sub units.

Capital adequacy is about organisational robustness, which is linked to the emergent theme of adopted business model that captures a sufficiency of funds to meet the necessary financial

obligations of the MFB as and when needed as an on-going concern. This is used here in a composite sense to represent not only the capital base of the MFB but also the liquidity and cash flow required to run the business on a day-to-day basis.

A poor capital base tends to attract less skilled directors. Poorly skilled directors are weak in corporate governance. Poor corporate governance affects the ability to hire, motivate and develop skilled staff, to attract credit from multinational donors and credit organisations. One factor affected the other and was in turn affected by the same. Bad corporate governance itself (which may have a functional relationship with the values, motivation and experiences of the organisational leaders) could be linked to poor stakeholder commitment, aligning with emergent themes on stakeholder versus shareholder theory and of course the emergent theme on weak institutions.

Finding a way through adverse circumstances in the face of the constraints of technical and organisational capabilities facing small organisations like unit MFBs is almost impossible without a robust board and managerial skill-set, which were identified as a major challenge with failed Nigerian MFBs (CBN, 2015).

Other issues associated with robustness include life experience, motivation and the attitudes of the organisational leaders, their core values and business models, as earlier highlighted, as well as the dynamic interface between core values, the motivation of leaders and key managers and the chosen business model. Collins and Porras (2000: 10) opine that core values "are the essential and enduring tenets of an organisation. A small set of timeless guiding principles. Core values require no external justification; they have intrinsic values and importance to those inside the organisation". It is about who the organisation is which comes from the founder's and / or key leader's core ideology. Such posturing is expected to lead organisations to invent its market to align with its core values, which enriches the robustness of the thinking process that drives organisational resilience.

b. Redundancy

Redundancy "involves having excess capacity and back-up systems, which enable the maintenance" of critical functions should disturbance occur (Riskviews, 2013:2). This creates opportunities for implementing programmes required to acquire the critical problem-solving skills and capabilities for dealing with business challenges. The redundancy dimension assumes that an enterprise may not experience a collapse when faced with challenges to its facilities if it has back-up resources, like capital/savings, systems and infrastructure.

Examples of redundancy characteristics include replicating systems and resources not particularly necessary for daily operations which could become useful for maintaining critical functionalities in the event of crises. Redundancy comes from both business model and governing institutions within the organisation. So also are corporate governance issues in building redundancy into the DNA of the MFB.

"Redundancy" which is a technical word also captures the provision of duplicate systems, people and resources in critical areas of the business to take over operations where the primary people, processes and resources fail. Additional costs are implicated, and the move is often very expensive for small MFBs. It has however been found that those who could implement this contingency policy enjoyed advantages. An example of a MFB that has perfected this capacity is LAPO which constituted development councils (DC) made up of group leaders as part of its JLG business approach (among the customers) and institutional back up in every zone of its business operational areas. Such councils not only discuss prospects and challenges but provide a critical backbone for confronting operational challenges including debt recovery if and when needed.

Another dimension of redundancy is the promotion of diversity, as core to the overall business model. This requires "balancing diversity with efficiency" (Riskviews, 2013:2) which embeds organisational resilience. Such redundancy enables MFBs to survive, adapt and improvise in difficult circumstances.

c. Resourcefulness

Resourcefulness is about the capacity to adapt. Resourcefulness also defines the ability to improvise and be agile when in danger. It also means the capacity to respond flexibly and improvise as well as to transform a negative situation into a positive one. Adaptive systems are characteristically flexible, which is very important for resilience in the face of adversity. The underlying assumption for this dimension of resilience is the building of trust amongst critical stakeholders and a readiness to improvise when challenges are faced.

This is about creativity and innovation, which is the ability to do something differently to get a better result. It is linked not only to having access to resources that are not immediately needed, but also the capacity of the individuals in the organisation to identify a better way of doing things and ultimately affect the entire organisation. Moving from cash to using cheques to trade with customers was a major issue in 1990. But LAPO had to take the lead in the

deployment of cheques. This reduced the workload of staff. It made their jobs safer and minimised theft which constituted resourcefulness at that time.

Overall, the dynamic relationships between redundancy and resourcefulness appeared to have precipitated robustness, in the MFB market. When the relationships create the pathway for adaptation and coping with adversity, the outcome is organisational resilience. Furthermore, when such relationships failed to generate the required momentum for adaptation, failure often results. While adaptation enabled the more resilient MFBs to survive difficulties that came their way, they were also able to efficiently manage their current resources to deliver value at the same time. This position aligns with the literature of organisational capability of ambidexterity (March, 1991; Duncan, 1976), and in turn reinforced by the literature on agency and stakeholder theory.

d. *Response*

MFBs' resilience performance is also evaluated with two more lenses captured in the WEF components of resilience, namely **Response** and **Recovery**, which describe and define how a system performs in the event of crises. "They provide evidence of resilience when crises occur, and they are dependent on risk, the event and the time frame. These components provide the ability to compare systems and feed the measurements and results to calibrate the resilience characteristics" (Riskviews, 2013:3).

Response is the ability to pull together resources to tackle challenges quickly, in an agile fashion, in the face of adversity. Agile organisation is often a conscious decision based on organisational institutional arrangement and operationalising agency theory. It also flows out of intentional business model anchored on agility.

e. Recovery

"Recovery means the ability to regain a degree of normality after a crisis or event, including the ability of a system to be flexible and adaptable and to evolve to deal with new or changed circumstances after the manifestation of a risk. This component of resilience assesses the organisation's capacities and strategies for feeding information throughout the organisation, and the ability for decision-makers to take action to adapt to changing circumstances and incorporating new situations into business strategies" (Riskviews, 2013:4).

f. Down side of the WEF lenses Approach

The downside of WEF is that the approach was not entirely adequate for analysing, mirroring or validating the findings of this research, to explain organisational resilience without necessarily being able to account for failures in MFBs, using the five WEF components. Complementary lenses became necessary to mirror the findings. The inadequacies in WEF were remedied by infusing the emergent themes from the literature review. A further remedy is the recognition of the need for effective and strong management and financial controls, and the enforcement of strict compliance within prudential guidelines. The utilisation of such tools can provide an enabling environment to embed organisational resilience and boost enterprise development at the same time.

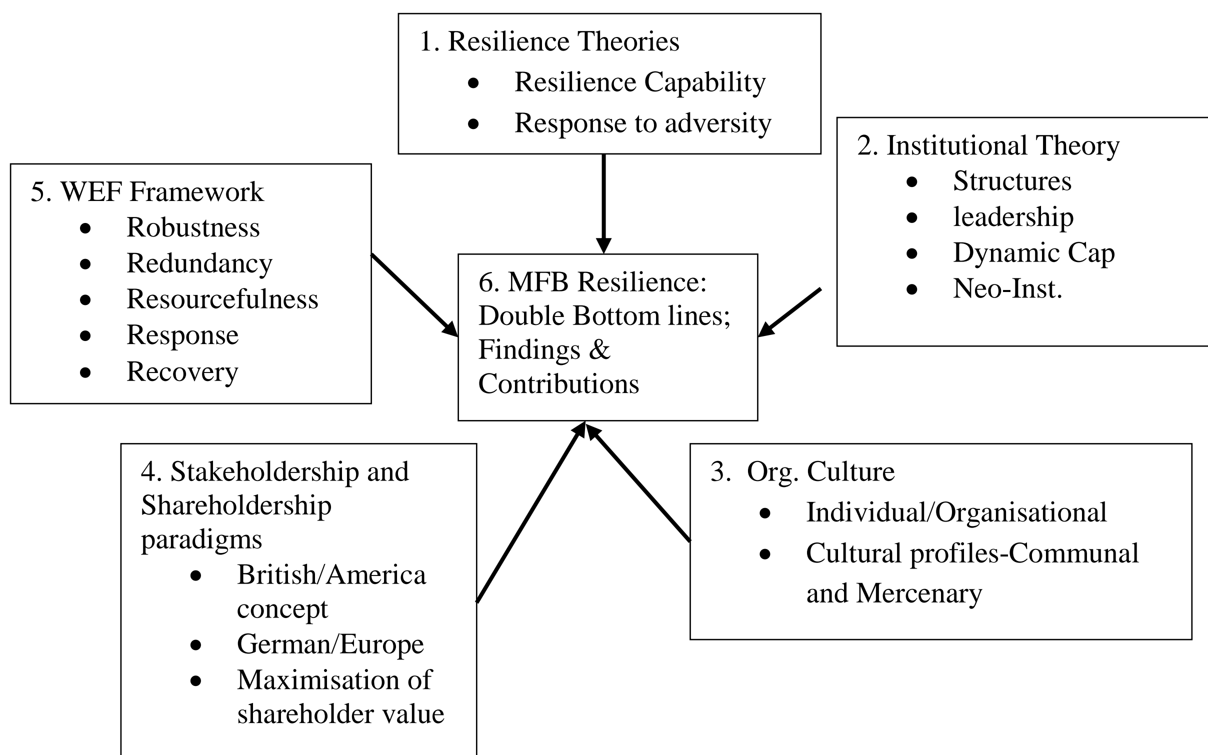
2.7: The Conceptual Framework

As an exploratory study which sets out to gain understanding of how and why some MFBs are organisationally resilient and why others are not, it was important to identify an appropriate conceptual approach to address the research, starting from defining concepts and delivering an extensive literature review; followed by a conceptual framework which is the essence of this section. A conceptual framework is "… a picture of the territory you want to study, not the study itself… a picture of what you think is going on with the phenomenon you are studying" (Maxwell, 1996:37). Miles and Huberman (1994:20) call it the "researcher's map" of the territory to be studied; while Maxwell (2012) defines it as the lens that gives focus to the study.

Weaver-Hart (1988) is of the view that a conceptual framework could in fact be a literature-based approach for organising research ideas. In this case, a theoretical framework and a conceptual framework are essentially the same. However, a conceptual framework is also "a shared language for researchers to clarify, design, undertake and conclude their research" (Maxwell, 1996:25). It provides a reference point or strategy to identify the research question, to design the structure as well as the scope and shape of the research (Miles and Huberman 1994; Smyth 2000; Maxwell, 2005; Leshem, 2007; Cooksey and McDonalds, 2011 in Gagliardi, 2018). It can emerge from a set of guiding principles and/or personal experience and can occur as a reflection on the theories around a particular research topic (Leshem and Trafford, 2007 in Gagliardi, 2018). This research merges Maxwell's (1996), Cooksey et al (2011) and Trafford et al (2007) definitions to reach an appropriate governing framework for this study. The combination provides a simple but systematic way to undertake the research.

Consequently, the conceptual framework adopted is graphically represented by Figure 2.4. Furthermore, the theoretical framework covers the following areas in some detail: Resilience and Adversity, Culture and Organisational Culture, Stakeholdership and Shareholdership, Institutional theory (including neo-institutionalism), Ambidexterity, and Microfinance in local and international perspectives. These theoretical areas are brought to together to provide a framework for the analysis of the data. Furthermore, Corporate Governance, applying the two competing models of shareholdership and stateholdership, is extensively discussed, starting from their roots in Anglo-Saxon and German-mainland European respectively; and demonstration of how they impact MFBs' organisational resilience.

Figure 2.4: **The Conceptual Framework**



2.8: Summary and Emergent Themes

To summarise this chapter, it is useful to invoke the overarching aim of this study. This research explores the issues surrounding the resilience of MFBs in Lagos with a view to making a contribution to the understanding of organisational resilience among MFBs domiciled in Lagos Nigeria. In specific terms, the research seeks to answer the research question: 'How and why have 69% MFBs survived while 31% have not in Lagos in the last nine years (2010 – 2018)?' Consequently, this chapter began by visualising how the study

proceeds and it identified and summarised relevant literature and theories. Furthermore, the materials in this chapter were developed to help in identifying themes to anchor the research and lenses to discuss its findings; both intended to assist with answering the research question. Most of such themes are rendered explicit in chapter five and drawn upon to discuss the findings (in chapter 4).

The chapter began with defining key concepts used throughout the study. This was followed by a review of the literature on MFBs in Nigeria within historical, social and international contexts. The Andhra Pradesh MFI crisis in India was discussed as it offers lessons for the Nigerian MFBs narrative, particularly with 40% of MFBs dying in the last 13 years. The issue of mission drift was discussed since it has become a challenge to MFBs in their attempts to meet both social and commercial goals at the same time. Relevant literature on organisational resilience was also reviewed, looking at both the proactive and reactive dimensions employed by organisations to stay alive when confronted by adversity or shock. The recent thinking on organisational resilience being canvassed by Professor Denyer was explored particularly as it relates to progressivity and defence. To investigate the role of stakeholders and regulatory institutions and practices in the lives of MFBs, literature on the debate on stakeholdership versus shareholdership was reviewed in corporate governance. The chapter went further to review the literature on institutional theory, as well as neoinstitutionalism; and so also was organisational culture.

In drilling down the literature review, the issues of stakeholder/shareholder interests and behaviour were mirrored against MFB organisational practices and organs to monitor and implement risk mitigation processes. The activities of institutions and practices within each MFB, including governance and culture were viewed critically. Neo institutionalism and what contribution it makes to MFBs' organisational resilience was also discussed, albeit briefly. Furthermore, the literary study discussed institutions like CBN and NDIC and explored how they play a significant role in MFB resilience.

An exploration of the concept of ambidexterity was also done, including dynamic capabilities as they have the capacity not only to prosper the organisation, but also for the MFB to withstand shock and adverse circumstances. After all, such capabilities provide the back-up systems and resources that the MFBs can draw upon during shock.

The works of Yunus (2003), Ulrike et al (2011), Wagenaar (2012) Schein (2010), Chowdhury (2009), Dopson (2004), Freeman et al (2001), Goffee and Jones (1996) Teece et

al (1997), Copestake (2005), Watson et al (2017), Howell and Nwanji (2007), Howell (2013), Dichter & Harper (2007), Acha (2012), Denyer (2017) and WEF(Riskviews,2013) were particularly helpful in shaping the literature review and setting the stage for the study.

In specific terms, the five components of organisational resilience espoused in WEF (Riskviews, 2013) were reviewed, showing their strengths and limitations. In terms of dealing with the limitations, the presence or absence of management control systems and compliance with prudential guidelines were seen as key. Also instrumental is sound governance. The discourse is critical to understand and explain how and why 69% of MFBs survived while 31% failed in Lagos in the last nine years. Several themes emerged from the literature key among which are highlighted below.

A key theme here has to do with poor enforcement of CBN regulatory and prudential guidelines. There appeared to be a consensus that monitoring and performance management – managing by measures – can be helpful for a healthy organisational practice.

Another theme is that MD is avoidable and that meeting both commercial and social goals is important to financial and operational sustainability; which is critical for organisational resilience. And that the pursuit of the interests of key players, owners and senior managers/leaders of MFBs impacts their capacity to withstand shock and adversity.

The issue of fraud is a big theme that emerged in MFB's failure narrative. This theme suggested a serious need for significant improvement in corporate governance and strict implementation of control measures

Another theme has to do with organisational preparedness for adversity, which most MFBs in Nigeria, could ill afford due to their smallness in size and weak capital base. Both proactive and reactive measures seemed inadequate to protect many of the failed MFBs.

Organisational preparedness feeds into a broader theme of business model that came through in the literature review. The choice of interest rate and the adopted approach in credit administration, whether group driven or individual in nature, play a role in how organisations survive or succeed. Andhra Pradesh crisis is key in appreciating this emergent theme.

A key theme that emerged is that the failure of MFBs, globally, and in particular in Nigeria, could not be identified with a single cause. And that a combination of causes might be a more appropriate and sensible approach, as well as the degree of interaction between some, if

not all of the causal factors, to be able to address the challenge of failure in MFBs in practical terms.

Finally, WEF (Riskview,2013), seemed to have captured the main issues in all the other literature reviewed particularly as concerned proactive capabilities required to confront adversity and win the battle; as well as the competences to react to emerging eventualities and shocks, like agility, flexibility and innovation combined with operationalising institutional organs within and without every MFB in Lagos. Consequently, WEF became the primary paradigm to discuss the findings, as it seemed to have anchored/captured the intersection of the key themes. That notwithstanding, other emergent themes from the literature were used to discuss and analyse the key findings. This is documented in chapter five of this thesis.

To conclude this chapter, the conceptual framework for the study was rendered explicit and graphically demonstrated in Fig 2.4. This leads to the next chapter (chapter 3) which deals with the Research Methodology for the entire study, starting from the philosophical background to the study, the adopted mixed methods paradigm underpinned by abductive research, sampling and coding methods and Critical Incidents framework.

Chapter Three: Research Methodology

3.1: Introduction

To conduct an academic research, the researcher must have and demonstrate an understanding of the relationships between theory and philosophy, and in particular with epistemology and ontology (Howell, 2013). How the relationships translate to the methodology adopted, chosen method and specific techniques of carrying out the research must also be acknowledged and clarified. Johnson et al (2013) and Creswell (2014) hold a similar view, and that admitting the philosophical assumption that underpins a research study in advance could be very helpful to the research journey. Creswell however adds that for an exploratory study that requires an inductive approach, care should be exercised in taking a position in advance on the philosophical background. Mixing methods, which impacts the overall methodology, in some cases may be the appropriate approach in addressing the research problem (Howell, 2004). Mindful of the arguments on research methodology, the research was conducted in a systematic manner to achieve the goal of gaining understanding of MFB resilience. The approach was also designed to make a contribution to bridging the gap in that field particularly as it relates to Lagos state Nigeria. In rendering explicit the philosophical background and epistemological commitment that underpin the study, an abductive approach was adopted. In conducting this study, it is important to clarify what ontology, epistemology and axiology mean. This is to ensure clarity and understanding of what the terms are.

3.2: Philosophical Background

The philosophical and epistemological assumptions that underpin the study touched on what Crotty (1998) calls the philosophical background and ontologies. Creswell (2014) argues that ontologies are philosophical claims, or thought systems about what knowledge is, and epistemology is about how we know what knowledge is. He further asserts that the values that comprise knowledge are called axiology and the way these are written about is called rhetoric. He also avers that the process of studying knowledge is methodology. And that when we are attempting to confirm what value goes into a study, it is in the realm of axiology. Similarly, when the debate is on how to write about it that is rhetoric. Finally, when it is the process of studying it, we enter into the realm of epistemology.

Johnson et al (2013), on the other hand, hold the view that the way we coordinate, and conduct management research is often conditioned by our epistemological commitment. They

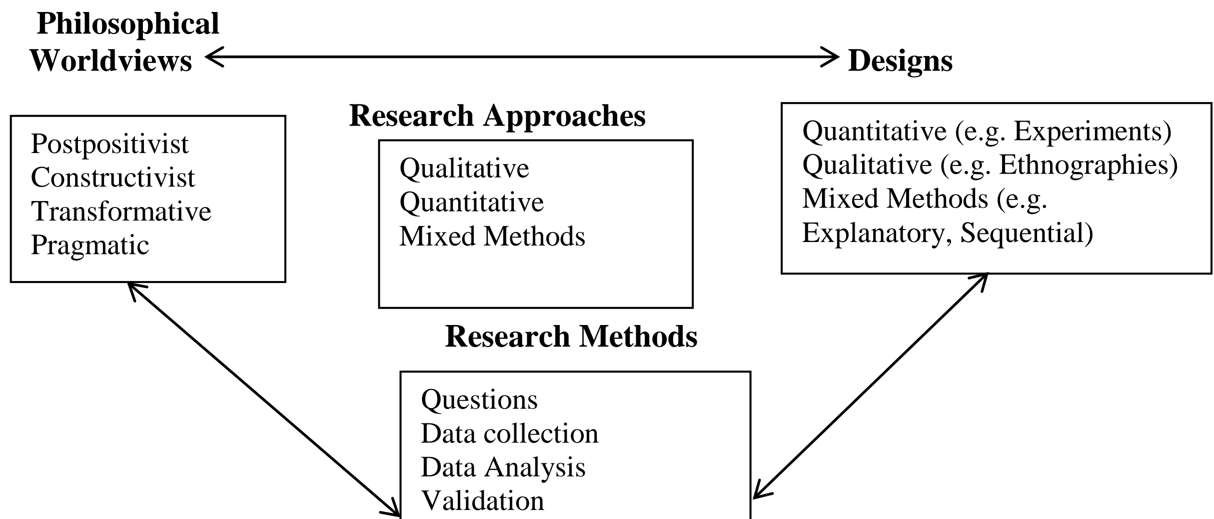
define epistemology as "the study of criteria by which we can know what does and does not constitute warranted or scientific knowledge" (Johnson et al, 2013:2-3). Using this definition, they provide a foundation to evaluate knowledge, indicating what is permissible. In this way, we are able to discriminate between warranted and unwarranted beliefs, what is rational from what is not, as well as differentiating between science and pseudo-science. Johnson et al (2013: 4), conclude that epistemology makes us more reflective, which "involves an attempt at self- comprehension through beginning to notice and then criticise our own pre-understandings in a more systematic fashion while trying to assess their impact upon how we engage …" with our desired area of investigation. Furthermore, the philosophy of science has moved on from positivism to a broader frame of understanding, as well as knowledge, and defining science is still a highly contested field. That notwithstanding, the researcher has had to lean heavily on Creswell (2014) in approaching the research methodology for this study, mindful of the consequences of that decision; one of which is the challenge of his epistemological commitment for the research, that can be challenged by positivist academics and researchers.

In designing a research proposal, Creswell considers four questions enunciated by Crotty (1998, in Creswell 2014). They are:

- What is epistemology and how does it inform the research, whether it is objectivism or subjectivism?
- What theoretical or philosophical stance lies behind the methodology; for example, positivism, interpretivism or critical theory?
- What methodology governs our choice of methods - for example survey, experiment, or case study?
- What methods, that is, techniques and procedures, are chosen to execute the research? Examples could be questionnaires, focus groups, interviews, or discussion guides.

Creswell holds the view that answering those four questions produces an appropriate approach to tackle the research assignment "ranging from broad assumptions … to the more practical decisions made about how to collect and analyse data" (Creswell, 2014: 10). The above is graphically represented in the diagram below:

Figure 3.1: **Framework for Research—The Interconnection of Worldviews, Design, and Research Methods**



Source: Adapted from Creswell, 2014

The above framework has been utilised to design the research approach that includes the assessment of knowledge claims, consideration of the strategy of enquiry and the identification of a specific method (Creswell, 2014). Creswell is of the view that the above process leads to the production of alternative knowledge claim positions as a first step, and subsequently to a choice of methods which could be either qualitative, quantitative or mixed. This process finally leads to the research design processes, components of which are data collection and analysis, writing-up and validation.

3.2.1: Epistemological Commitment

Whereas this study primarily contributes to the understanding of MFB resilience in general and Lagos State of Nigeria in particular, it is also about gathering information on, and drawing insight from the real-life practices of MFBs. This means that, although the study has to do with how multiple participants construct their understanding of the underlying story of organisational resilience in the industry, the researcher is also seeking to gain knowledge, and disseminate knowledge from the activities and actions of MFBs. As well as understanding practice, the study is underpinned by both historical and social interpretations of the different stakeholders including customers, workers, regulatory authorities, investors and the community in which the MFBs are located. This process necessitates some understanding of the institutional practices, capacity and capabilities of the MFBs, the cultural and social settings in which they operate. Consequently, social constructivism becomes a relevant contributor to the underlying thought system for this study, which is pragmatic realism.

Social constructivism has to do with socially enacted truth that is a product of what sense individuals in society make of happenings around them as 'participants' (Creswell, 2014). This aligns with Crotty's (1998) position which states that the meanings we receive are constructed by human beings as they engage daily with the world around them, as well as from their social and historical experiences. However, because the study is also real-world practice oriented, an epistemological orientation of pragmatic realism (as indicated earlier) underpins it. This means that it will be problem-centred, whereby the problem of coping with and / or adapting to extreme events determines the method adopted. Consequently, it is worth emphasising that the primary underlying philosophy or knowledge claim of this study is pragmatism, supported by constructivism. Both have therefore been intersected to provide a robust underlying foundation and framework for approaching the study.

Creswell opines that "for many, pragmatism as a worldview arises out of actions, situations, and consequences rather than antecedent conditions" (Creswell, 2014: 11). Instead of focusing on methods, researchers tend to identify the research problem and use pluralistic approaches appropriate to countenancing the problem and understanding its nature and consequences. Mixing of methods could, in certain circumstances be a more appropriate way in addressing a research problem (Howell, 2004). In Creswell's view, pragmatism provides a philosophical basis for a research as shown below:

- Pragmatism does not commit to any one system of philosophy nor one reality. Thus, it tends to employ a mixed methods research design, whereby inquirers draw liberally from a range of different assumptions and methods.
- Individual researchers are free to choose the methods, techniques, and procedures of research that they consider appropriate for their purposes.
- Pragmatists do not see the world through one lens, or as an absolute unity. That explains why they commit to mixed methods for collecting and analysing data rather than subscribing to only one way.
- "... pragmatist researchers consider '*what*' and '*how*' to research, based on the intended consequences and where they want to go with research. Mixed methods researchers need to establish a purpose for mixing methods; a rationale for the reasons why quantitative and qualitative data need to be mixed in the first place" (Creswell, 2014:11).

- They are in agreement that research always occurs "in social, historical, political, and other contexts". Consequently, mixed methods studies may include a theoretical lens or even a transformative stance, reflective of social justice.

Creswell concludes that for the mixed methods researcher, "pragmatism opens the door to multiple methods", with different assumptions, coupled with different forms of data collection and analysis (Creswell, 2014). This approach can be executed through abduction in pursuit of achieving the goals of the research.

3.2.2: Abductive Approach

According to Magnani (2001:17-18), "Abduction is the process of *inferring* certain facts and /or laws and hypotheses that render some sentences plausible, that *explain* or *discover* some (eventually new) phenomenon or observation; it is the process of reasoning in which explanatory hypotheses are formed and evaluated". But Josephson (1994: 5) argues that "*Abduction*, or *inference to the best explanation*, is a form of inference that goes from data describing something to a hypothesis that best explains or accounts for the data". He concluded that abduction is about theory formation often a consequence of inference from interpreting phenomena.

Elaborating further, Kovács & Spens, (2005) cited in Mitchell (2018), noted that in taking an abductive approach to execute a research, the process begins with 'surprising facts' or 'puzzles'; which are deployed to explain a situation. They added that "a researcher may encounter an empirical phenomenon that cannot be explained by the existing range of theories" (Mitchel,2018:5). What the researcher does is to identify the 'best' answer from among alternatives. This is done in order to explain the 'surprising facts' or 'puzzles' which were observed when the research began.

Similarly, Suddaby, (2006), cited in Saunder et al (2019) holds the view that rather than moving from theory to data (deductive) or theory being a consequence of data (induction), abduction moves back and forth. This way, it combines both deduction and induction. Many business and management researchers actually do their research this way. This is partly because abduction begins with the observation. The observation is often a 'surprising fact'. From there he/she could try to explain the occurrence by adopting a plausible theory. That is exactly what this study entails. Starting this study by conducting secondary research and focus groups to observe the processes and practices in MFB industry, but already with prior knowledge of the general practices in the industry as a practitioner researcher, abduction was

implicated. One “surprising fact” which the researher observed and has tried to explain in this study is the failure in 2010 of Integrated Microfinance bank (IMFB), a large national MFB, and the survival of small unit MFBs such as Asset Matrix and Emerald during the period.

Bradford (2017) argues that abductive reasoning underpins abductive research, which usually begins with incomplete set of observations. It precedes the possible explanation that could emerge from group observations. It is based on making hypotheses, and proceeds to testing the hypotheses using whatever information that is available. Bradford went further to state that abduction entails making an educated guess after observing a phenomenon for which there is no clear explanation. He used the following example to illustrate the point. If a person walks into a room and finds torn up papers all over the floor, with a dog alone in the room all day, the person could conclude that the dog tore up the papers. This is because it is the most likely explanation in the absence of any other information. But that explanation can be faulted by the subsequent “discovery” that, the person's sister may have brought a niece who tore the papers, or the papers may have in fact been torn by the landlord who visited. But because such information was not available when the person entered the room and found the dog alone in the room with torn papers, the dog theory becomes the more likely explanation. Bradford concluded that in the above circumstance “Abductive reasoning is useful for forming hypotheses to be tested” (Bradford, 2017:12).

Comparing the deductive, inductive and abduction reasoning, *Life Lessons* (Critical Magazine, undated) states that: “*Deduction, induction, and abduction are like three parts of the same puzzle, and all formal reasoning is done using them and only them. Without abduction there is no hypothesis, without induction no testing, and without deduction no way to falsify; i.e. not only is there no logic or reason without these methods, there is no science (and essentially no philosophy)”.* Dudovskiy (2019) notes that abductive approach aligns with a pragmatic philosophy in a way to tackle the weaknesses in deductive as well as in inductive research paradigms.

According to Patokorpi (2006), the canonical example of abductive reasoning came from Charles Sanders Peirce logic thus:

Rule: All the beans from this bag are white

Result: These beans are white

Case: Therefore, these beans are from this bag

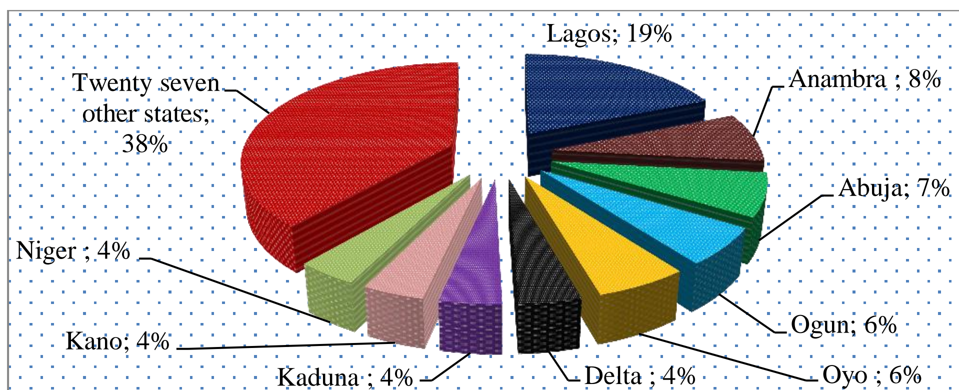
Patokorpi (2006) contends that the above logical inference may not deductively be valid. This is because the beans may have come from somewhere else. Consequently, he (Patokorpi, 2006:12) went ahead to argue that "abduction is the only inferential process that gives birth to new ideas, thus expanding our knowledge" and that "it is a … process of finding or forming hypotheses or theories that might explain a (surprising) fact or an (unexpected) observation". Yu, (2006) argues that whereas the logic of abduction and deduction assists in the conceptual understanding of a phenomenon, induction helps in providing empirical support for knowledge claim. He added that whereas deduction assists in proving something, what induction does is to express indication that something in fact occurred. Abduction on the other hand would suggest that something may or could have happened.

This study is about how and why certain phenomena occurred, namely failure and survival of MFBs. Most failed MFBs did not have very skilled managers. When one finds a failed MFB with preponderance of unskilled managers, one can hypothesise that the MFB failed because of unskilled work force. This attribution is a basis of abductive reasoning which is evident in the approach to this research. While adopting unskilled work force as plausible explanation of the MFB failure, the failure could in fact be due to a combination of factors beyond the attribution, which is a downside of abductive approach.

3.3: Strategy

As indicated earlier in this chapter, case study approach was chosen as an appropriate format for this study with its advantage of the utilisation of multiple sources of evidence as well as methods. The case study is about Organisational Resilience of MFBs in Lagos between 2010 and 2018.

Figure 3.2: **States Proportions of MFBs in Nigeria**



The choice is because Lagos is the researcher's main location of practice. It is also the safest place in Nigeria at a time of serious banditry, kidnapping and insurgency in some parts of the

country. Being chairman of the largest MFB in the country, safety concern was a key consideration for the choice of Lagos domiciled MFBs. Besides, not only are majority of Nigerian MFBs based and headquartered in Lagos, their branch network is also wider in Lagos than it is in the other 36 states and Abuja. Additionally, whereas Lagos constitutes 12% of Nigerian population, it contains 19% of the number of MFBs in the country (see figure 3.2). Also, Lagos state contributes about 36% of the GDP in Nigeria.

The earlier identified, the MFBs in Lagos case study (between 2010-2018) is complemented by that of a case study of LAPO MFB to find out how and why it (LAPO) has remained the dominant and most resilient MFB in Lagos in particular, and Nigeria in general, in the last nine years. This is because LAPO exemplifies organisational resilience and a model, whose experience other MFBs can learn from. There was also access to its financial and operational data (that other MFBs refused to provide), which became helpful in arriving at meaningful conclusions on critical resilience factors in MFB practice in Lagos, Nigeria.

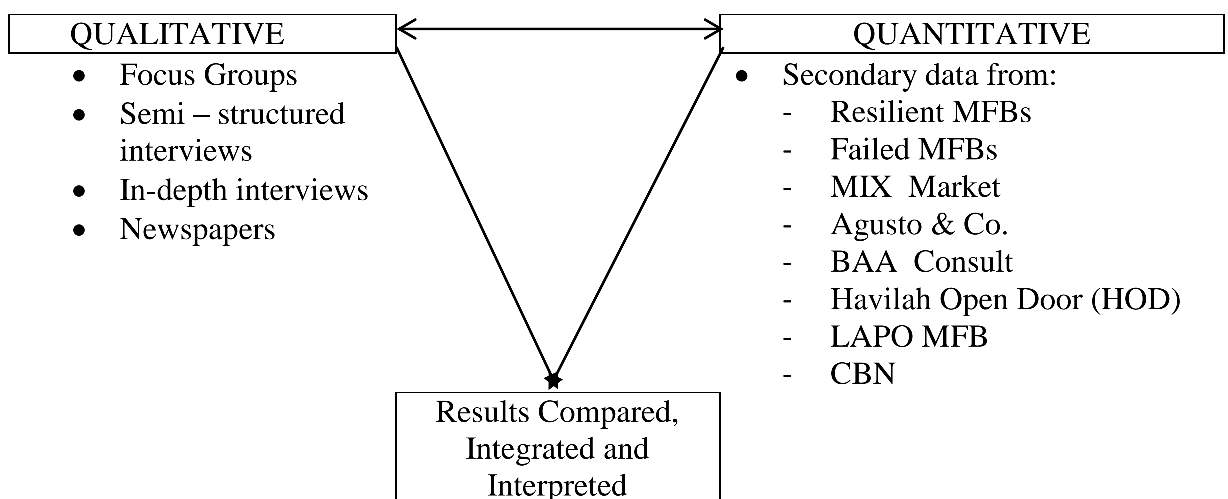
Yin (1984:23) defines the case study research approach "as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when boundaries between phenomenon and context are not clearly evident and in which multiple sources of evidence are used". Yin (1984) divides case studies into three types, namely Exploratory, Descriptive and Explanatory. The exploratory type of case study has been adopted here because of the partly inductive and exploratory nature of this research (Crawford, 2013; Yin, 2004). Yin and Crawford argue that a case study has the advantage of providing answers when 'how' and 'why' questions are asked. They are usually about contemporary issues. These issues could be in areas where the researcher may have no control (Yin, 1989; Crawford, 2013; Emokpae, 2014). Furthermore, a case study can produce findings that are generalizable, although primarily these provide theoretical propositions (Yin, 1989). It can be used "to confirm, challenge or extend theory" (Crawford, 2013). A cross-case comparison has the additional advantage of being "more potent if two or more cases support the same theory but do not support an equally plausible rival theory" (Yin, 1989 in Crawford, 2013:12). Creswell (2014), drawing from Stake (1995) is of the view that a case study is a situation "in which the researcher explores in depth a programme, an event, an activity, a process, or one or more individuals. The case is bounded by time and activity, and researchers collect detailed information using a variety of data collection procedures over a sustained period of time" (Creswell, 2014:12). It also facilitates the use of multiple stages in data collection. This researcher chose to do a case study of MFBs in Lagos State of Nigeria,

but situating it within national and international contexts and focusing on their practices and the consequences of such practices. The aim has been to examine the impact of these practices on their ability to cope with, adapt to and/or overcome adverse situations. The most visible successful, resilient, MFBs were compared and contrasted with some of the failed ones whose data were accessible.

Starting with an analysis of the data gathered from focus groups employed to inductively identify key products and practices in MFB market in Nigeria, the researcher then reviewed the internal strategy documents of LAPO MFB to highlight how it has adapted its business strategy to the practices in the industry. At the same time, he began to examine MIX Market data to complement the data he had gathered from internal company resources. This review helped to identify possible alignments or contradictions of popularly held views in the relevant literature. Further, a critical evaluation of available secondary data from other sources was carried out, primarily from Agusto & Co. (Nigeria's leading banks rating agency), BAA Consult (an important financial consulting organisation) and leading newspapers such as Guardian, Punch, Telegraph and Vanguard.

Cascading the research process, three exploratory, qualitative studies were conducted to elicit the views of participants and the construction of their understanding or interpretation of the world around them. They were conducted one after the other to bridge identified data gaps from earlier stages of the study. Through this process, relevant and more robust data for the research were gathered. The data sources and triangulation are graphically demonstrated in Fig. 3.3 below:

Figure 3.3: **Data Sources / Triangulation**



3.4: Research Method

Mixed methods, albeit embedded, were used for this study. This involves the collection of both qualitative and secondary quantitative data, partly simultaneously and partly sequentially from the sources indicated in Figure 3.3 of section 3.3. The choice of the mixed methods approach over survey was based mainly on the latter's inflexibility and rigidity. The response shallowness and subjectivity as well as its susceptibility to biases such as halo, primacy and recency effects also contributed to the choice (Lavrakas, 2008). Survey is also weak in engaging in research in an area that is largely fresh and unexplored; that requires firstly understanding issues that are germane in the subject area.

Creswell (2014:18) argues that a mixed methods approach "is one in which the researcher tends to base knowledge claims on pragmatic grounds… it employs strategies of inquiry that involve collecting data either simultaneously or sequentially to best understand research problems". It pulls the strengths of qualitative and quantitative methods together, thereby minimising the weaknesses of using either. Martinez (2013) argues that 'qualitative research design has been shown to be particularly suited to analysing dynamic, interactive processes within different operations and management control systems'. A qualitative approach is appropriate for exploring the 'how' and 'why' of resilience, particularly when the perception and perspectives of the participants in the MFB industry are involved. A quantitative approach on other hand is an empirical investigation using statistics and mathematical techniques. This is particularly useful to establish relationships. This is also a situation where one variable determines the other with results that are more generalizable.

The sequential exploratory procedure, in which qualitative data is collected and analysed first before quantitative data is collected and analysed, was the researcher's preference over the concurrent procedure (see Figure 3.4 below). The former provided an opportunity to identify data gaps after using one method. The gap was then filled using the second method. At a pragmatic level, however, both qualitative and quantitative data available had to be gathered. Thereafter, three streams of qualitative research were undertaken sequentially. The first involved interviewing respondents representing all types of stakeholders in the industry. Second, interviews were undertaken with five leaders in the MFB industry and lastly, interviews were carried out with the cooperation of some of the directors of the dominant and arguably most resilient MFB in the industry. The interview guides used at the different stages of the research are itemised in Appendices 2 to 6.

Figure 3.4: **Sequential Exploratory Design**

At the same time, the quantitative data gathered at the beginning of the study was reinforced as the study progressed. There was also a hint of the transformative approach as the theoretical lenses of institutional theory and stakeholder theory were useful in framing the interview discussion guide and design. This also helped in the analysis and discussion of research findings. Furthermore, auto-ethnography was drawn upon, in expressing the researcher's experience in the industry. In this case, he was interviewed by a competent colleague. The WEF (Riskviews, 2013) components with their roots in both theories (of Institutional and Stakeholder) and strategic analysis espoused by Prahalad and Hamel (1990), as well as the literature on fraudulence, were primarily used to discuss and evaluate findings in the discussion session (Chapter 5) of the dissertation. WEF (Riskviews,2013) somewhat captured the key themes in the literature review like business model, capital base, governance practices and leadership, manpower and so on; as significant contributors to the narrative on organisational resilience.

3.5: Sampling Technique

It is usually very difficult if not impractical to study a whole population, so a sampling method is often adopted. "Sampling is the act, process, or technique of selecting a suitable sample, or a representative part of a population for the purpose of determining parameters or characteristics of the whole population. In sampling, population units such as people, cases and pieces of data are selected. To draw conclusions about populations from samples, one must use inferential statistics, to enable us to determine a population's characteristics by directly observing only a portion (or sample) of the population" (Baran, et al, 2016:15). There are different sampling techniques from which a researcher can choose, subdivided into two main groups:

(i) Probability sampling

(ii) Non-probability sampling

"Probability sampling is a method of sampling that utilizes some form of *random selection*. In order to have a random selection method, you must set up some process or procedure that assures that the different units in your population have equal probabilities of being chosen" (Trochim, 2020:2).

Non-probability sampling methods do not start with a complete sampling frame, but with what is available. They tend to be cheaper and more convenient.

They are particularly useful for exploratory research and hypothesis generation, and therefore particularly suited to this study which is exploratory. The study, after all set out to gain some understanding of the nature of organisational resilience among MFBs in Lagos.

3.5.1: Non-Probability Sampling Methods

There are four main types of non-probability sampling: purposeful sampling, quota sampling, judgement sampling and snowball sampling.

Purposeful sampling is the 'easiest' method, because participants are selected based on willingness as well as availability.

In quota sampling, interviewers are given a quota of subjects of a specified type. These specified types are then recruited. Ideally, the quotas chosen should proportionally represent the characteristics of the population. There is, however, the challenge that the chosen sample may not be representative of other characteristics that were not considered.

Judgement sampling is also known as selective, or subjective, sampling. This technique relies on the judgement of the researcher when choosing whom to ask to participate.

"In snowball sampling, you begin by identifying someone who meets the criteria for inclusion in your study. You then ask them to recommend others who they may know who also meet the criteria. Snowball sampling is especially useful when you are trying to reach populations that are inaccessible or hard to find" *(*Trochim, 2020:6).

Whereas snowball sampling or 'snowballing' can be effective when a sampling frame is difficult to identify, judgement sampling has the advantage of being time- and cost-effective and it promises a range of responses. This is particularly useful in qualitative and mixed methods research which explains why it was adopted for this study. Only those who were

available for interview or ready to participate were involved in the research. Furthermore, some of those involved recommended others, helping to connect this researcher with new participants who took part in interviews and discussions.

The drawbacks of the above approach reside in volunteer bias and the possibility that errors of judgement may be made by the researcher. Furthermore, while the findings could be broad, they may not necessarily be representative. Notwithstanding, it was still possible to generate some conclusions based on the outcome of the literature review and initial secondary research.

For this research, the Focus Group and semi-structured research participants were sampled through convenience technique while those for the in-depth interviews comprising 5 MFB directors and 6 LAPO Board members were recruited and interviewed through the snowballing and purposeful sampling techniques respectively.

3.6: Critical Incidents

In addressing this research, Critical Incident framework was identified to be relevant to complement abduction and other tools. The literature on critical incidents in the lives of MFBs and their key promoters indicated that some of such incidents, how they were perceived and consequent reaction, contributed to the death of MFBs while some MFBs were strengthened by them. Critical incidents, as opined by McAteer et al (2010) challenge our assumptions or make us think differently about certain occurrences. They provide some helpful ideas that could be a guide for reflecting on important "incidents: What happened, where and when? Give a brief history of the incident. What is it that made the incident 'critical'? … How might your practice change and develop as a result of this analysis and learning.'' (McAteer et al, 2010:107). "Critical incidents" are incidents that occur in organisations and in the lives of individuals. They can alter the natural or intended course of the organisation and individual. On reflection, the researcher reasoned that overcoming negative critical incidents and taking the opportunity to examine positive ones resonated with the idea of resilience. It immediately reminded him of one critical incident in the life of one MFB that changed the bank forever, and another incident that led to the death of another MFB.

Chapter 2 of the literature review on Critical Incidents (CI) by university of Pretoria (Undated) tried to clarify the difference between the term crisis and critical incident. This is

because of the confusion in the literature that appears to suggest that they are synonyms. This may be because "a crisis is often the result of a critical incident". A critical incident creates a crisis by overwhelming a person's usual coping strategies (Friedman, 2003:20 in University of Pretoria). Such crisis may be a consequence of stress or tension, which could have resulted from a critical incident (Greenstone & Leviton, 2002:1, in University of Pretoria). The Characteristics of the stress or tension and its contextual situation are key in the process of coping with the adversity and the anxiety associated with it. Of course, most critical incidents are unexpected; as they are most times always sudden. They are often unanticipated. Such experiences provide enormous challenge to individuals and organisations, and could be very devastating to them (Kleber & Brom, 1992:40). When a critical incident happens, the organisation might feel helpless and vulnerable. This situation can put such organisation or individual at the mercy of forces beyond their control, like the Novel Coronavirus (NC). 'When a critical incident affects an organisation, it could lead to several secondary stressful experiences' (Wilson, 1989:53).

Critical incidents could contain an embedded structure, which could comprise one or more stressful factors. Some examples are the World wars, the Spanish influenza, the global financial crisis or the current NC responsible for the death of thousands of people in the world. "Most traumatic experiences, however, contain multiple stressors. For example, hijacking typically involves dimensions such as a threat to life, loss of property and personal injury. Critical incidents may be conceived as being relatively complex or simple. Complex traumatic events have many sub-components inherent in the trauma and require the victim to make a number of complex decisions, which may result in ambiguity due to possible alternative actions in the event. A simple critical incident is typically one-dimensional and clear with respect to the nature of the event and the possible behaviours one can enact'' (University of Pretoria: Undated and accessed online on 4/4/20). Wilson (1989:54) is of the view that 'complex or simple traumatic occurrences or shocks could largely be the result of the victim's reactions to, or perception of the critical incident; so also, is the severity of a critical incident'. However, effect of a critical incident is not usually linear. Rather, social support and financial standing could interact with adversity to determine the organisational response. Which means that path dependence (historical factors) and social factors matter in responding to critical incidents in an organisation (Wilson, 1989).

Meichenbaum (1994) attempted making distinction between critical incidents, dividing them to critical type I and type II shocks. Type one shock would include rape, a car accident or an

event like an earthquake. Such shocks could be single occurrence that is dangerous and overwhelming event. Type II shock could be an incident with multiple characteristics that are chronic and repeated, and usually due to intentional human design. They "More likely … lead to long-term characteristic and interpersonal problems, for example detachment from others, and a restricted range of affect. Attempts to protect the self-dissociated responses, by using coping strategies such as denial, numbing, withdrawal…" (Meichenbaum, (1994:220) in University of Pretoria). The differentiation is not so much as man-made or not, but rather on the individual or organisations' perception and consequent response to the incident. Friedman (2003:2) explains further by stating that ''researchers originally believed that trauma (or shock) may be defined merely and exclusively as a catastrophic event which happened to an individual who was in the wrong place at the wrong time''. Thus, anyone who was exposed to such an incident would be traumatised. Friedman (2003:3) states that, 'although exposure to a catastrophic stress event is a prerequisite for the developing of a disorder, it is insufficient in itself to traumatise the individual'. What really matters is how individuals and organisations perceive and respond to the incident. There could be certain situational and organisational predisposing factors (Lewis, 1996) that may affect the reaction to a critical incident.

According to Lewis (1996) each person, and by extension each organisation, perceives a critical incident differently, in line with their unique historical, social and economic conditions. Consequently, what may be severe to one may not be to others; and so, Lewis (1996) holds the view that there are specific factors that lead to the development of resilience after a critical incident. That explains why a critical incident approach was implicated in this research methodology. And assisted in arriving at the outcomes in the in-depth interviews of some CEOs of MFBs that survived adversity like Asset Matrix, Emerald and LAPO MFBs.

3.7: Systematic Research Approach

Overall, the mixed methods approach was very helpful in addressing the research problem, coupled with the researcher's personal experience in the field of researching in the MFI where official data is difficult to come by since many participants are reluctant to provide, particularly, numerical information. Furthermore, they were frequently not in possession of the data which affected their ability to answer questions on the financial and operational performance of individual MFBs in the industry with numbers. Consequently, the mixed methods approach was instrumental in capturing the outcomes that a qualitative or

quantitative approach alone could not produce. The mixed methods approach provided the flexibility to apply what worked in scrutinising symptoms and identifying both philosophical and practical challenges. Most importantly, it was effective in terms of investigating how some MFBs overcame challenges, embedding resilience in their organisations while others succumbed to organisational and environmental challenges and failed.

In line with the adopted methodological approach, the reports of the Strategic Planning Department of Havilah Open Door (HOD), was examined, as well as the outcomes of the initially conducted focus groups on general and unique practices in the MFB industry, at the inception of the study. Data from the finance department of LAPO were also considered. Focus group discussions were carried out with a semi-structured guide specifically aimed at identifying the key issues, challenges and opportunities confronting MFBs in Nigeria and to supply or validate ideas from the literature review. The exercise specifically focussed on the following topics: business model and organisational management, funding, leadership, savings mobilisation, credit management, fraudulent practices, debt recovery, internal processes, governance, and regulatory issues as earlier identified in the literature review. Furthermore, awareness of MFBs, patronage, market segmentation, customer perceptions and loyalty drivers were also considered in the research process; as they related to the objectives of the research. The systematic research approach is captured in Figure 3.5 below, starting with research plan and development of interview guides, recruitment of participants, focus group discussion, semi-structured interview and in-depth interview. Secondary data sourcing was done at every stage of the study. At the end of the process, 54 participants/ interviewees were involved in the research.

Figure 3.5: **Data Collection Process**

The participants in the focus groups were managers and customers of MFBs aged between 25 and 50 years. Sixteen (16) groups were conducted in Lagos, the biggest MFB market in the country, with the following compositions:

Table 3.1: **Focus group participants' breakdown**

Respondent category	Male	Female	Total
• Managers, staff and regulators of MFBs	4	4	8
• Customers and community leaders	4	4	8
Total	**8**	**8**	**16**

The participants in the FGD were mainly existing customers or community leaders in places where AB, FBN, LAPO, Pearls, Gold and Grooming operated. Also included in the FGD were managers and senior staff of AB, LAPO, Allover, BOI, Mic Trust, Estate, Cash flow, Susu, Providence, Support and Grooming. Some junior staff in regulatory roles also took part. The guide used for the focus group discussion is in Appendix 1. Audio tape was used to record the discussion which was transcribed thereafter.

The examination of the transcribed data helped to identify some of the key issues confronting the MFB industry in Nigeria. It also assisted in clarifying themes that could be explored relating to resilience in the industry and in fine-tuning the discussion guide for the participants in the next stage of the research. Suggestions from the focus groups necessitated the decision to proceed to collate and analyse MIX market data and other secondary data. These were primarily elicited from Agusto & Co. (a rating agency) and BA Adedipe Associates (a leading MFB consultant). The data were used to confirm, challenge or complement the data from Havilah Open Door (HOD) /LAPO. The secondary data shed light on issues relating to risk management, capital and insider trading as a consequence of fraudulence or system gaming that violates prudential guidelines. A number of other practical issues confronting the MFI were considered including governance and stakeholdership as an intertwined concept. Directors and very senior managers were involved in governance practices that hindered rather than helped many MFBs to be sustainable, let alone to prosper.

To fill the gaps in data, a qualitative approach was employed, namely semi-structured interviews using an interview guide with the intention of eliciting in more depth and details, respondents' understandings and perceptions of how some MFBs survived adversity whilst others did not. As suggested earlier, Martinez (2013: unpublished) argued that "…qualitative Research Design has been shown to be particularly suited to analysing dynamic, interactive

processes within different operations and management control systems". The semi-structured research, with 27 respondents, was aimed at finding the underlying causes of MFB failure. The 27 adult participants were interviewed in Lagos in February 2016 and were divided into the following categories:

Table 3.2: **Semi-structured interviews sample breakdown**

	Participants	Male	Female	Total
1.	Active micro-finance bank officers	3	2	5
2.	Failed micro-finance bank officers	2	3	5
3.	Active micro-finance bank customers	3	2	5
4.	Failed micro-finance bank customers	2	3	5
5.	Community leaders in active MFBs locations	5	-	5
6.	Regulatory authority and rating officers (primary)	2	-	2
	Total	**17**	**10**	**27**

The interviewees consisted of 17 males and 10 females – representing some 54% of the 50 interviewees invited – and their age quota specifications were as shown in Table 3.3 below:

Table: 3.3: **Semi-structured interviews age quota specifications**

	Age group	% of the National population	Quota		Total
			Male	Female	
1.	25 – 34 yrs.	15.4	8	5	13
2.	35 – 44 yrs.	9.8	5	4	9
3.	45 – 50 yrs.	5.3	4	1	5
	Total	**30.5**	**17**	**10**	**27**

Interviews were conducted at two locations: firstly, in the researcher's office; and secondly at the Federal Palace Hotel in Victoria Island where two regulatory officers were interviewed. Each interview lasted between forty-five minutes and one hour. Audio tape recorder was used to record each interview. And the researcher had to transcribe the audio recordings of the completed twenty seven interviewees.

After transcribing, it was identified that some of the failed Nigerian MFBs in the narratives of the participants were: Combined Benefits, Andro, Citadel, Crystal, Daily Capital, Integrated, Ipaja, Mosandic, Oreta and Providence.

After collecting data from secondary industry sources and primary sources through the semi-structured interviews, there were still certain gaps regarding the underlying causes of failure that had to be explored. For instance, it was found that Non-Performing Loans (NPL) often

preceded MFB failure. PAR was high amongst delinquent MFBs. He (the researcher) then needed to explore those areas in greater detail, to identify links, relationships and tendencies.

Consequently, two more, complementary qualitative methods were adopted. First, in-depth interviews of the five top expert practitioners in the MFB industry were conducted to identify their values, belief systems and critical incidents. These were based on their life experiences that may have filtered into their business practices and applied business model. 'Critical incidents' are not 'things' which exist independently of an observer, awaiting discovery (Tripp, 1993); they are created. Incidents happen, but critical incidents are produced by the way we look at a situation and interpret the significance of an event. To take something as a critical incident is a value judgement we make, and the basis of that judgement is the significance we attach to the meaning of the incident (Tripp, 1993:8).

The in-depth interviews were conducted to investigate and possibly validate the findings of the semi-structured interviews and key themes from the literature review. These featured two chairmen, two chief executive officers and one chief operating officer from five MFBs as indicated in Table 3.4 below.

Table 3.4: **First in-depth interviews sample breakdown**

	Participants	Male	Female	Total
1.	MFB Board members	2	-	2
2.	MFB CEOs	2	-	2
3.	MFB COO	-	1	1
	Total	**4**	**1**	**5**

Two of them were from large national MFBs, one represented a state MFB and two worked within small unit MFBs. The chairman of one of the large national MFBs is the researcher himself and he was interviewed by a colleague. Although contact was made with 9 directors as prospective interviewees, only 5 were available and two requested anonymity. They were allowed to start by discussing their values and their perceptions of their role at work. They were then invited to identify critical incidents in their life experiences, and ultimately what they did or did not do to acquire the status of the MFBs they ran and/or had oversight of. Each interview lasted for between 90 and 120 minutes. The in–depth interview guide is in Appendix 6. Audio recording was used for the interviews. The researcher transcribed them on arrival home after the interviews.

The second, complementary method was based on discussions, focussing on resilience according to board members of LAPO MFB, the largest and arguably the most resilient MFB

in Nigeria. Consequently, the researcher asked 6 members of the board of LAPO MFB that he chaired the following six questions to triangulate data sources on MFB survival / failure. This interview was intended to complement earlier interviews and discussions to narrow down the critical issues on MFB resilience narrative from the perspective of the directors of the largest MFB in West Africa. This MFB was responsible for about 30% of credit in the Nigerian MFB market. The questions comprised:

- Name and rank order of the five most important personal characteristics which you believe are likely to lead to success in the management of an MFB.
- Why do you think so?
- Name and rank the five most important personal characteristics which you believe are likely to lead to failure in the management of an MFB.
- Why do you think so?
- How can an MFB that is failing return to success?
- Give some examples of those that you know that became viable again.

This interview gave the researcher access to what ordinarily would most likely be unavailable to other researchers as practitioners in the industry.

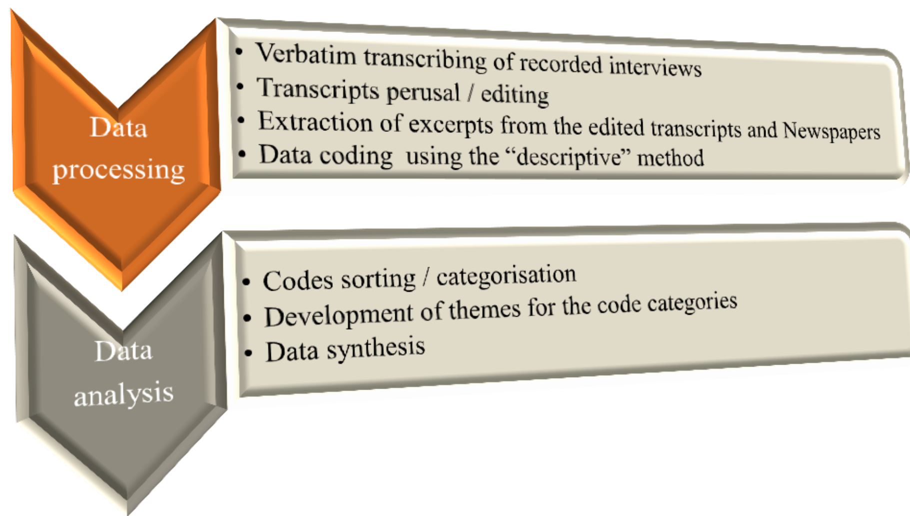
Table 3.5: **LAPO MFB Board in-depth interviews composition**

	Participants	**Total**
1.	Male	3
2.	Female	3
	Total	**6**

This complementary method produced results that seemed to corroborate some earlier findings. Some fresh findings also emerged, particularly in relation to the role of "forced" savings among borrowers, foreign loan hedging, micro insurance, and Staff At Risk (SAR). Other salient themes were Corporate Social Responsibility (CSR), and values and business practices that emerged when all directors and shareholders belonged to one parish of a church and met regularly after church services. Additional data had to be collected from credible newspapers such as Guardian, Punch, Telegraph and Vanguard to supplement information from the interviewees.

3.8: Coding, analysis and discussion of the data

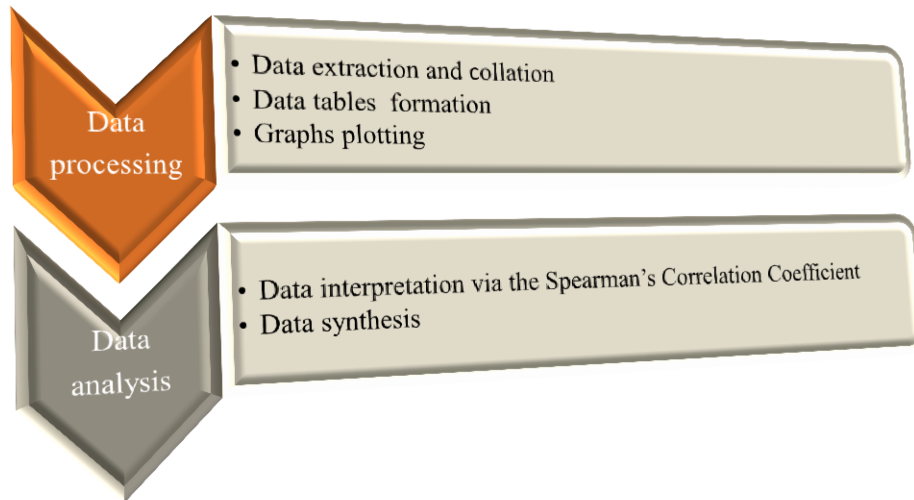
Figure 3.6: **Qualitative Data Processing and Analysis Process**



Firstly, the qualitative data were coded. Saldana (2013) argues that a code in qualitative research often refers to phrases or words that capture the essence of data from a research story or texts. Five types of coding are commonly used: Descriptive, Process, In vivo, Pattern and Simultaneous (Saldana, 2013). Descriptive coding which summarised the primary topic of / in the texts was adopted for the purpose of "putting the data back together in a more meaningful way" (Creswell, 2015:156).

So, applying the descriptive coding, 33 variables were identified and indicated below. They are: system gaming, refusal to repay loans, manipulation of due process, falsification of financial figures, unethical practices, absconding with bank loans, creation of ghost loans, financial mismanagement, bad loans, lending models, savings models, interest rates, liquidity ratio, harvesting, human resource management, insurance, governance, loan hedging, risk management, reputational management, communal culture, mercenary culture, business goals and objectives, socialisation, life experiences, luck/chance happening, stealing, Portfolio At Risk (PAR), operational sufficiency, financial sufficiency, profitability, loss, and Staff At Risk (SAR). Those were brought together to arrive at 15 codes on Table 4.1 in the findings chapter. These were further aggregated to arrive at combined/primary coding that defined the main themes of this research namely, Business model, Behaviour of Human Elements, Organisational Culture, Critical Incidents and Resilience Capabilities. They are discussed in the findings section (chapter four) of the study.

Figure 3.7: **Quantitative Data Processing andAnalysis Process**



In analysing the secondary quantitative data listed in Fgure 3.3, Spearman's Correlation Coefficient (SCC) was used to show relationships and tendencies. The weakness of SCC is that it does not show any cause and effect or explain the reason why observations are the way they are. That notwithstanding, it is a useful statistical tool of analysis, showing tendencies and bringing deeper insight into earlier findings whilst allowing sense to be made of some of the findings. Correlation analysis was complemented by other analytic tools like commitment and the motives of stakeholders. Since this is an exploratory study, the aim was to gain some understanding of how and why MFBs cope with adversity. SCC helps draw attention to areas that further research can provide relevant insights into.

For instance, three of the computations, Portfolio at Risk (PAR), Operational Self-Sufficiency (OSS) and unpaid loans were taken as dependent variables while the interest rate was assumed as an independent variable. Those variables were outcomes of the secondary data whose report is stated in Chapter 4. The intention of the correlation calculation is to identify whether there was a relationship between the price and interest rate of credit, and the ability/willingness to pay back loans. The reason for this is that, in the terminal stages of the failed MFBs, two things happened. They are a preponderance of unpaid loans, and the banks inability to repay depositors and creditors. In the literature review, both were linked to NPLs that resulted from either the fraudulent acts of principal actors or non-observance of regulatory prudential guidelines. In some cases, a combination of both was evident amongst most of the stakeholders in the MFBs.

3.9: Coding Result Summary

The number of people involved in all the primary studies and initial focus groups referred to earlier, totalled 54. The primary data were the outcome of the entire structured, semi-structured and in- depth interviews, inclusive of discussions with some of the directors of LAPO MFB. The intermediate coding based on the key themes is indicated in Table 4.1 in Chapter 4. The key themes that emerged from the primary studies and the initial focus groups are grouped into 15 sub heads (second column) with a number assigned to each in the first column of the table. The frequency of people who mentioned issues related to each theme and the percentage of total respondents / participants are shown in column 3. Seven of the fifteen codes (Capital, NPL, Governance, Information / due diligence, managerial inexperience, financial management and business environment) were identified as a consequence of underlying themes of Stakeholder Behaviour, Organisational Culture, Regulatory Factors/Business Models and Critical Incidents. Business models were in turn made up of interest rates, group/individual lending and loan hedging/insurance. The same 7 (mentioned earlier) were also identified as immediate precipitants of MFBs' organizational resilience or failure. The 4 identified underlying factors (key stakeholders' behaviour/fraudulence, culture, business model and regulatory factors) that predicate either organisational resilience or failure could also be linked to the life story/experiences of key promoters and directors of MFBs and critical incidents. This suggests that multiple variables are involved in organisational resilience or failure. What is not in doubt is that all the above variables are involved in organisational resilience narrative, whether at primary or secondary level. They are explained individually later in chapter four, discussed and summarised in chapters five and six respectively.

3.10: Ethics Approval and Considerations

To ensure that the study conforms fully to the ethical standard of the university, two ethics approvals were sought and gotten. The first, directed at focus group discussion and semi-structured interview was gotten in 2015 with ethics Protocol number: BUS/PGR/UH/02251.When that research approach did not generate enough data, the second ethics application was made and approval gotten in 2017, with ethics Protocol number: BUS/PGR/UH/02251(1). A copy of the ethics approval form is in Appendix 7.

The second ethics approval provided the cover to conduct in-depth interview to get expert information on critical incidents, and discussion with six participants from LAPO board to confirm or challenge earlier findings.

In executing those methods directly with interviewees/participants, the following ethics protocol had to be observed:

- Firstly, the aim of the research was stated to the interviewees and those willing to participate in the research were asked to sign the consent form in Appendix 8.
- Secondly, interviewees and participants were assured of confidentiality and that they could opt out of the research at any stage.
- Thirdly, the participants and interviewees who were willing to participate signed the forms.

It is interesting to observe that none of the interviewees/participants opted out of the study, once they consented to participate in the study. Furthermore, whereas most of the banking staff and community leaders interviewed requested anonymity, the Managing Directors, Chairmen, and Regulatory officials interviewed actually desired to be quoted in the research.

- Finally, a password–protected computer was used to analyse and store the data from the research to ensure confidentiality.

In line with the specifications of the Ethics Approval Notification form:

i. Data collection was completed within the approved period of 07/06/2018 to 30/03/2019
ii. The research did not involve any invasive procedure that called for the completion of an EC7 Protocol Monitoring Form;
iii. An official written permission was obtained for the in-depth interview of the 2 regulatory officers at the Federal Palace Hotel, Lagos;
iv. No aspect of the research was amended or extended; so, there was no need for the completion of another EC2 form;
v. There was no adverse circumstance such as physical harm, intrusion of privacy or breach of confidentiality during the entire study period;
vi. The UH protocol number and the name of the approving committee was quoted in the research participants' recruitment form;
vii. The research findings will be strictly confidential and will be utilized for the UH degree of Doctor of Business Administration only.

3.11: Summary and Concluding Remarks

This chapter summarises the research approach undertaken for the study, in a systematic manner, from the underlying philosophy of integrating pragmatic realism with social constructivism and the outcome of using a mixed methods approach and abduction.

The specific techniques applied; non-probability purposeful sampling based on snowballing was indicated. A (descriptive) coding approach that brought together phrases or words that captured the essence of data from research stories or texts was adopted as the mixed methods applied were based more on qualitative than quantitative materials. The number of people involved in the primary research (interviews and focus group) was a total of 54.

In summary, the following Research Approach was adopted:

i. Focus group study to identify key issues in the MFB industry in Nigeria, and in particular Lagos state of Nigeria, in an inductive manner; and gathering of quantitative secondary data within our company, MIX Market, CBN and Nigeria main rating agency, on micro finance practices that could be helpful to the study, in a deductive manner. 16 participants were involved in the focus group (see Figure 3.3 in section 3.3 and Table 3.1 in section 3.7).

ii. Decision on the research approach of the study starting from the literature review, deciding on the epistemological commitment to pragmatic realism (implicating social constructivism) and consequent mixed methods approach and purposeful sampling.

iii. Conduct of systematic literature review in areas of Stakeholder and Institutional theories, Organisational Culture, Organisational Resilience, Micro Finance development in Nigeria within the local and international contexts, Mission Drift, MFB promoters/senior management and critical incidents in their lives, Ambidexterity and Dynamic capabilities. They were done as they were identified as relevant to the topic of exploring resilience of Micro Finance Banks in Nigeria. So also was the literature on WEF five components of organisational resilience which was found appropriate as a template to discuss the findings (See Table 2.3 in chapter 2). WEF also captured most of the key themes from the literature review

iv. Decision on the boundaries of the research by committing to study MFBs organisational resilience in Lagos state of Nigeria, between 2010 and 2018. This

meant the researcher was going to do a case study of MFBs' resilience in Lagos within the time frame identified above. The choice being primarily because of security concerns in other parts of the country and having a manageable research scope. This was complemented by a case study of LAPO MFB, the single largest and probably most resilient MFB in Lagos Nigeria to derive learning and insights that other MFBs could learn from. Additional reason for its choice is because of data availability.

v. Development of the research guide for semi-structured interview of all the segments of key stakeholders of MFBs including regulators, managers, customers, community leaders and investors of MFBs and implementation of same, with mostly qualitative data gotten from all the interviewees except those from the regulators and rating agencies that supplied numeric data. Twenty seven people were interviewed (See Tables 3.2 and 3.3). Audio tape recorder was used to record the interview responses which were transcribed after the interview. The interview per respondent lasted between 45 and 60 minutes.

vi. Analysis and Evaluation of the data to identify how and why MFBs are organisationally resilient and why some fail.

vii. Embarking on in-depth interview of founders and leaders of MFBs to identify critical incidents in their lives that may have impacted their MFBs. Five respondents participated in this interview (see section 4.3.4 below). Such in-depth interviews lasted for between 90 and 120 minutes per interviewee; and were transcribed after the interview, in my home.

viii. Interview of board members of the largest MFB which had over 20% of the market out of over 900 MFBs operating in Nigeria to identify reasons for the overwhelming success and resilience of their MFB compared with others, and how and why the organisation has been the dominant leader, overcoming all manners of challenges to remain organisational resilient and strong. Six respondents were available for this segment of the research (see section 4.3.4), bringing the total persons available for the primary research to 54. This interview lasted for an average of 15 minutes per respondent. The responses were taken by long hand which spared the researcher the time for transcribing.

ix. Collate and analyse all the data in a way to capture useful data that may have been missed at earlier stages of the study.

x. Discuss the findings using WEF (Riskviews, 2013). This is to help to evaluate MFBs' organisational resilience and to analyse the relationship of resilience theories and the data collected. To complement WEF, Stakeholder and Institutional theories, MFB practices, regulatory interventions and critical incidents as they occur in the lives of key players/decision-makers in MFBs were brought into the discussion, in interrogating the data from the research, despite WEF having implicated most of them.

xi. Write-up the findings, derive insights from the data to arrive at relevant conclusions.

Overall, abduction provided guidance in the research approach. As this is a practice oriented study, it identified and summarised the limitations of the study. The apparent limitations notwithstanding, the study has produced a foundation for future researchers to build upon. It has also produced an outcome that will certainly assist future researchers in the particular area of organisational resilience in the finance sector, of which MFBs are a part. More importantly, the research has produced an outcome that could help practitioners to make informed managerial and operational decisions. It will also help investors to appreciate what to look out for when they choose to enter MFB business. This study will assist regulatory authorities as well, particularly NDIC and EFCC, to appreciate the gravity and nature of the challenge of fraudulence, and the need to enforce strict regulatory standards and financial surveillance starting with a healthy capital base. There must be scrutiny of who money is being lent to, and by what method. Strict monitoring and prudential guidelines must be enforced in managerial and operational practices as well as in financial transactions, while preventing small unit MFBs from taking deposits.

Furthermore, practitioners should be encouraged to embrace the culture of hedging foreign loans, domiciling the foreign exchange at the time of taking such loans in a resilient commercial bank. This will protect them from the volatility of the foreign exchange market which is endemic in developing economies particularly in sub-Saharan Africa. So also, is the need for delayed harvesting in the MFB industry to develop robust capital, a defence in adversity.

Finally, it can be argued that this research approach did justice to the study area which, though exploratory, set out to gain an understanding of how and why some MFBs overcame adversity in Lagos Nigeria, particularly between 2010 – 2018, and why others could not, and thereby, bridging the literature deficit in that area.

The next chapter (4) focusses on the findings of this study as well as the emergent themes from the research. Many of those themes were identified as largely implicated in the five dimensions of WEF (Riskviews, 2013) in the literature review, which were also rendered explicit earlier in this chapter. The implication is that WEF presented a strategic tool to analyse and discuss the findings in chapter five.

Chapter Four: Findings

4.1: Introduction

As indicated in chapters one and two of this submission, the research topic is an exploratory study into how and why some MFBs overcome adversity and why some others are unable to do so. In specific term, the study sought to answer the research question: "*How and why have 69% MFBs survived while 31% have not in Lagos, Nigeria in the last nine years (2010 to 2018)*?" The aim of the research was broken down into specific research objectives as follows:

A. To identify the core products and associated features of MFBs in Nigeria.
B. To determine the organisational processes (how), practices and other factors (what/why) that help MFBs cope with, adapt to and/or overcome adversity.
C. To identify the factors (why) that led to the closure of 65 MFBs of 225 operating in Lagos in 2010, the deaths of 29 MFBs in 2014 and 31 MFBs in 2018.
D. To make recommendations for practice to assist MFBs to cope with adverse circumstances.

As discussed in chapter three, the study adopted a mixed methods design, with the primary study being essentially qualitative, but complemented by quantitative secondary data. The participants and interviewees during the primary study were 54. Whereas the focus groups lasted for about 90 minutes each, the semi-structured interviews lasted between 45 and 60 minutes per interviewee. Furthermore, whereas the in-depth interview lasted between 90 and 120 minutes per respondent, the confirmatory interview of LAPO directors lasted for an average of 15 minutes each. With audio recording of all the interviews (with the exception of those of LAPO directors), transcription was tedious, lasting several hours.

Although the primary research was essentially qualitative, quantifying and coding the result could add value to the research outcome as indicated in Table 4.1 below.

Table 4:1: **Coding Result Summary**

CODE (1)	THEMES (2)	CODE FREQUENCY (3)
1	• Funding/Capital	41 (76%)
2	• Fraudulence	43 (80 %)
3	• Governance practices	34 (63%)
4	• Regulatory issues	25(46%)
5	• Lack of proper due diligence/information asymmetry	26 (48%)
6	• Organizational culture	34 (63%)
7	• Group Business Model	39 (72%)
8	• Individual Business model	39 (72%)
9	• Interest rates	33 (61%)
10	• Critical incidents	26 (48)
11	• Insurance	17 (31)
12	• Life Experience/Life story	19 (35%)
13	• NPL/Bad Debts/High PAT	54 (100%)
14	• Managerial inexperience	34 (63%)
15	• Financial Mismanagement	39 (72%)
All	• Total (participants/Interviews)	**54**

This chapter intends to dwell on all the findings starting with fraudulent behaviour which enjoys the second highest frequency (80%) in the primary study.

4.2: Finding One: Behaviour of human elements and Fraudulence

This section presents some of the primary findings of the study that are related to fraudulent activities and behaviour of managers, customers and other key stakeholders in the MFB industry, particularly in Lagos Nigeria. Fraudulent tendencies, and consequent behaviour, of leaders and key stakeholders were identified as key contributors to MFBs' failures. Some examples are cited below.

> *"I will cite a case that I know. A woman borrowed money, presenting her shop in pretext of using the money to stock it. But when the money was given to her, she used it to pay for her children's school fees; and she could not raise the money to repay the loan because the money was not invested into her shop. For the fact that the money was not invested into the business, there was no way it could be repaid. That was how the woman couldn't pay back the loan within the period of time"* (A community leader).

> *"Some managing directors use customers' money to buy big cars and build big houses, forgetting that it is customers' deposit. When they start the business, they*

would not wait for the business to prosper before they start living flamboyantly on customers' deposits; and some of them give loans to their relatives and such relatives will not repay the loan. I think their board of directors is also culpable in this regard because they too recommended some people of no fixed address to take loans; and when such people collected the loan, they did not pay back. Even directors themselves took loans meant for their personal business in fictitious names without paying back. This too affected the microfinance banks" (A Community leader).

To triangulate the data sources and tentatively validate the findings, the samples of interviewees and participants (54) for all the stages of the primary study were summed up and those with relationship to MFBs' organisational resilience (or failure) were identified. The numbers and percentages of those which highlighted one variable or the other, as contributor (s) to MFB failure, were computed as shown in Table 4.1 above.

Although the conclusions from this exercise can be contested based on a lack of statistical significance, its exploratory value however gives pointers and outcomes that can aid decision making, while making contribution to knowledge and practice at the same time.

4.2.1: Dimensions of Fraudulence

From Table 4.1, 80% of the respondents identified issues that can be categorised as stakeholder fraudulence, which defines the behaviour of stakeholders as key contributor to MFB failure. Some of them include, system gaming and deliberate refusal to repay loans by customers, the manipulation of financial figures by banking officials, deliberate falsification by both banking officials and MFB customers of loan and credit records, and unethical practices of banking officials. These were aggregated into a descriptive coding of fraudulence. This is discussed in some detail below.

4.2.2: Loan repayment challenges

All of the respondents identified ineffective or non-performing loans (NPLs) as responsible for MFB failures, often related to dishonest behaviour of key players in the MFB industry. Take the following narration for an example.

"When a bank fails, management issue is the problem. The way managers and CEOs manage people's fund is very important. You cannot say because you are the owner of a microfinance bank and because money is coming in, you withdraw and spend it anyhow on things that do not yield income to the bank. The effect might not show

immediately but one day it will show. For instance, at Integrated microfinance bank (IMFB) where I worked before, what I observed was that it was the leading microfinance bank in Nigeria but it has closed mainly because of management issues. Directors and managers of the bank took loans in fictitious names that were not repaid'' (Former Integrated MFB Manager).

NPLs were identified, in part, as a consequence of deliberate actions of many Nigerian MFB customers who took MFB loans with no intention to repay them. According to one respondent:

> *"What happened was that some people viewed micro-finance banks primarily as 'my share of the national cake'. Some collected loans up to ₦50,000.00. After they collected it, they disappeared without coming back to repay because they saw it as a 'free fund'. They just collected the money and disappeared. When the bank officers tried to locate them, they were nowhere to be found" (A* former Integrated MFB credit officer*).*

In a similar vein a former Combined Benefits MFB customer stated:

> *"I think what happened was that some people view microfinance banks primarily as a once in a life time opportunity to have free funds to better their economic lot. Some of them will say okay let me go and get a loan. When they collect it, they disappeared without coming back to pay them because they see it as a free fund opportunity."*

Additionally, some customers and their guarantors relocated from where they were living soon after taking out a loan. This occurred particularly where there was no proper documentation or collateralisation. The intention was to defraud. This is attested to by the following statement by a former Providence MFB credit officer.

> *"Some of the guarantors were not sincere. Sometimes some of them were not what they claimed to be. Before you would find out, it would have been too late. They would not have collateral they claimed they had or will not be found in the address they claimed to live in. Some were nowhere to be found when loan repayment default happens. Consequently, recovery of the money loaned out by the bank will be difficult, if not impossible. These were difficult challenges".*

Such fraudulent acts and practices led to the closure of many Nigerian MFBs. An example was given of a period during which the Lagos State government gave grants to some MFBs in Lagos to the tune of fifty million Naira (₦50,000,000.00) each. Ojokoro and three other

MFBs were claimed to be the main beneficiaries. It was also claimed that none of the banks could account for the money. An Ojokoro former credit officer stated:

> "*So, fraudulent practice is a big problem that can ruin an organisation the way it has been happening in many Microfinance banks for so many years. The banks which got grants from Lagos state governments like Ojokoro and Integrated misused the money, with their directors diverting a part of it to their personal businesses."*

One community leader concluded: *"it (fraudulence) can close down a bank immediately. That is why some of them are collapsing*".

Some interviewees believe that absconding with bank funds is the main reason why some MFBs introduced a grouping system in fund disbursement. There was a preponderance of views that grouping occurred where customers lived close to each, and selected a leader, from among themselves, who stood as a guarantor in cases where bank credit was applied for. In LAPO, for instance, grouping lending strategy was implemented to emulate Grameen Bank's credit model in Bangladesh. This explains why, in the early life of the bank, the CEO of LAPO went for induction at Grameen Bank. Over time, staff and customers at LAPO came to understand the philosophy underlying the group methodology, which was then not only embraced but also embedded in the culture and business model of the company. Grooming MFB came to copy LAPO in time and began to implement the group lending model (GLM). Many other MFBs followed suite in GLM adoption.

Another prevalent cause of MFB failure was identified by a respondent (from CBN) as:

> *"Some managers / loan officers created fictitious loans in the name of some MFB's customers and converted the amount involved for their personal use. They succeeded in covering up this fraud through the creation of additional ghost or fictitious loans while at the same time falsifying repayment records of the previous created ghost loans".*

The findings further indicated that some MFB loan officers persuaded customers to access loans that were shared between such customers and loan officers. Although credit files were created, they were only created in the name of the customers who ultimately paid their own part of the loan, while the proportion of the loan to the MFB officer was not repaid. Furthermore, the research suggests that some staff negotiated with and assisted customers in obtaining loans from MFBs with the aim of diverting repayments to their private accounts

without entering details into the banks' financial records. Some statements by some MFB stakeholders attest to poor integrity amongst bank officials.

> *"I think that the Citadel microfinance bank staff were not trustworthy. You know when you do the "esusu" collection, a card in which both the bank officer and a customer countersign a payment is given to each customer. If you are not around and drop the money and your card for them, most of them collect the money without signing the card. So, I think their staff were not trustworthy" (A Community leader).*

> *"Account officers' integrity is also in doubt because when each group member gives an account officer ₦10,000.00 (ten thousand naira) as gratuity (bribe) from their loan, the account officer will not be able to chase her if she defaults in repayment"(A unit MFB MD).*

4.2.3: Financial figures manipulation / falsification and misappropriation

Some 72% of respondents/participants associated bank failures with financial mismanagement. The research findings also indicated that some MFB managers / officers, after collecting cash from customers for loan repayments, falsified the records presented to the bank. They often entered the correct amount in the original receipt given to customers and intentionally understated the amount on the duplicate copy for the bank records. This created a cash difference between the actual amount received and the amount recorded. On return to the MFB office, the bank's credit officer only handed over the cash recorded in the duplicate receipt.

The findings also indicate that some customers, and in some cases, MFB officials not only misappropriated funds but as well diverted funds meant for business to non-profit ventures such as burials, political activities and naming ceremonies. First, this is dishonesty, when the reason for the loan is not adhered to. Second, it is diversion to non-income earning venture. Although these should not necessarily lead to default in repayment, default is in fact what happened in many cases. One of the participants (from Ojokoro MfB) summed up the position as follows:

> *"Diversion of loan to none productive use made customers not to be able to repay loans. So, when time of repayment drew close they ran away".* S/he further asserted *"if other customers are unable to withdraw their (savings/deposit) money from such banks, they will start discouraging their friends from patronising the bank".*

Consumption lending was perceived in Lagos as detrimental to micro-finance banking, as the rate of default in repayment was perceived to be high; particularly as such loans were fraudulently accessed without declaring the true purpose of the loan to MFBs.

4.2.4: Unethical Practices and Regulatory issues

46% of respondents identified the intentional breaking of regulatory and prudential guidelines, as a contributor to MFBs' failures. This was evidenced by the example of when MFB credit- officers granted loans far beyond regulatory limits, collecting bribes/kick-backs in the process. This was corroborated by a CEO of one MFB in the in-depth interview as shown below in a statement.

> *"If the CBN regulations are duly followed, microfinance banks will not fail. But because we are not following them diligently, that is why there are problems in the industry. The CBN will tell you: don't give a loan of more than a certain percentage to a* ***single person****. You go ahead and give a loan of two million or five million to a single individual. So if you have a shareholders' fund of twenty million, and you now go ahead and give five million naira loan to a single individual, is it not too risky? And if that loan was not repaid, the bank would feel its impact. But we are all guilty of it".*

The findings also indicated that such loans were usually not repaid, ballooning NPLs and consequently leading to the failure of many unit MFBs. Small unit MFBs could not cope with unpaid loans (NPLs) due to their weak capital base compared with the robustness of those of their state and national counterparts.

The study also indicated that some moribund MFBs collapsed due to the deception of banks promising loan holidays that did not exist. Such unethical practice included deliberately practicing complex interest/fees regime. This led to difficulty in understanding interest rates and fees on loans; in addition to outright theft by the managers. As a consequence of absence of, or poor internal control measures, including poor due diligence, some (48%) managerial incompetence, (63%) fund diversion and other unethical practices (72%) and theft cases were not discovered sufficiently early. By the time they were discovered, the bank was already failing. The end result is that this weakened the financial capacity of the bank, particularly in times of distress. Some of the confirmatory statements from interviewees are stated below.

A MFB MD said: *"When the bank says it is giving money to 'A', when that person is not in need of loan, but to use 'A' as a front for bank executive, the loan usually goes bad.*

As I am here, I have a monthly cash target to achieve. So, if I consider the number of a hundred thousand naira loans I need to give in order to be able to generate the target, I would look for somebody who would say: "please give me a five million naira loan package on behalf of an MD of one big company for two weeks and I will pay you your full interest", I will be tempted to do it. This is because I know the person needs it just for two weeks. I will do it because it looks too juicy to me; even though I would be breaching the CBN regulations".

Honestly, if microfinance banks abide by the rules and regulations stipulated by the CBN (Central Bank of Nigeria), to operate this business, they cannot fail" (A MFB MD).

A community leader added*; "Also when a microfinance bank officer comes and laughs with customers and such a customer gives him or her free soft drink, he or she takes it and accepts their gift; before you know it, they would take advantage of it. They would say: is it not Jide (name of bank officer)? When he comes tomorrow, I will know what to do. When the bank officer comes to recover the loan, they would begin to pet him with some little money (kick back). Before you know it, the business will start going down".*

"I think the reason why Ipaja microfinance bank closed was due to too much familiarity between the bank officers and their customers. You know, if I'm familiar with you and I'm working in a bank, I can tell you not to worry and that I have the power to give loan holiday. After the loan, when another bank credit recovery officer appeared, the customer could not pay back the loan.

A former MFB staff *stated: "The customers do not use the money for the purpose it was given to them. If they tell you they want to use it to start a business, they would not use it for that purpose probably because on getting home with the loan, they would be confronted with a need they would consider more urgent than the business. They would then divert the money for a wrong thing".*

So also is the following statement from another MFB Manager:

> *"Some banks closed down due to unforeseen circumstances, diversion of the loan for parties, family issues; assisting family members, going to clubs and spending money unnecessarily. You know, money has a spirit, once you get it, you start spending the money recklessly as if it will not finish, except if you are well educated on the use of*

the money. Most people have problems with money. Once you don't plan before you have it, when you have it, you start spending it anyhow".

Statements from some other interviewees include the following:

"Again, if some of them are from the Yoruba tribe that like such things as "aso ebi" and "aso oke" (clothes for ceremonies), they will run around to source for additional monies to add to the loans in order to celebrate and conduct burial ceremonies. That is what most of them do sometimes" (A former unit MFB Manager).

"Let me say that in a situation where your family is surrounded with problems and you have to pay a house rent, take care of your children and their school fees, you take three square meals a day and take care for your wife and other extended families; you don't have any alternative than approaching people to help you. Irrespective of your condition, you would like to do it in order to survive. That is why people go to the microfinance banks for loans. It is not because it is convenient for them to pay back the loan; it is not easy; it is not convenient because of the high interest on it. But they borrow it anyway because they don't have options" (A Community Leader).

"So, what I am saying is that poor remuneration no doubt plays a major role in microfinance problems. You would see a university graduate being paid ₦30,000.00 (thirty thousand naira) per month. If somebody offers such a person five thousand naira as a gift and asks him to do something for him, he will do it, except if the staff is a person of a high ***integrity"*** *(A MFB MD).*

"Some staff negotiate with and assist customers in obtaining loan from microfinance banks and when customers are paying back the loans, they would divert it elsewhere without entering it into the banks' financial records since they know that the bank can only deduct it from their salaries" (*A Community leader).*

"Also, sometimes their staff colluded with outsiders to defraud the bank by asking them to come and take a loan when they knew that such people did not have what it takes to pay back the loan" (A Community leader).

4.2.5: Financial Recklessness

The study shows that some Nigerian microfinance banks failed as a result of a combination of factors one of which is their director's ostentatious living. Such directors were perceived as

giving themselves fat salaries, well above what the MFB could sustain. So also were issues around posh company cars and so called “Cost of Living Allowances'' (COLA). All of this drained the resources of such banks, with the result that when they encountered any adversity, they were very weak to cope. This position is corroborated by the following statements.

“I'm aware that the directors of Integrated Microfinance bank (IMFB) took some money as cost of living allowances and bought jeeps for themselves. The bank was the largest microfinance bank in Lagos as at 2010 and they were even competing with commercial banks. They are so many reasons for their death and some of them are what I have just said now – the directors used the bank's money to support their expensive lifestyles. This was in addition to collecting loans without paying back. And you know a microfinance bank behaving as if it is a world class commercial bank with gigantic edifices and buildings, buying big brand new cars that were worth several millions of naira, it was just a question of time for it to fail, such expenses were too much for a microfinance bank”(A MD of MFB).

“The way microfinance banks' management or staff work or live can affect their operations. But I think this is Nigeria; sometimes managers use their organization's money to run their personal businesses. When that happens, it can affect the business of the MFB” (A Community leader).

“The issues of integrity are the main problems we have in the industry. Where I was the Managing Director of a microfinance bank, it came to a point when I was at a loggerhead with my chairman because of what he wanted me to do. This was unethical and I refused to do it. But the point is that money went out of the system illegally. Some used fictitious and non-existent customers to collect loans; using such people to package loans for themselves. Three of my directors were sacked by the CBN (Central Bank of Nigeria) because they did what I said earlier. They also owed the bank other loans without paying back and so they were sacked by the CBN” (A former CEO of MFB).

4.2.6 Summary and Conclusion on Fraudulent Behaviour

In summary, Table 4.1 is particularly helpful in capturing the main findings of this study. Overall, the research indicates that fraudulent behaviour and practices, mostly among MFB stakeholders, precipitated the failure of MFBs. Failure was linked to NPL (100%), unethical

practices (46%) and financial manipulation (72%). Many of the managers and leaders falsified records, and diverted company funds for private use, while many customers took loans for one purpose, and diverted them to others with the deliberate intention of not repaying. They were also lending beyond regulatory thresholds, without collateral in single lending. Regulatory officials turned a blind eye when they discovered infractions during inspection visits to MFBs. The fraudulent practices of key human stakeholders and pilferage precipitated capital attrition, thereby weakening the capital base and ability to respond to challenging situations that often require funds. The implication is that a very strong prudential regulatory and policy monitoring and enforcement regimes are critical to having a healthy MFB that can withstand and overcome any adversity.

4.3: Finding Two: Business Model

The ability to survive, adapt products to incremental changes in business environment, overcome adversity and prosper has been found to contribute to MFB organisational resilience. Business model adopted by MFB is key. When a microfinance bank cannot do a proper background check of its customers' businesses to ascertain their ability to pay back loans, before giving them such loans, there is the possibility that the loan may turn bad.

Whatever business model a MFB chooses to achieve its purpose, it is expected to check, among other things (1) the disposition of the person requesting for a loan, (2) his/her ability to repay, and (3) the business they are into and conditions prevailing in that business. This is to assess how risky a loan might be.

But the findings suggest that some Nigerian microfinance banks did not do the necessary background checks nor follow the procedure identified above. This sometimes was because of bank officials being in a hurry to either increase their customer base or in most cases, meet a set official target. Such a situation compromises best practice in loan disbursement; making it easy for bank debtors to disappear with bank funds.

The study also indicated that lack of commitment to monitor and implement proper risk mitigation measures, after loan disbursement, played a role in some bank failures. This, according to the findings, is because too much of such unrecovered loans shrink the liquidity of MFBs, thereby raising their portfolio at risk (PAR). PAR in many cases exceeded 20% against the regulatory threshold of 5%. It was just a matter of time for the bank to fail. To corroborate this situation some interviewees made the following statements:

"Sometimes you know our loans are as low as fifty thousand and thirty thousand naira. Often times, a credit manager may not want to bother himself to visit and confirm the status of the customer's shop. He will base his decision on what he sees in the application form, and approve the loan" (A unit MFB MD).

"And like I said before that, by the time the credit officers give a customer a loan for one, two and three times and the customer repaid promptly, such credit officers might be carried away; without knowing that the customer's situation can change if further credits are advanced. But situations can change. The fact that the person is repaying loan today is not a guarantee that the debtor will continue to be able to pay in future. So, ***due diligence*** *is not properly followed, as bank officers get carried away by past performance of a customer. So, new loans are approved. When the new loans are not repaid, bad debts arise. This is the case with many MFBs that failed" (A unit MFB MD).*

"The mistake of many microfinance credit officers is not doing background checks on loan applications and the person behind it. Residential claims are not checked to determine how long the applicant has been living in such places. The minimum amount of time a resident must live in a place to attract loan is 6 months. Many credit officers do not check this which is a serious mistake. They are just rushing to get more customers and in the process, they don't do enough homework and due diligence on the person. At the end of the day the customer collects the loan and disappears. When MFB officials go to collect the repayment they would be told that the person who took loan does not reside where he/she claims to be" (A former MFB Manager).

"Well, I will say yes the issue of meeting a set target affects MFB credit officers; even here we also set targets. We know it; sometimes it does affect credit officers. Some people will say: I want to collect two million naira loan. How do I do that and how much do you want to collect? I would say one hundred and fifty thousand naira and he would say: okay bring it. And he will collect it without the necessary background checks. That is why I would have to take time to go through the loan application very well before approving it in order to ensure that the loan is viable" (A MFB MD).

"The reason why Citadel microfinance bank closed was because they did not have a good customer follow up. When they gave loans to customers, they didn't have what it takes to get the customers to recover the loans. If you are running a microfinance

bank, you must have capable staff that can recover the loan; some MFB officials see people owing them here and there and could not recover the loans. If you promised to give people a loan on a certain day and you fail to do so, they will ask for their savings deposits to go to other microfinance banks. Meanwhile, it is these deposits that are used to run the business and to give loan to other people. So I think the problem of failed MFBs was that they did not have good follow- up; they did not have capable hands to recover the loans" (A Community leader).

4.3.1: Business Model- Industry Data

The MFB industry data give considerable help in pinning down the ingredients of organisational resilience and how and why many MFBs fail; thereby adding to data triangulation and possibility for tentative validation.

Of the 225 registered MFBs in Lagos, 65 were closed in 2010 as a consequence of failure either to meet prudential guidelines or through terminal illness. Of these, some 29 had their licences restored in 2011, after they re-capitalised. In 2014, another 29 were closed down due to terminal illness bringing the total number of closed MFBs in Lagos to 65, or 29% of all MFBs operating in Lagos at that time. By September 2018, another 31 MFBs were closed down which had been part of the 154 business which foreclosed across Nigeria. Between 2005 when the current regulatory policy framework, as amended in 2011 came into existence and 2018, about 40% of MFBs had closed down. A general view of some of the key financials of MFBs all over Nigeria from 2009 to 2015 is given in Table 4.2 below.

Table 4.2: **Nigeria: The Micro-finance Market in US$**

Parameters	2009 (US$m)	2010 (US$m)	2011 (US$m)	2012 (US$m)	2013 (US$m)	2014 (US$m)	2015 (US$m)
Average Total Assets	183.10	212.66	143.57	184.72	232.58	248.77	362.75
Average Loans & Advances	70.31	66.00	62.03	90.75	114.01	111.36	157.52
Average Deposits	92.59	94.56	72.32	111.88	147.62	124.23	168.20
Average Shareholder funds	54.55	54.93	35.44	48.50	78.71	59.53	96.39
Average Paid-up Capital	44.78	51.86	37.63	50.90	59.16	61.19	84.07
Average Reserves	9.77	3.07	(2.19)	(2.40)	19.56	(1.66)	12.32
Loan / Deposit Ratio	75.94%	69.80%	85.77%	81.11%	77.23%	89.64%	93.65%

Source: Adedipe, 2016

In the table above, it can be observed that average shareholders' funds were between US$35.44m and US$96.39m over a seven-year period (Adedipe, 2016). In 2011, 2012 and 2014, average reserves were negative, impairing MFBs' capacity not only to discharge their inclusive mandate but also to survive serious financial shock. The erosion of shareholders' funds could be linked to the death of 84 unit MFBs in the country. Of these, some 29 were based in Lagos. It is equally noteworthy that all of the MFBs that failed between 2011 and 2014 were small unit MFBs with very limited capital bases. Some had negative capital reserves, and little access to robust funding.

Although the source of Table 4:2 does not separate the aggregates into individual states, Agusto & Co. (2015) however indicates that 21% of the market is domiciled in Lagos. Furthermore, there is a preponderance of unit MFBs in Lagos.

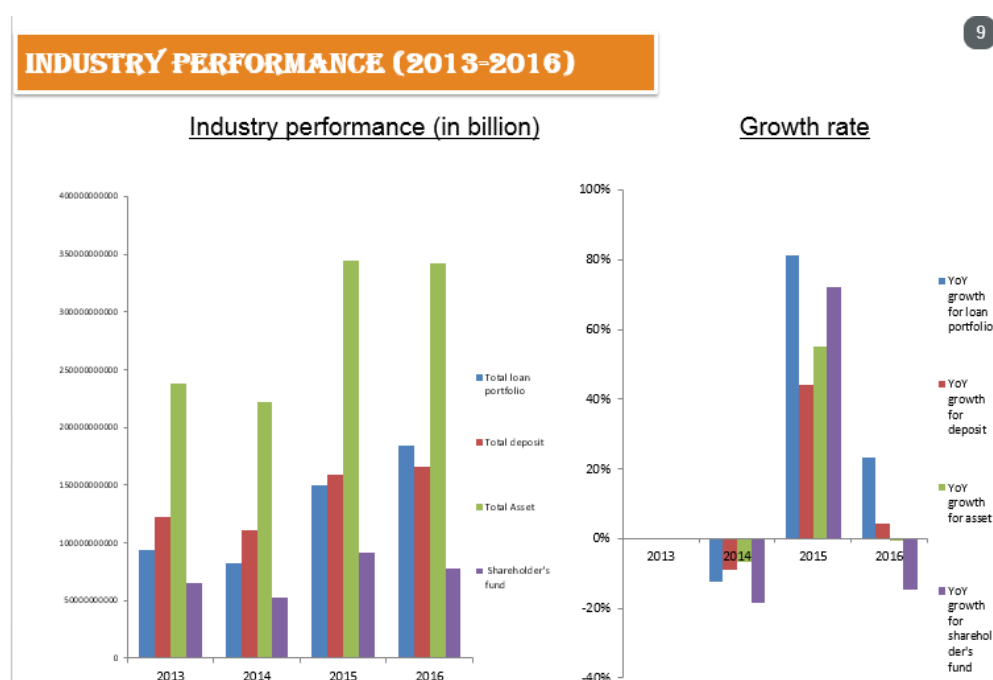
Table 4.3: **Industry Performance in Billion Naira (2013 - 2016)**

INDUSTRY PERFORMANCE (2013-2016) 8

	Total industry performance 2013-2016 (in billion)						
	2013	2014	Growth YoY	2015	Growth YoY	2016	Growth YoY
Total loan portfolio	94.05	82.4	-12%	149.3	81%	183.9	23%
Total deposit	121.8	110.7	-9.11%	159.5	44.06%	166.3	4.29%
Total Asset	237.8	221.7	-6.81%	343.9	55.15%	341.7	-0.64%
Shareholder's fund	64.9	53.0	-18.32%	91.4	72.28%	77.1	-15.60%
Estimated industry member	825	891		948		987	
		In Million					
Loan portfolio Industry average	114.0	92.5		157.5		186.4	
Deposit Industry average	147.6	124.2		168.2		168.5	
Asset Industry average	288.2	248.8		362.7		346.2	
Shareholder's fund Industry average	78.7	59.5		96.4		78.1	

Source: LAPO, 2017

Figure 4.1: **Industry Performance (2013 – 2016)**



Source: LAPO, 2017

The leading MFBs whose data are available are listed in Tables 4.4 and 4.5 below:

Table 4.4: **MFB Industry Leaders in 2014**

Institutions	**Total Assets (US$m)**		**Loans & Advances (US$m)**		**Deposits (US$m)**		**Equity (US$m)**	
	Volume	Share	Volume	Share	Volume	Share	Volume	Share
Aggregate	221,652.30	100.00%	99,223.10	100.00%	110,688.41	100.00%	53,039.03	100.00%
LAPO MFB	39,600.00	17.86%	32,700.00	32.96%	20,355.90	18.39%	7,900.00	14.89%
Fortis MFB	16,585.96	7.48%	11,729.36	11.82%	9,587.38	8.66%	2,099.47	3.96%
NPF MFB	10,865.19	4.90%	6,527.21	6.58%	4,803.37	4.34%	4,079.89	7.69%
ACCION MFB	5,086.24	2.29%	3,975.27	4.01%	1,421.82	1.28%	2,567.49	4.84%

Source: Adedipe, 2016

Table 4.5: **MFB Industry Leaders in 2015**

Institutions	**Total Assets (US$m)**		**Loans & Advances (US$m)**		**Deposits (US$m)**		**Equity (US$)**	
	Volume	Share	Volume	Share	Volume	Share	Volume	Share
Aggregate	343,883.10	100.00%	149,325.50	100.00%	59,453.50	100.00%	91,376.50	100.00%
LAPO MFB	52,300.00	15.21%	42,900.00	28.73%	25,700.00	16.12%	10,200.00	11.16%
Fortis MFB	19,937.67	5.80%	13,918.51	9.32%	10,645.56	6.68%	2,683.18	2.94%
NPF MFB	13,632.20	3.96%	7,881.52	5.28%	6,610.11	4.15%	4,251.49	4.65%
ACCION MFB	6,872.00	2.00%	5,400.00	3.62%	2,121.00	1.33%	3,000.00	3.28%

Source: Adedipe, 2016

The two tables above (4.4 and 4.5) represent the standing of leading MFBs in the financial years 2014 and 2015 (Adedipe, 2016). The data are an expansion upon the MIX Market 2013

data that included leading and thriving MFBs such as AB MFB, Fortis MFB, Grooming Centre, SEAP, ACCION and LAPO. Data from earlier years were not available. However, from the data that is available as documented in Tables 4.4 and 4.5, the MFBs listed were identified as 'leading' based on six parameters. These are 1) value of loans/advances conceded 2) numbers of borrowers, 3) deposits mobilised, 4) numbers of depositors, 5) assets and 6) numbers of branches. These MFBs were ranked by MIX Market (18, May 2015) as the highest performing according to these six parameters in the Nigerian micro-finance market. This position is supported by Agusto & Co. (2015), although their report rated DEC MFB and FBN MFB among the top six in terms of branch networks. This observation, however, is not supported by the other four parameters used. Interestingly, only Integrated MFB failed amongst the big MFBs during the financial and regulatory challenges of the years 2006 and 2015. Size may have played a role in the resilience of the other big MFBs, particularly as their branch networks may have been instrumental in mobilising savings and deposits that cushioned the effects of panic withdrawals from all MFBs' branches in Lagos, during the collapse of Integrated MFB in 2010. Better institutional structures and business processes may have also contributed. The death of the one big MFB, Integrated is explored later in this chapter. Most of the failed MFBs were small units, and are the subject of this analysis based on data availability. They include, among others: IC MFB, Integrated MFB (national), Ascend Centre MFB (unit) and Alliance MFB (unit). These are analysed primarily because of the availability of related secondary data and/or primary data. Although such data is scanty, they provide some information to enable a degree of comparison against resilient MFBs.

Table 4.6: **Performance of Top Ten MFBs by Branch Network in 2014**

MFBs	**Number of branches**	**Total assets (₦b)**	**Loan portfolio (₦b)**	**Return on AV Assets**	**Return on Average Equity**
LAPO	380	27.5	23	10.8%	54.5%
DEC	32	N/A	N/A	N/A	N/A
Hasal	24	3.0	1.6	5.7%	21.6%
SEAP	24	N/A	N/A	N/A	N/A
ACCION	24	4.0	3.1	3.1%	29.8%
FBN	23	8.2	1.5	1.5%	10.1%
AB	14	6.1	4.8	4.8%	5.3%
FORTIS	14	12.7	8.2	8.2%	51.9%
NPF	13	8.9	5.7	5.7%	13.5%
MICRO-CRED	6	1.9	1.5	1.5%	4.6%

Source: Agusto & Co., 2015: 39

Business model was identified as a key contributor to MFB organisational resilience in the course of this study. For instance, Table 4.1 indicates that 72 % of respondents/participants identified both group and individual lending as contributors to organisational resilience and/or failure. Over 60% associated interest rates with this observation. Within the business model, the coding refers to individual and group lending approaches, credit and savings products, methods of accessing foreign loans, how interest rates are managed and approaches to harvesting benefits. These variables are grouped together. MFBs deploy two main products, namely credit (lending) and savings, for their business operation.

4.3.2: Lending Model

There are two alternative business approaches operational in the industry, namely Joint/Group methodology (JM/GM) leading to Joint Lending Groups (JLGs) and individual Lending methodology (ILM) leading to Individual Lending (IL). In a resilient JLG, MFBs have an element of 'forced savings'. This is a type of savings that every loanee must compulsorily be part of. It can amount to between 10% and 30% of the amount of the loan given to them. This complements peer guarantees with cash in the savings accounts of banks. The two leading MFBs in Lagos - Grooming and LAPO practised this. In addition to savings mobilisation, both IL and JLG methods are used individually or collectively in extending credit. More recently, Grameen Bank in Bangladesh and Bancosol in Bolivia started moving from JLG to IL and this is also gradually happening in the Philippines. But in both Bangladesh and Bolivia, MFBs still maintain group meetings in many JLG operations.

In Lagos, Nigeria, the dominant MFBs business model is the JLG Groups in which individuals have mutual accountability to each other, and where failure by a member to meet his/her obligation to an MFB is vulnerable to social and communal ostracism. JLGs have fared very well in Lagos, particularly among women, and the leading MFBs are JLG-focussed in operational terms. From the interviews and focus groups, there is the indication that most of the failed MFBs implemented operations or business models that predominantly used IL, which was more attractive to men. This finding is susceptible to availability bias as only available records were used for the analysis. Those MFBs with JLGs are gradually increasing the percentage of their business through IL. Some IL-driven banks are beginning to embrace JLGs. While technology, cost consciousness and operational sustainability are driving factors, the values in use and critical incidents in the experiences of the directors and leaders cannot be discounted. They may have re-energised one another, either for better or for

worse and they have benefitted the state of the economy and the financial sector. The quality of mutual commitment, mentoring and the measurements of JLG operations informed fundamental enablers of why and how MFBs overcome stress or whether they adapt and cope or, unable to overcome shock and fail. High quality lending creates an environment for resilience. Low quality lending, particularly ignoring the GL, creates an environment for failure and death.

4.3.3: Insurance and Loan Hedging

The research report also indicates that, as a part of their business models, resilient MFBs insured their loans and credits, so that when loans went 'bad' they could be partially recovered through micro-credit insurance schemes. Similarly, MFBs hedged their foreign loans against foreign exchange volatility. For instance, in November 2012, IFC gave LAPO a five-year loan of US$5m. It subsequently obtained loan facilities of €7.5m from the Dutch Development Bank and US$12m from the African Development Bank. It hedged such loans by domiciling them in their commercial banks of choice, and in turn took out Naira equivalent of the loans from commercial banks at the prevailing conversion rate at the time they were taken. The intention was to minimise risk exposure to international creditors. Hedging foreign loans has helped build resilience in the bank during foreign exchange fluctuations. Some others that did not do this disappeared when the Naira-US$ rate changed dramatically from 120:1 to 302:1. Repayment of loans under the former regime destroyed unhedged banks.

Foreign loan hedging has been the case with ACCION and Grooming and many other resilient MFBs. This appeared not to have been the case with Fortis MFB, a bank that has been on the brink of collapse for the last four years. Foreign loans are one of the key causes of its current distressed state, and subsequent failure in 2019. The situation is similar with uninsured loans or credits. LAPO micro-loans are all insured so that, upon the death of a debtor, the bank can recover its money. This is not a general practice in the industry and hence default through natural causes could spell doom for some MFBs, such as the failed Integrated MFB.

4.3.4: Ambidexterity and Delayed Harvesting

It is also noteworthy that the balance between blending the two approaches to credit and product administration and hedging foreign loans while insuring micro-credit often depends on the risk appetite, or indeed risk aversion of the MFB. The balance between outreach and

profitability is similar and is based on efficiency and effectiveness as well as being able to incubate OSS in the short term and into the future. This is where ambidexterity consciously embedded in the business model positioned the national MFBs, particularly Grooming and LAPO, ahead of others in the resilience race, particularly in the recovery phase. Organisational ambidexterity was defined in Chapter 2 as an organisation's ability to be aligned and efficient in its management of today's business demands. It must be adaptable to changes in the environment at the same time. Just as a reminder, the term 'organisational ambidexterity' was first used by Duncan (1976). However, it is March (1991) who has been credited for developing and generating greater interest in this concept. Ambidexterity balances Exploration and Exploitation, thereby allowing the organisation to "be creative and adaptable to face any eventuality" (March, 1991:38), while also continuing to rely on more traditional means of managing the business to deliver seemingly conflicting values to all stakeholders. LAPO, ACCION, SEAP and a couple of other resilient banks managed to embed those capabilities. On the other hand, Integrated MFB, Ojokoro, and Alliance MFBs were 'one-handed' organisations that appeared to be able to exploit resources for today's advantage only. They paid little or no attention to the future and proactivity in terms of planning for possible shocks. When adversity came, they caved in so quickly.

As also indicated in Chapter 2, a part of the business model to embed resilience in MFBs stems from honing Dynamic Capabilities (DCs) within MFBs. DCs are often rooted in high performance routines operating inside the firm. These are embedded in the firm's processes, and conditioned by its history (Teece, 1997) and the life experience of the founders and leaders. As a result of the "non-tradability of 'soft' assets like values, culture, and organisational experience, these capabilities cannot generally be bought. They have to be built. This may take years - possibly decades" (Teece, 1997:528). This has proven to be true in the case of LAPO which could handle threatening challenges between 2000 and 2006 having gradually built its managerial and institutional capabilities from 1987. Integrated or Ojokoro MFBs did not have such capabilities, because they were never built.

Ambidextrous organisations that also hone dynamic capabilities appear able to survive difficult circumstances, size of the MFBs notwithstanding. Examples are LAPO, which is a national MFB, while Emerald is a unit MFB. Both survived. Neither Integrated, a national MFB, nor Ojokoro, a unit MFB, could survive.

It appears that the dynamic capabilities approach (along with ambidexterity) is worthwhile to evaluate resilience capabilities. The approach may also embed resilience competences, particularly the VRIN (Valuable, Rare, Inimitable, Non-substitutable) attributes. Although VRIN in the mid to long term can be replicated, those MFBs that had them were not only able to outcompete others in the industry; they were also able to survive difficult challenges like repaying loans denominated in foreign currencies (like US$ and Euros) with the very unstable foreign exchange situation in Nigeria. As already highlighted, LAPO, for instance, hedged its foreign loans. This is a VRIN attribute which is being replicated by some other resilient MFBs.

Additionally, whereas it took LAPO almost 30 years of investment, initially as an MFI and later as an MFB, to begin to harvest, leading to delayed gratification, many of the failed MFBs began to pay bonuses and dividends within seven years of the commencement of business. Ojokoro MFB, Integrated MFB and Citadel MFB are all examples. The reason is that some of the failed MFBs were not patient in building capital reserves that usually become convenient for dealing with any eventuality, particularly when there are panic withdrawals or any other distressing situation. The evidence therefore suggests that delayed payment of dividends and bonuses (otherwise called delayed harvesting or delayed gratification) has the tendency to embed resilience in MFBs. Although this practice could discourage investors and staff in the short term, when they share the organisational vision and culture to solidify the capital base and build a robust organisation, most can be won over to support delayed harvesting over time. That was the case with LAPO, Grooming and Emerald.

4.3.5. Interest Rates

Interest rates were perceived as generally very high in the micro-finance market. It may not be surprising that the research report indicates that failed MFBs generally had higher interest rates than the resilient ones. This narrative is explored in general detail later, but it suffices at this stage to admit that 61% of participants/interviewees attributed success or failure of MFBs in Lagos partly to interest rates charged by the MFBs. Interest is the price of capital and it is the price debtors pay for using MFB credit. In providing credit, the primary income MFBs receive from debtors comes from interest. The MFB is also charged interest when it borrows from lenders or receives deposits from depositors. The interest rate is therefore very important to the MFB's ability to continue as on-going concern. Some 61% of participants/interviewees linked failure in MFBs to high interest rates that overwhelmed

borrowers who could not repay loans. This led to repayment delinquency, increasing NPLs and ultimately PAR.

It is worth emphasising that the main reason for high Portfolio at Risk (PAR) at MFBs is usually due to Non-Performing Loans (NPLs). NPLs (100%) appear to result from four fundamental problems in MFBs in Nigeria. These are: high interest rates (61%), insider borrowing linked to financial mismanagement where senior figures within the management declined to repay loans (72%), dysfunctional credit administration strategies (63%) and fraudulence amongst key MFB stakeholders (80%).

Whereas the resilient MFBs had interest rates generally between 2.0% and 10%, the failed businesses had interest rates of between 10% and 25% per month. These interest rates amounted to an APR of between 40% and 180% for resilient MFBs and from about 180% to over 400% amongst the failed MFBs. The interest rates, however, depended on the type of loan. Loans for general commerce and petty trading attracted the lowest interest rates, while those for agriculture and cash-flow easing were generally higher. Loans to independent individuals attracted higher interests than those within groups. This finding is supported by the works of Stiglitz et al (1981), in which it was identified that in markets with information asymmetry, high interest rates tended to diminish the capability of bank customers to repay credits. Interestingly, those MFBs in Lagos that failed provided mostly individual loans to men, while those surviving executed most of their loans within groups and extended these mostly to women.

Table 4.7: **Thriving / Resilient MFBs Interest Rates**

	THRIVING / RESILIENT MICRO-FINANCE BANKS						
Year	*LAPO: Interest rate per month	*AB: Interest rate per month	ACCION: Interest rate per month	Supreme: Interest rate per month	Fortis: Interest rate per month	Asset Matrix: Interest rate per month	Emerald: Interest rate per month
2008	2.0	8.0	10.0	-	10.0	-	10.0
2009	2.0	8.0	10.0	-	10.0	10.0	10.0
2010	2.5	8.0	10.0	10% – 15%	10.0	4.0	4.0
2011	2.5	3.0 - 6.6	6.0	4.0	4.0	4.0	4.0
2012	2.5	3.0 - 6.6	5.0	5.0	5.0	4.0	5.0
2013	2.0	3.0 - 6.6	5.0	6.0	5.0	4.0	5.0
2014	2.0	3.0 - 6.6	6.0	6.0	6.0	5.0	5.0
2015	3.0	3.0 - 6.6	6.0	6.0	6.0	5.0	5.0
2016	3.0	3.0 - 6.6	6.0	6.0	6.0	5.0	5.0

Source: Computed from MIX Market data, 2015/ primary in-depth research

Figure 4.2: **Interest Rate Graph for Resilient MFBs**

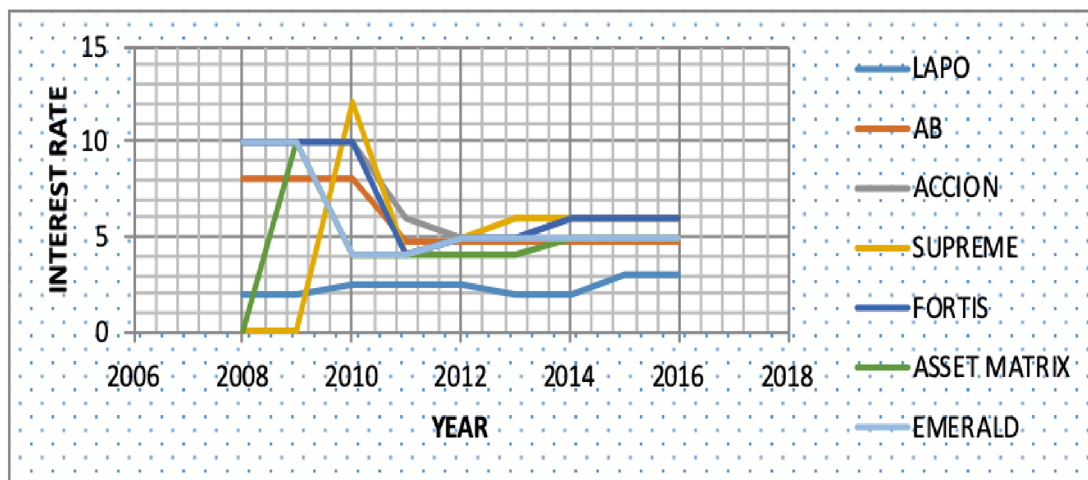


Table 4.8: **Interest Rates Charged by some Failed Nigerian Micro-finance Banks between 2008 and 2015**

FAILED MICRO-FINANCE BANKS	RATES PER MONTH
• Integrated Micro-Finance Bank (IMFB)	10% –25%
• Prolific Micro-Finance Bank	10% –15%
• Treasure Micro-Finance Bank	10% –15%
• Milestone Micro-Finance Bank	10% –15%
• Ojokoro Micro-Finance Bank	10% –15%
• Akute Micro-Finance Bank	10% –15%
• Olive Micro-Finance Bank	10% –15%
• Daily Capital Micro-Finance Bank	10% –20%
• Common Benefit Micro-Finance Bank	8% – 15%
• All Over Micro-Finance Bank	10% – 15%

Source: Computed from Primary in depth research

Figure 4.3: **Interest Rate Graph of seven failed MFBs**

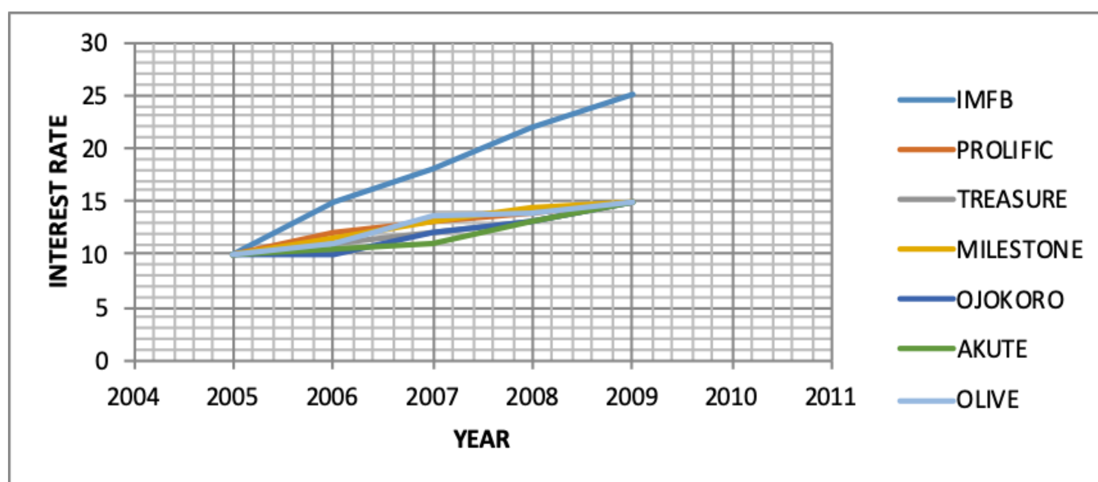
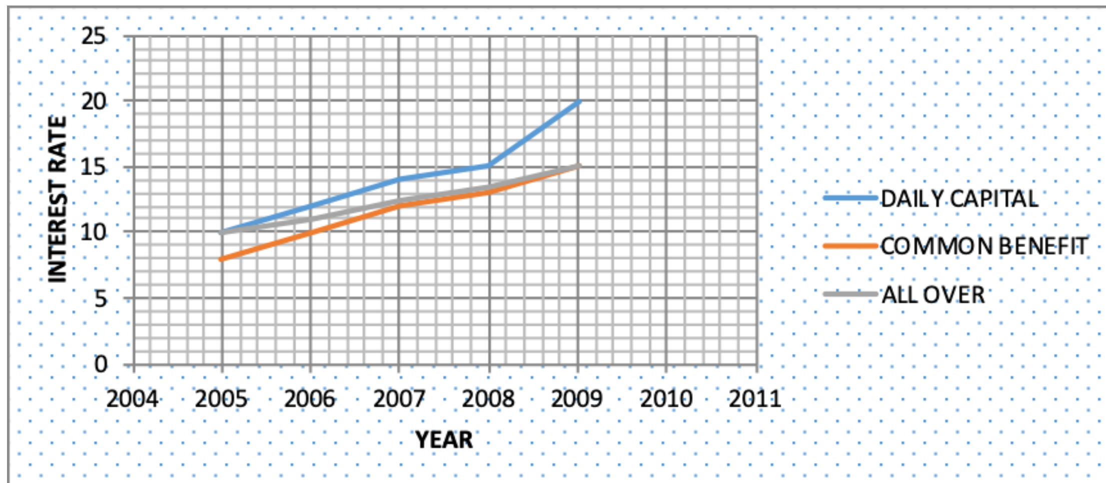


Figure 4.4: **Interest Rate Graph of three failed MFBs**



4.4: Implications of MFBs Business Models for Resilience

From Table 4.7 and Figure 4.2, it can be observed that LAPO interest rates remained between 2% and 3% per month (2008 - 2016). Loan loss as a percentage of loans granted was generally below 0.5%, even though the correlation coefficient between the interest rate and loan loss (r) is 0.299. This shows a weak positive correlation between the two variables.

The correlation coefficient (r) between the interest rate and PAR for LAPO is -0.52. This indicates a strong negative relationship between the two variables, showing that as the interest rate increased, the PAR on the average decreased marginally. This may be because, at a relatively low interest rate, small changes may not affect loan repayment. What is evident, however, is that LAPO had very low rates of loan repayment defaults which minimised its impaired capital and ultimately created a robust capital regime to withstand adversity. This led to the embedding of resilience. The LAPO correlation coefficient (r) between interest rate and Operational Self-Sufficiency (OSS) is 0.19, showing a weak positive relationship between the two variables.

The AB MFB correlation coefficient (r) between the interest rate and loan default is -0.27, indicating a weak negative correlation between the two variables of interest rate and loan default. This calculation may have resulted from very limited data relating to AB MFB. The AB MFB correlation coefficient (r) between interest rates and OSS is -1. This shows a strong negative relationship between the MFB's interest rate and its two-year (2013 and 2014) OSS. This indicates that, as the interest rate increased, its OSS decreased, suggesting that high interest rate may have something to do with NPLs that play a role in computing OSS. The

case of ACCION MFB was different. The correlation coefficient (r) between the interest rate and loan repayment default is 0.37. This shows a moderate positive relationship between the two variables. As interest rates increased between 2011 and 2016, loan losses also increased. Similarly, with ACCION MFB the correlation coefficient (r) between the interest rate and Portfolio At Risk is 0.71. This shows a strong positive relationship between the two variables. As the interest rate increased, the PAR also increased. It appears that this situation occurs when the interest rate is above 5% per month. The ACCION correlation coefficient (r) between the interest rate and OSS is -0.87. This shows a strong negative relationship between the two variables. This is similar to AB, indicating that one of the variables may be affecting the second variable.

Furthermore, the study shows that the interest charged by Nigerian MFBs was higher and ranged between 8% and 10% before and immediately after 2010, when many of them collapsed. This contrasts with the current rate of between 5% and 6%. A closer scrutiny of the banks' interest rates indicates that they were actually higher than those they declared, especially if the repayment period was longer than one month. However, some MFB CEOs justified these high interest rates based on high administrative costs, the double-digit interest rates on borrowed funds (from commercial banks) and high provision for capital impairment. Some of their comments are stated below:

> *"Unlike commercial banks, MFBs do not have access to cheap funds, and they also spend more resources per customer on someone who wants ₦20,000.00 (US$66) than what commercial banks spend on a customer that wants a ₦100,000.00 (US$328). Also, the administrative costs of an MFB are very high and this tends to mirror the kind of charges we give to our customers" (Former Managing Director of a MFB).*

> *"One of the factors responsible for the high interest rates charged by MFBs is high overheads incurred in servicing the funds,which is higher than what obtains in commercial banks because we do a lot of collateral substitution and supervision which increase costs" (Managing Director of a MFB).*

> *"The interest rate in the MFB subsector is high but it will not be high forever. There was a time when we were charging 10% to 15% per month but you will hardly see anybody charging 10% now. They are charging 6%, 5% or 4% a month now, although there are some MFBs that have a good source of funding and are charging about 3% or 2.5%. An MFB is more expensive to run than a commercial bank*

because we visit the grassroots everyday and we need transport to do so. This expense on a daily basis is huge and the MFB bears such costs" (Managing Director of a MFB).

"The interest rate in the industry is usually higher than in the commercial banking sector because commercial banks have easy access to savings deposits, unlike MFBs. People prefer to save money in commercial banks rather than in micro-finance banks, but when they need a loan, they run to the MFBs. If people put their money into micro-finance banks, the interest rate will be lower. At present, MFBs have to raise their interest rates in order to cover overheads and maintain a little profit"(Former Managing Director of a MFB).

Despite the arguments for high interest rates, such rates in the end damaged the MFBs that charged them without strong mechanisms to recover credits. This was particularly the case when the APR exceeded 200%. Table 4.8 and Figures 4.3 and 4.4 indicate the interest rate situations of failed MFBs. For example, the IMFB correlation coefficient (r) between the interest rate and loan loss is 0.93. This shows a strong positive relationship between the two variables. The IMFB correlation coefficient (r) of interest rate and PAR is 1. This shows a strong positive relationship between the two variables. Limited data make it difficult to come to a meaningful conclusion. The IMFB correlation coefficient (r) of interest rate and OSS is 1. This shows a strong positive relationship between the MFB's interest rate and its two-year (2007 and 2008) OSS. This shows that, with a higher interest rate, there was also higher OSS, although this position did not save the bank from collapse. The implication of this finding is that there was something beyond the interest rate in its failure narrative – a similar situation to that of Daily Capital, Allover, Akute and Daily Benefit MFBs.

Although there is evidence in the research that unrecovered loans and high interest rates are somewhat positively correlated, as is PAR, there is however no conclusive evidence that a higher interest rate increases or lowers OSS or FSS.

The evidence from this research would suggest that organisational resilience in MFBs is not just about low interest rates, but appropriate interest rates, which in the case of LAPO was about 2-3% per month with an APR of between 40% and 60%. Throughout the industry, it was not more than 180% APR. This also shows that there are factors other than low interest rates that matter in building resilience in MFBs. However, the evidence suggests that the MFBs that failed generally had higher interest rates than those that survived. Thus, high

interest rates that contributed to loan repayment defaults may be a part of the basket of causes of MFB failure.

4.4.1: Financial and Operational Sustainability

In the literature, EC (2010) opined that the factors that contributed to the unsoundness of the MFBs were attributable to some or all of the following:

- High levels of Non-Performing Loans (NPLs), resulting in high Portfolio At Risk (PAR), which impaired capital.
- Gross under-capitalisation in relation to the level of operations, as most MFBs were unit businesses with capital bases of about US$66,000 partly resulting from devaluation of Naira that reduced ₦20m capital base initially from $130,000 to $66,000.
- Poor corporate governance practices and incompetent boards.
- High levels of non-performing insider-related credits (NPICs), and other forms of insider abuse.
- Heavy investments in the capital market, with the resultant diminution in the value of the investment after the meltdown.
- Poor asset-liability management owing to portfolio mismatch - for instance short-term deposits in conjunction with borrowing short and lending long.
- Heavy investments in fixed assets beyond the maximum limit prescribed by the regulatory authority.
- Operating losses sustained as a result of high expenditure on staff and other overheads
- Weak management evidenced by poor asset quality.
- Poor credit administration, inadequate controls and high rates of fraud.
- High labour turnover, resulting from dismissals and head-hunting.
- Failure to meet matured obligations to customers when they arrived to collect.
- Rapid expansion of branch network that was not strategic in nature.

To achieve both operational and financial sustainability requires meeting both the social and commercial goals of MFBs. This would suggest that loans advanced must be recoverable, with interest payment. But that situation is jeopardised when loans advanced turned bad so quickly. An example of loans advanced by directors of MFBs to themselves that turned bad was attested to by the following statement by a community leader.

> *"Some customers have good and genuine intentions for taking the loan but it is usually because the Nigerian business environment is very risky and tasking. It*

happened to one of my former directors who was even the largest shareholder of the bank. He staked everything when the bank was newly registered. But he ventured into some other businesses that failed. So there was no way he could pay back the money. Though the intention to pay was there but the ability to do so was not there".

Evidence in the study corroborated that story (Agusto & Co., 2015).

Furthermore, there were additional parameters to identify how effectively and efficiently MFBs were run. These included asset quality, deposit value, gross loan portfolio, number of depositors and active borrowers, operational self-sufficiency, financial revenue, other incomes from operations, operational expenses, profit/loss positions and loan loss rates (Agusto &Co, 2015). In such situations, the common thread running through all thriving MFBs was stated as "appropriate capitalisation of prior deposits for shares and the new capital injection to bring the shareholder fund unimpaired by losses to the prescribed minimum of ₦20 million, ₦100 million or ₦2 billion (depending on the MFB's licence), good corporate governance, a sound risk management system and strong internal controls to forestall avoidable losses, effective management of the branch network, cash centres and customer meeting points and the adoption of a true micro-finance model, among others" (CBN, 2011:3).

The leading MFBs displayed transparency, indicative of openness and full disclosure of accurate financial information for the purpose of independent verification. Such transparency shows that these MFBs had nothing to hide and were prudent in their operations, making it possible and easy to ascertain whether their performance was in line with industry regulatory standards. Many of these MFBs had the capacity to overcome stress and adapt to challenging circumstances. They were perceived as resilient.

Their resilience was seen as a function of their ability to cover costs and reserve some surplus to have recourse to in difficult situations (Agusto & Co., 2015). It was also argued by Agusto & Co. (2015) that surplus provides organisational robustness and capital to call upon during hard times. Once the avenue for boosting revenue and effectively covering costs is sustained over a long period of time, the going concern paradigm of MFBs will not be compromised or impaired, except when management fails in mitigating risks and keeping within prudential guidelines.

A paper (Dorfleitner et al, 2014) explaining the failures of MFIs used the CAMELS (Capital Adequacy Ratio, Asset Quality, Management Capability, Earnings, Liquidity and Sensitivity

to Market Risk) rating to identify a financial institution's overall health. Among the parameters considered in this section which share certain similarities with the CAMELS model but are different, based on the availability of data, are:

- Assets
- Deposits/Gross Loan Portfolio
- Operational Self-Sufficiency
- Portfolio At Risk
- Revenue/Operating Expenses (in calculating FSS)

Some of the available data on MFBs were analysed using the above indices.

Some of the key yardsticks for measuring the performance of MFIs and MFBs are:

- Capital adequacy
- Asset quality
- Management capability
- Earnings
- Liquidity and sensitivity to market risk especially interest rate risk

The institutional sustainability and creditworthiness of MFBs are subject to the banks' risk exposure, market position, performance and responsible practice. In view of these, the MIX Market reports and other secondary data sources (for 2005 - 2014) complemented by qualitative primary research data, were examined to provide resources from which to draw inferences as to how some MFBs succeeded and adapted and why others could not and failed. Adopted business strategy is key.

4.4.2: Operational Self Sufficiency (OSS)

Operational Self-Sufficiency is indicative of the ability of the organisation to have sufficient revenue to pay for loan losses, potential losses, and provide funds for administrative costs to remain operational. Virtually all the MFBs reviewed in Tables 4.9 and 4.10 below had Operational Self-Sufficiency above 100% except for Olomi MFB and ICMB with average of 38.40% and 80.51% respectively (see Table 4.9 below). LAPO, the leading MFB in the 10-year period under analysis had average OSS of 147.37% below Grooming Centre with average OSS of 251.45% (although its data for computation was only available for 7 years). An average (in Table 4.10) spanning the period of data extraction (2005-2014) however reveals that the OSS of the leading banks was indicative of a good revenue base and reduced financial and operating expense to combat non-performing loans burdening the micro finance

banks in Nigeria. This was so because OSS is a function of the financial revenue divided by the summation of financial expense, net impairment loss and operating expense. Interestingly, three failed MFBs had average OSS above 100%. They are IMFB, Ascend and Alliance. The implication is that whereas OSS is necessary for business sustainability, it is not a sufficient condition, particularly because it does not capture all the costs of running the business like FSS.

Table 4.9: **Average Operational Self Sufficiency for selected MFBs (2005-2014)**

Leading Micro-Finance Banks	LAPO	SEAP	Grooming Centre	Fortis MFB	ACCION MFB
Years of record	10	8	7	4	8
Average Operational Self-Sufficiency	147.37%	145.80%	251.45%	117.57%	114.32%
Failed Micro-Finance Banks	IC MFB	IMFB	Ascend MFB	Alliance MFB	Olomi MFB
Years of record	4	2	3	4	6
Average Operational Self-Sufficiency	80.51%	118.95%	192.24%	123.48%	38.40%

Source: computed from secondary data

As earlier indicated, OSS is a ratio that indicates if the MFB has generated sufficient revenue to cover all operational expenses including loan delinquency and other financial costs.

Table 4.10: **Operational Self-Sufficiency of selected Resilient and Failed MFBs from MIX Market**

	LAPO	SEAP	Accion	IC	Integrated	Alliance
2005	142.69%	118.50%	-	63.17%	-	56.07%
2006	134.99%	108.31%	-	112.81%	-	173.73%
2007	129.31%	111.10%	46.46%	113.06%	100.51	138.30%
2008	138.99%	158.62%	75.59%	32.99%	137.38	125.81%
2009	122.46%	200.91%	112.21%	-	-	-
2010	133.34%	163.93%	129.89%	-	-	-
2011	133.84%	165.54%	147.93%	-	-	-
2012	140.20%	185.81%	145.42%	-	-	-
2013	131.74%	-	142.73%	-	-	-
2014	140.85%	-	146.31%	-	-	-

Source: computed from MIX Market data (2015)

The figures in Table 4.10 above show that SEAP had the largest OSS while other thriving MFBs had an average of 130%. IC MFB, however, shows a very low OSS of 32.99% two

years before its shutdown, while Integrated MFB shows that its OSS was not a contributing factor to its failure since it was ‘healthy’ a year before its collapse.

Based on this analysis, the OSS of Accion was strong in 2009, with an average of 112.21% for 6 years (2009-2014), as shown in Table 4.10. Its significant improvement on previous years (2007-2008), would have contributed to its organisational resilience, and resultantly its very good performance and prosperity in the industry till date.

It can therefore be inferred that long-term OSS above 100% is a necessity although not a sufficient condition for survival to build resilience and/or prevent MFBs from failing. High OSS percentages attributed to failed MFBs such as IC MFB, IMFB and Alliance MFB testify to this.

4.4.3: Financial Self Sufficiency (FSS)

On the other hand, Financial Self-Sufficiency is the ability of a MFB to generate enough revenue to handle all operational, administrative and capital expenses in addition to all lost loans. FSS offers a more reliable means of assessing business sustainability than OSS. Hence, Table 4.11 below shows the approximate figure for FSS using data on Financial Revenue and Expenses, inclusive of capital impairment.

Table 4.11: **Financial Self-Sufficiency of selected MFBs**

YEAR	LAPO	SEAP	ACCION	IC	Integrated	Alliance
2005	1.60	1.32	-	0.71	-	0.57
2006	1.71	1.17	-	1.26	-	2.19
2007	1.81	1.22	0.47	1.25	1.09	1.87
2008	1.76	1.99	0.91	0.46	1.92	0.66
2009	1.51	2.98	1.32	-	-	-
2010	1.61	2.21	1.46	-	-	-
2011	1.55	2.26	1.61	-	-	-
2012	1.48	2.65	1.65	-	-	-
2013	1.58	-	1.60	-	-	-
2014	1.73	-	-	-	-	-

Source: computed from MIX Market data (2015)

The value of FSS must always exceed 1 where financial expense and provisioning for capital impairment is represented by 1. This is particularly the case if the MFB is to generate adequate surplus to support capital formation, a necessary ingredient for building robustness and resilience in the organisation. SEAP was the leader on this parameter although the other thriving and resilient MFBs showed above average FSS. It is noteworthy that, of the three

failed MFBs, Integrated MFB had an above average FSS while the other two had FSS lower than 1, showing that the financial expense was higher than the financial revenue generated. Although there is no overwhelming link between FSS and failure of MFB, the report above indicates that a weak FSS could have been a contributor to the death of failed MFBs, particularly when combined with depositors demanding payment of their deposits during the run on MFBs when IC MFB failed in 2010.

4.4.4.: Other Financial Indices

Cross referencing Tables 4.4, 4.5, 4.6, 4.9 and 4.10 and the evidence from secondary data, **LAPO** deposit**s** were exceptionally high vis-à-vis the low deposits of other MFBs studied. However, this was almost at a similar level to that of **IMFB** shortly before it collapsed. Whereas deposits provide a source of income and liability, the liability dimension becomes toxic when the organisation loses the capacity to repay when they fall due. That was the case with IMFB.

LAPO is the leading MFB in Lagos. It does appear gross loan portfolio may have played a part as it constituted a major source of generating revenue to build robustness in the capital base of the bank. IC that collapsed had a very low gross loan portfolio; and IMFB whose gross loan portfolio had a serious challenge in recovering overdue credit and associated revenues, may have had loan delinquency as a key contributor to its fall.

In terms of depositors**, LAPO** depositors were about 1.4 million in 2014, approximately tripling **Grooming Centre** depositors (Agusto & Co, 2015) and 16 times those of **AB** and **ACCION** (Adedipe, 2016). Deposits provided cheap funds with APR which were, on average, lower than 10% and given out as credit with an APR of over 40%. It is therefore safe to assume that robust deposits, when well utilised in giving credit, in combination with other complementary factors, generate organisational resilience.

LAPO consistently had more active borrowers than other MFBs throughout the study period. It is however worth observing that before its closure, **IMFB** ranked third with **AB** and **ACCION** almost tied behind it. The implication is that except active borrowers are converted to profitability, organisational resilience may be jeopardised.

Profitability has a way of building extra cash for the bank. The MFB can choose to utilise profits for business or improve the capital base of the organisation. The profitability positions of some of the MFBS from 2005-2014 was analysed from MIX Market (2015).

Whereas all the 'resilient' banks were profitable from 2005 to 2014 (except Grooming in 2007 and ACCION in 2007 and 2008), IC MFB made losses in its first year and its last year before it went into liquidation. It seems that consistent profitability creates an environment for MFBs to survive in difficult circumstances. It is not surprising that the resilient banks have remained largely profitable both in good and bad times. This is surely not an accidental occurrence. It stems from managerial competence, proactive capabilities and keeping to prudential guidelines. The implication of this development is that the commercial and social goals of MFBs can be achieved at the same time.

Furthermore, the resilient MFBs had a largely healthy financial revenue as related to their operating expenses from 2005-2014. The same could not be said of dead / non-resilient MFBs, particularly Integrated MFB whose revenue was US$115m as against US$249m in 2008 prior to its liquidation two years later. The evidence therefore suggests that unhealthy financial performance coupled with poor asset management, the misuse of funds by managers and poor internal control measures precipitated its (Integrated MFB) liquidation in 2010.

In addition, the gross loan portfolio of the leading MFBs was always consistently lower than their assets. Furthermore, amounts of credit extended to borrowers were usually lower than the deposits (see Tables 4.9, 4.10 and 4.11). This approach to doing business certainly gave the organisations the needed liquidity to run their operations, while at the same time accessing complementary funds from donors. This goes to show that the active borrowers were well engaged by the leading MFBs. In addition, losses due to non-performing loans (NPLs) were reduced drastically to a minimum. The practices of resilient and leading MFBs were indicative of effective asset management, good managerial capability, appropriate internal control measures, good customer knowledge (GCK) and good customer service by the leading MFBs. This was not always the case with the failed MFBs.

A common thread of cost leadership was demonstrated in the financials of resilient MFBs. Their financials expressed in operating expenses vis-à-vis turnover for most of the ten-year span (MIX Market, 2015) were largely healthy. The exceptions were SEAP and Grooming Centre which had one year of loss position each in 2004 and 2007 respectively (Agusto & Co, 2015 and MIX Market, 2015). ACCION MFB had two years of consecutive loss positions in 2007 and 2008. Similarly, the failed banks had their operating expenses continually eating into their revenue and drained virtually all of the much-needed finances, eroding their capital base.

Furthermore, operational risks were properly managed by the leading MFBs as they had other sources of revenue generation apart from the primary source associated with the core business of providing credit services. Their credit services generated income through interest, service fees and commissions for late payment. Other sources of income generation included net gains from holding financial assets like treasury bills, interest earned on other financial assets other than the gross loan portfolio. Some other sources include non-interest income from money transfers and insurance brokerages, donations/grants, and non-fee income related to operations.

The failed MFBs however did not have sufficient income to cover their obligations as can be seen in 4 out of the 5 failed banks reviewed. LAPO's financial revenue was consistently higher than its operating expenses (see Figure 4.5 below). The two performance indicators followed the same pattern throughout the study period, thus indicating an opportunity to build surplus funds that improved owners' equity, thereby providing financial resources and capital reserves to embed resilience.

Figure 4.5: **LAPO: Financial Revenue vs. Operating Expenses**

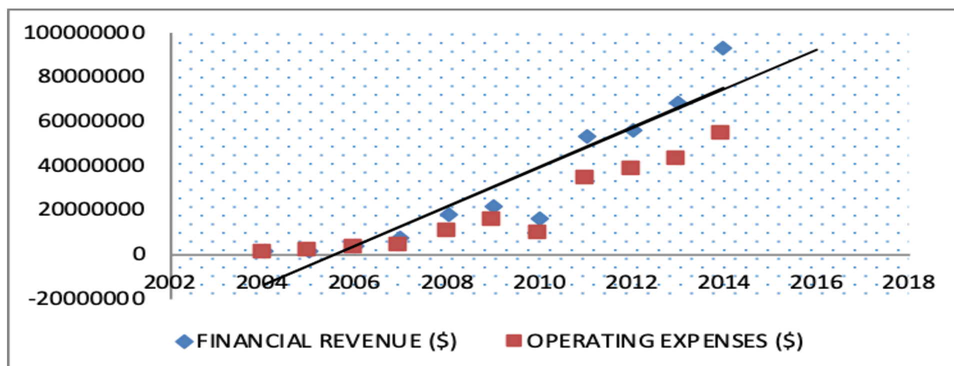
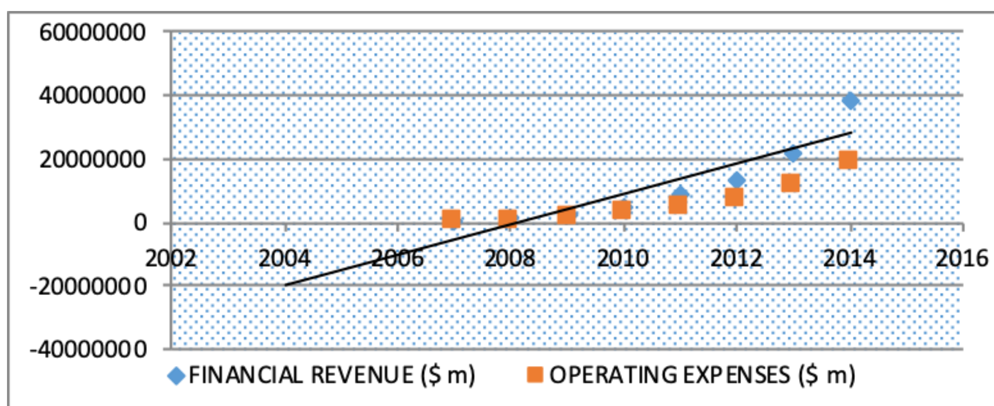
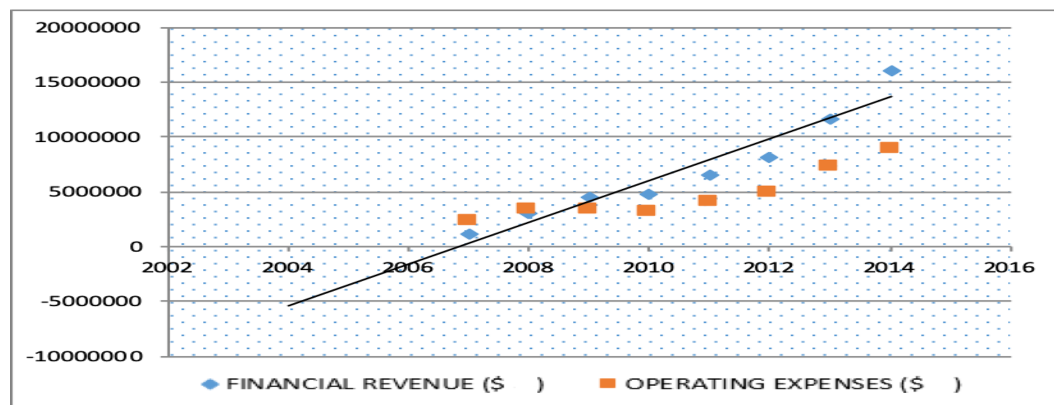


Figure 4.6: **Grooming Centre: Financial Revenue vs. Operating Expenses**



Similarly, from 2011, the financial revenue of **Grooming Centre** was steadily higher than its operating expenses and both followed the same pattern throughout the period; producing similar results as in LAPO (see Figure 4.6 above).

Figure 4.7: **ACCION: Financial Revenue vs. Operating Expenses**



The operating expenses of **ACCION** was higher than the bank's financial revenue in 2007 and 2008 (see Figure 4.7). The trend however reversed in 2009 when financial revenue became higher than operating expenses. This pattern was consistent throughout the study period. This indicates a strong positive rebound after a slow start. ACCION MFB is doing very well in the industry at present which could be linked to ability to keep cost consistently below revenue

4.4.5: Funding and Capital

The research data indicate that some MFBs expanded their clientele from micro-enterprises to small and medium businesses as well as to customers across all socio-economic levels. These steps were taken to make more money and to become more profitable. This may have been an attempt at trying to strike a delicate balance between outreach and sustainability; with outreach meaning reaching more people with micro-loans and other products and sustainability being the capacity to continue to deliver their services to customers, while recruiting new ones, with a sustainable cost profile. Some of these MFBs also deliberately went out to seek donor funding either in the form of grants and/or loans at low interest rates.

The MFBs that have been resilient tended to be more robust in their capital bases, capital adequacy and access to regular liquidity. They also had more access to funds from local and multilateral agencies than those that were not resilient. They had more branch networks than the dead ones, except in the case of Integrated MFB. Through these branch networks, they had more access to savings mobilisation that provided the liquid cash necessary when

difficult challenges came their way. For instance, most of the national and state microfinance banks, namely: AB MFB, LAPO MFB, FBN, NFP, SEAP, DEC, FORTIS, ACCION and HASAL, had a minimum of 24 branches each. These represented a channel to mobilise savings and loanable funds. Moreover, AB MFB was established by a consortium including Access Holdings AG of Germany, KFW- the Herman Development Bank, Impulse Micro-finance Investment Fund N.V. in Belgium, The African Development Bank and International Finance Corporation (IFC). In February 2014 IFC gave a US$5m facility to the bank. Similarly, ACCION is owned by a consortium of financial institutions, namely: ACCION Investments, Zenith Bank Plc, Citibank, Ecobank Transnational and IFC. It is also supported by Frankfurt Business School and ACCION international for skill development and capacity building.

NPF MFB is quoted on the Nigerian Stock Exchange and so, it became the second bank to achieve that position in the market. This gave it access to funds from the capital market.

FBN MFB is a subsidiary of the oldest and largest bank in Nigeria (First Bank Plc). This position gives it access to more funds and skills than most MFBs.

The thrust of the above developments is that branch network and strong capital base made contributions to the resilience of the MFBs. The size of the MFBs and their organisational resilience attracted more capital from both investors and branch networks, and ultimately led to organisational resilience.

It is also worth observing that many of the thriving MFBs received funding from insurance companies as well as loans from commercial banks and pension funds. It is safe to conclude that their resilience attracted the loans, and such loans built more resilience into the MFBs. This is a subject of debate that future researchers can expand upon.

It can then be argued that MFBs must first demonstrate a track record of initial success to attract donors and loans, which could attract more. That is the story of LAPO, and may well be the same with most other thriving and resilient MFBs.

With the exception of Ojokoro and Integrated MFBs, none of the dead MFBs are known to have had access to multilateral, CBN, capital market or governmental loans or even savings deposits like the banks identified above. Further, they did not have a sufficient capital base and access to the same kind of funds the thriving MFBs had access to. Although some of the failed MFIs/MFBs had grants from the Ford Foundation, Grameen Bank and some other

donor organisations prior to the study period, such grants were either misused or embezzled, and so they could not attract more.

Inadequate capital is a key challenge of microfinance banking in Nigeria. The findings indicate that very poor capital positions MFBs in a poor state, and so they could not withstand any adversity. For instance, the initial capital requirement of the unit microfinance banks is just ₦20, 000,000.00 (twenty million naira) while those of their state and national counterparts are ₦100, 000,000.00 (one hundred million naira) and ₦2, 0000, 000,000.00 (two billion naira) respectively.

As indicated earlier, most Nigerian MFBs belong to the unit category. That may be why they crumble so easily when a slight pressure is mounted on their capital through fixed asset acquisition, inability to mobilize substantial deposits, poor lending, and questionable corporate governance practices.

Also, potential investors prefer to invest their money in commercial banks rather than in microfinance banks because of the Nigerian volatile economy. Moreover, unlike the commercial banks that can source extra funds from the public, Nigeria MFBs are not well positioned to do so. The statements of some of the interviewees will testify to the above situation.

> *"There are unit, states and national microfinance banks and their capital bases differ. We belong to the unit microfinance bank category and our initial capital requirement is just twenty million naira. Once you have twenty million naira and you fill all the CBN papers, the CBN can grant you a license to operate as a microfinance bank. What limits you is that you can only operate in the immediate environment (city) where you are registered. You cannot go beyond the local government and you are not permitted to have more than two branches within the local government. But if you are talking about the state microfinance bank, you can have branches in all local government areas of the state and its capital base is a hundred million naira. The national microfinance bank requires two billion naira capital and you can operate it in all states of the federation, similar to commercial banks. For the kind of banking we do, the capital base is too small…*

> *"… You can see that our major challenge is inadequate capital. Most investors do not want to invest their money in microfinance banks. Unlike the commercial banks that have a pool of cash from the general public, microfinance banks do not have it*

because they don't go to the capital market to raise funds; because they are not publicly quoted companies. So once the people that started it cannot fund it anymore, the MFB fails because it cannot go to the stock market to raise capital" (MFB MD).

"Some failed and could not get up perhaps because their capital base had depleted to the extent that they could no longer pay their depositors. If they could no longer pay their depositors, their licences were withdrawn by CBN, and then they ceased to operate. One of the indices used by CBN is the liquidity ratio. Once a bank has a problem with its liquidity, it means it may not be able to pay its depositors (MFB MD).

"Most of our customers collected money and failed to repay; the bank then ran short of funds to carry on its operations. That was the major reason why the bank closed. Also our MFB went out of their way to give more credit than they could manage and it really affected us badly. There was no back-up money, when income starts dropping, the liquid cash to fall upon would not be there. I would say the bad economic situation of the country that worsens daily was a challenge to our customers. It was not favourable to them'' (Former MFB Staff).

"Some MFBs closed due to customers' inability to pay back their loans; and also because of inadequate capital to continue with the business. For instance, a customer may borrow money without repaying; other customers may also do the same. If about twenty people do that, how do you think the bank will have money to give to other people and to be able to continue with their business? It is not possible. So lack of funds contributed to their closure" (MFB Customer).

"From what I read in the newspapers, failed microfinance banks did not meet the CBN's capitalization requirement and were forced to close down and some customers lost money in the process. That was the reason they closed down. Another reason may be because of their management. Or it may be because of the bank's officials' embezzlement of customers' funds. That can also make them to close" (MFB Customer).

4.5: Finding Three: Governance and Manpower

Some MFBs do not observe good corporate governance practice. The evidence suggests that poor intermediation and lack of frugality on the part of directors and senior managers led to capital attrition in some MFBs. Board room politics, fierce power tussle and ostentatious

lifestyles derived from the limited funds of MFBs are common place. Furthermore, the death of majority shareholders often results in the death of MFBs, particularly when family members take over the MFBs with no skills to manage them. Below are some of the statements of interviewees that reinforce poor governance regime in MFBs.

> *"There was this microfinance bank that was based in Abeokuta that went through board room politics. It was the same thing with this other big microfinance bank known as Royal Cross. They were big and the key microfinance bank player around Ajuwan axis. The same thing – board room politics and problems – happened to them. There was so much infighting among board members and the bank died in the process" (MFB MD).*

> *"Some of these failed microfinance banks were more or less sole proprietorship. They did not want to dilute their ownership; they did not want to lose their shareholding. Oftentimes, they found it difficult to bring in other people to invest in it. There were people there who wanted to invest but the owners refused because they did not want to lose control. Even, if they want to allow an investor to come in, they would tell you "look, you can't take more than ten percent of the shareholding of the bank. But if I go there and see it, I would say let us invite shareholders to put in money there. Once the money comes in, we will revive the bank" (MFB MD).*

> *"In fact, there was this microfinance bank that the owner died. The wife said she doesn't think she could manage the bank. The man had co – directors, who were appointed just to fulfil all righteousness. They were about eight of them and some of them did not even contribute any money into the bank, or have shares. So when the man died, the wife said "let's dispose off this bank; let's sell it to people". I happened to know them, so I brought in some people that were interested in buying it. They even told me that if they were able to negotiate and buy it that they will invite me to come and run the place. At a point, those people were now concerned about the share capital sharing ratio / percentage. What is my percentage and what will I get, was the question. I then told the wife of the deceased owner to look at the people coming to put in their money and take over the place. And although she will become a minority shareholder, the bank will be alive. But she said no, that they cannot concede more than forty percent of the shareholding to the people. And that those people were*

coming to take over control of the bank. Since she did not allow new shareholders, the microfinance bank closed down" (MFB MD).

"You see, some of the owners/ shareholders believe the bank is theirs and that they can do anything they want. They would say: "I need money, why would you the credit officer say no?" or "I gave somebody a note, and you refuse to give him the loan". Such owners operate without recognising that other shareholders' and customers' funds are in the business. I have fallen victim of this before. I would know from my investigation / analysis that this person seeking for loan cannot pay back the loan. And I would say: "please sir, the only cushion I would request from you is that you give a note that you introduced the customer, and that you don't even bother to guarantee it; I will honour your note based on your position. That was how I lost my relationship with him, and lost my job as Managing director" (Former MFB MD).

"That was how I fell out of luck. I would say: look at what you said I should do. This thing is not feasible but if you want me to give the loan to this person, no problem. But please do something, because, based on the CBN regulation, you cannot stand as a guarantor to any customer. I will just keep it off record. Just give me a cheque to support it so that I will now know that it is from your honour" (MFB MD).

"So, corporate governance, when the CBN says be meeting as often as you can, how many times do they meet? It is only when they know that the CBN is coming for monitoring that the directors will go and organize a kangaroo meeting for the purpose of presenting the minutes to the CBN; whereas they never sat down and discussed anything tangible. These are some of the problems" (MFB MD).

"The owner of our bank was just being generous trying to assist people and in the process, he lost his capital because either some of the people's shops were demolished or they lost their husbands and therefore could not pay back the loan" (Former MFB Manager).

"They were trying to cover all the thirty six states of the country whereas the capital to do so was not there. Their problem started when people could not withdraw money from their savings because there was no cash on ground. Later, to pay their staff salary became an issue because they had invested all the money on capital things that did not generate income. That was the major reason why they closed down because

they were trying to cover all the thirty six states of Nigeria at a time when money to do so was not available. It really affected them much" (Former MFB Manager).

Owing to non-inclusion of microfinance banking in the Nigerian higher institutions curriculum, most Nigerian microfinance banks staff (especially at a management level) are recruited from commercial banks. As a result, most of them have little or no training in microfinance banking and lack the understanding of appropriate lending model, as well as the skill to monitor and manage loans repayment. Some statements from interviewees to buttress the above are stated below.

"Why some MFBs fail is just not having integrity. Experience also plays a key role. You might have the integrity but without the experience, you won't be able to withstand the storm. Why are most of the microfinance banks failing? One of the reasons is lack of experience. It is not that they did not have banking experience but microfinance banking experience is the issue. Most of the failed microfinance bank Managing Directors came from commercial banks background; and they did not have any microfinance banking experience. They were full of commercial bank ideas and that was what they were practicing. I have told you of my own experience too, when I came I said let's go after these big customers. That was the mind-set. Again, they had bogus and beautiful offices that did not reflect the micro business we are into. If you go to Bangladesh, you will see that some MFB offices are even under the trees. So those are the experiences we are talking about" (MFB MD).

Then the issue of manpower in the microfinance bank industry; there are many people who come to work in microfinance banks without any requisite experience or the skill because microfinance banks deal more on micro loans; giving out such loans and managing the customers. Only a few people have the required microfinance banking skill. This has also been a challenge because it takes time for people to appreciate the mode of microfinance bank operation. So, only a few microfinance bank staff know how to package loans and perform other microfinance bank functions. Sometimes, when people move from a commercial bank to microfinance bank, they have problems because when they don't have the knowledge, they introduce the commercial bank mentality in their operations. So, one of the risks is based on the fact that some microfinance bank staff lack the appropriate methodology of micro lending. They

don't have the skill to do that and to ensure that they back up some of the loans with commensurate collateral". That is another challenge" (MFB MD).

"Initially, we had good workforce but along the line some people started dropping because they got a better job and left. We had to employ new hands. Most of the people we employed did not qualify for the job and could not measure up. Sometimes like you, instead of employing a qualified candidate, you employ an unqualified person whose performance will be below average. You can't expect such MFB to go far, it will most likely fail. So if you have a good workforce, good marketers and proper orientation of people, I don't think the bank will fail" (Former MFB staff).

"We knew it was going to come to an end one day but we never knew the day it would be. It was a gradual process; we were losing customers; we were not getting good responses and one day, it just ended. I mean responses from customers and from the staff because most of them were saying that they were not going to continue with the bank; that it was no longer paying them as it was supposed to; and the field staff that were supposed to bring customers were complaining that customers were not forthcoming and that they were tired of the job. The directors rather than solving the problem were fighting among themselves (Former staff).

4.6: Finding Four: Critical Incidents and Organisational culture

4.6.1: Critical Incidents

MFBs often thrive on public confidence. The findings in this study indicate that some MFB failures can be attributed to customers losing confidence in the ability of MFBs to continue in business which precipitated the critical incident of panic withdrawals across the industry when Integrated MFB failed, culminating in industry wide failures. That was the situation the Nigerian microfinance bank industry found itself in 2010. Observations of some of the interviewees support the above assertion.

'When IMFB (Integrated Microfinance Bank) failed, it affected so many other microfinance banks. So many microfinance banks closed as a result of IMFB's failure. In fact, at that time, about 242 microfinance banks went under while we weathered the storm. People believed that if IMFB which every other microfinance banks looked up to could fail, that other microfinance banks would also fail. So there was mass panic withdrawal in the microfinance banking system and we at that time, were not exclusive (MFB MD).

"So when that storm came (failure of Integrated MFB), people came for their money (deposits) in our bank, including those that had confidence in the MD. But because some banks failed, they came for their money – three million naira, five million naira – but we were able to meet their demands. That is why we are alive while so many other MFBs failed"(MFB MD).

"The level of education in Nigeria is a bit low. Those people (customers) at a point in time believed that microfinance banks are just one and the same bank. They recognize Zenith Bank, GTBank, Chattered Bank and other commercial banks as individual and different banks but when you mention microfinance banks, they feel all of them are one and the same. They cannot differentiate Accion microfinance Bank and AB microfinance Bank. Whenever they hear microfinance bank, they believe they are just one. So, when they heard that Integrated Microfinance bank (IMFB) has gone under, they believed all the microfinance banks have collapsed. Customers then rushed to their microfinance banks to withdraw their money. So there was a rush to withdraw money from other microfinance banks" (MFB MD).

"Once one or two customers come to withdraw his money and couldn't get it and you tell them come tomorrow, before you know it, news will start spreading that the bank can no longer pay its customers and people would tell others they know, to quickly go and withdraw their money from the bank. So, when the rush was coming, of course it will take its toll. You won't be able to do business again, you won't be able to give loans and you have financial overheads to settle because whether you like it or not, you must incur expenses; you must run your generator and pay salaries. So when all those things came together, it became a burden on them and those that did not have enough capital base were eased out of the system" (MFB MD).

Three identified critical incidents are:

i. Mass cash withdrawal
ii. High incidence of unrecovered loans
iii. Lack of good corporate culture across all levels of the workforce.

"People believed that if IMFB which every other microfinance banks looked up to could fail, that other microfinance banks would also fail. So there was mass panic withdrawal in the microfinance banking system and we at … then were not excluded. The major thing that saved us was our liquidity position which my Managing Director

always emphasized. He didn't joke with it and made sure that we always had good liquidity at any point in time. The CBN would give a benchmark of 20% but my MD would work with a minimum of 35%. Once our liquidity position reached 35%, we would stop lending money to customers. He ensured that we had a good liquidity at any point in time" (MFB MD).

"Although our liquidity went down drastically, he was able to meet all our fallen due financial obligations. When people saw that we were still functioning, they started bringing their deposits back and even brought more. In fact that is what we are still practicing here till date. So I give it to him. His experience worked" (MFB MD).

"In the past couple of months of December, January and February 2017, depositors were coming for their money. But the rate has reduced now. The reason being that they will always tell you they have one thing or the other they want to do; and you cannot question them because it is their money. And you dare not say it is not available and we are talking of large sums of money that runs into millions of naira. As a result, we have dispensed over a hundred million naira since December 2017 till date" (MFB MD).

"We didn't have any other choice than to extend our marketing strength and marketing department to be able to bring in more deposits. We also slowed down our loan facilities to smaller amounts like twenty thousand, fifty thousand or hundred thousand naira. Before we gave out large amounts like five hundred thousand, we had to scrutinize it to ensure that we didn't give it out for a long period time. Six months was out of it; but if you are turning it around within a month or two, just to make sure that we stabilized. But we have gotten over it now. That is what keeps the business going; meeting our financial obligations" (MFB MD).

"One of our striking bad experiences in the industry was on liquidity issue – cash in general. There was a time our liquidity fell drastically low because we lent too much to a particular sector – schools – when they were on two months long holidays because schools are one of our major customers. And because they can only pay back when they are in session through students' school fees, it affected our operations within the holiday period. But we were able to cope until when school resumed and we started having free flow of cash again" (MFB MD).

"We were able to manage because we have a minimum liquidity benchmark of 20% as authorized by the CBN and at that point our liquidity had declined from 30% to 25%. CBN says 20% but we set ours at a minimum of 30%. But when we saw that our liquidity has reduced to 20%, one of the measures we took was to reduce the number loans we were giving and more importantly, we then went out for the recovery of all the other non-school loans. As for the school loans, we were stuck since they can only pay when they are in session. So we had to reduce the volume of our loan at that period and judiciously used our little cash for servicing customers' deposits. We actually postponed some of the loan requests by asking the customers to come back later at a certain period. That was how we were able to manage it" (MFB MD).

"In fact what I have heard from history is that there were about five or six microfinance banks in this Akute area about nine years ago and out of the number, only this one has survived. It was because we have able directors that have been able to manage the bank well. They were not coming to collect and collect money from the bank. The fact is that they were able to ensure that the books and progress of the bank were paramount to them; that is why the bank was able to survive while the others closed. In fact while all the other microfinance banks were closed, this one survived because we had a very solid board of directors who were not bent on collecting their shares but made sure that things went well. All the microfinance banks in this area failed except us. It was only recently that one state microfinance bank was established down this road. But during that turbulent period, only this one survived because of our ***good corporate governance"*** *(MFB MD).*

"In fact that was one of the reasons why people were sceptical about banking with a microfinance bank. A situation where about six microfinance banks went under while only one of them in this area survived scared some people from patronizing us for they felt: "how are we sure that they are not the same thing" (MFB MD).

"I believe it is mainly because our directors are very educated and have a heart of doing clean business, that is interested in establishing and running a bank that will benefit people and they are of the same mind; they are also united and understand each other very well. This actually helped to keep the bank alive. If you have a board that is divided and every one of them has his personal interest, the moment every board member of a bank is unsettled, the bank must surely go under"(MFB MD).

"Another reason is the resolve of the management and staff of this bank to ensure that they do their jobs the way they are supposed to. When a bank has people with I don't care attitude, it is a major problem. So, the loyalty of the staff and their resolve to work with the management to make sure that the bank survived the period was also a contributing factor to our bank not failing when others did" (MFB MD).

"The issue of liquidity helped us too because it is like when somebody says you must count a hundred items and you counted a hundred and twenty of them instead. We did that so that it can guide us in knowing that while we cannot fall below the CBN's 20%, the moment we are hitting below 30%, we should know that there is danger or red flag instead of falling to 20% before we realise the danger. So, that standard was set to enable us know that whenever it is below the level, we would know that there is a lot of unrecovered money outside. So, it has actually helped us because you always maintain whatever the regulatory authority put in place; and if you don't do that, before you know it, you would find yourself down"(MFB MD).

"The period we had the problem of liquidity, at the same period, our portfolio at risk was also affected because both of them are related. So, when it happens, you quickly tackle the problem from these two angles. While even though one would set the 30% maximum for myself (which means you still have cash), but once the portfolio at risk tells me something else, I began to do something in order to reduce it. In fact apart from the regulatory authority's benchmark, we always ensured that we go below it. That is trying as much as possible to bring the portfolio at risk to as little as 1%, even when the regulation is 5%. This means that we have a zero tolerance for a default" (MFB MD).

The above statements, a few from the narratives of the interviewees, demonstrate the importance of critical incidents in the lives of MFBs. Furthermore, narrations by the Nigerian MFB directors, interviewed in the course of this research, showed that the integrity, core values and lifestyle of the people charged with the oversight responsibility of a MFB are also critical to the survival or failure of MFBs. For instance, a comparative evaluation of the backgrounds of a LAPO promoter/director interviewed and that of his Integrated Micro-Finance Bank Limited (IMFB) counterpart shows that both are well educated professionals with core competences in organisational management. Both are economically comfortable. But while the IMFB chairman and her managing director granted loans to themselves and

relations without collateral nor paying them back (in breach of prudential regulatory guidelines), the LAPO chairman and his other LAPO board members did not. The implication is that insider abuse was avoided in LAPO, with outcomes that minimised NPLs and challenges with PAR; which was not the case with IMFB.

Further, while it was reported in the media (Opeseitan, 2015) that the lifestyle of Dr. Doyin Abiola, the chairman of IMFB was extravagant, that was not the situation with her LAPO and Grooming counterparts, who lived conservatively in the middle class suburbs of Lagos, driving average Japanese cars, taking modest holidays and flying mostly economy class. The chairman of IMFB was one of the wives of Chief MKO Abiola who was said to have been the wealthiest Nigerian prior to entering politics which ultimately took his life in 1998. His death drastically reduced the funding available to the wives. Funding her (Dr. Doyin Abiola's) lifestyle may have contributed to being involved (Opeseitan, 2015) in the alleged misappropriation of MFB funds she was expected to protect.

Dr. Doyin Abiola became the Board Chairman of Integrated Micro-finance Bank (IMFB) Plc from its inception in 2005 until its closure in 2010. The death of Integrated MFB, whose board she chaired, and Alliance MFB is linked to poor corporate governance and weak institutional processes, amongst various factors (Sahara Reporter, Nov. 25th 2013). For instance, Mr Ademola Akinteye, CEO of Integrated MFB was said to have diverted ₦604 million of the bank's funds to his private account which precipitated the death of the bank (Opeseitan, 2015). Dr. Doyin Abiola, the chairman of the bank was also said to have diverted ₦27 million. Mr Akinteye could defraud the bank because the chairman failed in her oversight function as she was alleged to have also helped herself to a part of the diverted funds. Governance was called to question which severely degraded the robustness of the company's finances to withstand adversity, particularly when there was a run on the bank by its customers. The critical incident of losing its entire paid-up capital and significant part of depositors' funds to unrecovered loans is the primary cause of the failure of IMFB.

Following the closure of Integrated Micro-finance Bank (IMFB) Plc in 2010 where Dr. Doyin Abiola served as the Chairman, she and three other key directors of the bank were arraigned by the EFCC for granting unauthorised credit facilities up to ₦327,566,000.00 (about US$2m) to themselves without collateral and repayment. On October 2017 during Mrs. Betty Irabor's (a foremost Nigerian socialite) birthday celebration, Dr. Doyin Abiola, the keynote speaker on "truth and integrity in journalism" at the occasion, stated that, "it was

difficult to maintain integrity and even harder for a woman who is in a position of power to do so" (Awodipe, 2017 in the Guardian Newspaper of April 26, 2017). She espoused her values of comfort and abundance, a possible product of her life story during that speech. She lived those values. Financing those values may have contributed to her poor governance practices and ultimately the death of the IMFB. It is perceived that the unrecovered loans and the run on IMFB were the underlying causes of poor governance practices and fraudulent insider trading linked to the values and lifestyles of the leaders and senior Management team. These values found their way through the organisational culture to other staff members. Commenting on the failure of IMFB, the Emerald MD said as follows: "When IMFB (Integrated Micro-finance Bank) failed, it affected so many other Micro-Finance Banks, many of which closed as a result of IMFB's failure. In fact, at that time, about 242 micro-finance banks went under while we weathered the storm. People believed that if IMFB which every other Micro-Finance Bank respected could fail, other Micro-Finance Banks would also fail. So, there was mass panic withdrawal in the Micro-Finance Banking system and we at Emerald then were not excluded" (From primary research in-depth interview). The critical incident of the failure of IMFB had a ripple effect on the entire industry, and many other poorly capitalised MFBs went down.

Elsewhere, Odunsi (2015) reported a story on the MD of Uda MFB, who allegedly stole ₦ 317 million; while Ahmad (2015) reported the diversion of ₦207 million by its CEO. Failure of the MFBs was attributed to poor corporate governance, insider pilferage and corruption by the owners/promoters and leaders of the banks. The result tends to indicate that the senior management team and directors had poor moral values, are fraudulent and lead decadent lifestyles. In some cases, staff and managers were the major contributors to MFB failures, usually transmitted through poor corporate governance practices, system gaming and poor lending models.

Most recently, Grooming has been following closely behind LAPO and vying for the number one position in the MFB market. It has previously been suggested that the management of Grooming took a strong orientation from LAPO organisation in terms of governance and emulated its business model. In fact, as already mentioned, at the inception, LAPO loaned a key official of the company to Grooming to help it to set up its business processes and install a culture that is communal. Grooming, within a short time, became the number 2 MFB by market share using LAPO's business model. It also appears to have appropriated the LAPO culture and the LAPO way of customer service. It is strong, robust and resilient. The

conclusion from this is that the LAPO business model appears to be a worthy vector, not only of organisational prosperity, but also of resilience, which other practitioners can benefit from if they implement its practices in the same way Grooming has done. Alternatively, they might adapt those practices to their own unique circumstances and culture.

The research result also indicates that values in use, lifestyle and integrity of the senior management team were also highlighted as key contributors to some of the recent failures in the MFB industry. The problem of integrity is anchored in fraudulence and constitutes a common phenomenon amongst the customers, management staff and directors of the Nigerian MFBs that closed in 2010, 2014 and 2018.

The word "integrity" in this context refers to a condition of being honest, upright and always having high moral principles. It also means doing what a person sets out to do. It is about remaining true to one's word as one's bond. Deliberately setting out to mislead others by saying one thing and doing something else implies fraudulence and a lack of integrity. This is what was found to be happening amongst some MFBs from the interviews conducted. In this study, four practices were used to identify and/or define fraudulence or integrity challenges namely:

- When a person - whether a customer, bank officer or director - deliberately sets out to do something that contrasts with what was promised in the course of engaging with the MFB;
- Falsification of financial and operational information to cover up fraud and/or to deceive regulatory authorities; and perpetuating fraudulent activities;
- Deliberate disregard of prudential guidelines for personal gain;
- Knowing the reasons for the cause of failure in MFBs and saying something else.

The critical incidents uncovered during the study in the lives of MFBs themselves are:

iv. Mass cash withdrawal from most MFBs when Integrated MFB collapsed. This panic withdrawal led to the death of several other MFBs, primarily the small unit ones.

v. High incidences of unrecovered loans during the 2005 - 2010 transformation of many MFIs to MFBs, as well as when schools were on holiday. Interestingly, schools used to be the primary clients of some of these banks.

vi. Defrauding IMFB by the Chairman and Managing Director of the bank that wiped off the entire paid-up capital of the bank.

vii. The death of a key promoter and leader of an MFB and the loss of critical staff.

The findings show that Asset Matrix and Emerald Micro-Finance Banks withstood the first two critical incidents by:

viii. Proactively maintaining liquidity levels of 35% (for Asset Matrix) and 30% (for Emerald), which are above the Central Bank of Nigeria's (CBN) prudential threshold and reducing their Portfolio At Risk (PAR) to the barest minimum at 1% below the CBN threshold of 5%.

ix. Limiting the number of loans, the amount and outright suspension of credit until all loans granted were recovered.

x. Authorising a few, relatively big loans for a shorter maturity period.

xi. Engaging in aggressive deposit drives / loan recovery.

xii. Making judicious use of available resources.

xiii. Maintaining honest dealings and imbuing a good corporate culture across all levels of the workforce.

A MFB MD stated: *"... The major thing that saved us was our culture of liquidity surplus/ position. We were very serious about it and made sure that we always had good liquidity at any point in time. The CBN would give a benchmark of 20% but we would work with a minimum of 35%. Once our liquidity position reached 35%, we would stop lending money to customers*."

His bank had to increase its marketing strength and marketing department to be able to attract more deposits. Their credit facilities were reduced to smaller amounts, such as twenty thousand Naira, fifty thousand or hundred thousand Naira. Before loaning out large amounts, such as five hundred thousand Naira, it had to be scrutinised to ensure that these amounts were not being loaned for long periods. Three months was considered sufficient for a loan to be turned around. Indeed, most had a tenor within a month or two, to make sure that the bank could stabilise from the shocks it had endured. Consequently, the situation where many other MFBs did not survive could be overcome.

On the other hand, another MD of MFB stated: "*One of our strikingly bad experiences in the industry was on a liquidity issue – cash in general. There was a time our liquidity fell drastically low because we lent too much to a particular sector – schools – when they were on two-month long holidays, they could not repay the loan. And because they can only pay back when they are in session through students' school fees, it affected our operations within the holiday period. But we were able to cope until school resumed and we started having free flow of cash again*".

They were able to succeed because they maintained a minimum liquidity threshold of 30%, above the 20% stipulated by the CBN. Despite the CBN's prudential guideline of 20% liquidity ratio, at some point the bank doubled the ratio to 40%, putting a strict monitoring regime in place that the liquidity minimum must not be lower than 30%. Additionally, the bank implemented measures to reduce the number and quantum of loans given out. More importantly, it proceeded to aggressively recover all non-school loans. As for the school loans, the bank was in a difficult position for a while since the schools could only pay when they were in session. As such, the bank had to reduce the volume of loans at that period and judiciously used the limited cash at their disposal for servicing customer deposits. Loan requests were temporarily unattended to by asking customers to come back at some future period. That was how the bank survived and overcame such a critical episode.

LAPO was able to withstand the third and fourth critical incidents by barring directors from borrowing from the bank and the MD, cancelling all overseas travel and holidays for a whole year and rebuilding the organisation so as not to be compromised by such occurrences in the future.

Overall, the findings indicate that proactive capabilities like visionary and cultured leadership, having a lifestyle that promotes integrity and avoidance of breaching prudential guidelines; managerial skills, capital adequacy, planning and competitive business models, like the 'right' pricing of credit and savings products, facilitate resilience. Such resilience can be transferred from the personal qualities and philosophies of the individual leaders to the organisation. Adaptive capabilities like improvisation, agility, flexibility and innovativeness can help a dying MFB to recover. Otherwise, healthy MFBs can fail as a result of the greed of the directors, weak governance, financial indiscipline, weak risk management, poor controls and a host of other factors. Furthermore, promoters' and senior management's profligate lifestyles, non-observance of prudential regulatory guidelines, particularly that of single obligor lending, corruption and not learning from critical incidents in the lives of the organisation are perceived as contributors to the death of some MFBs.

4.6.2: Organisational Culture

The evidence from the research suggests that organisational culture contributes to organisational resilience or lack of it. The degree to which this is true is essentially for future researchers to consider in researching organisational resilience. Although, not statistically significant, Table 4.1 indicates that 63% of interviewees/participants associated

organisational resilience with organisational culture. The findings also indicate that communal organisational culture (that is organisational culture that is strong in solidarity and sociability) backed by a sound regulatory framework and honest regulatory officials facilitates resilience. Solidarity is achieved by setting clear goals and sharing common values. In such cases, participants are encouraged to come up with different ideas to build the organisation. Sociability is about team-work and a strong commitment for a successful outcome. Those MFBs with a communal culture which demonstrates a high sociability-relationship and solidarity are able to pull together in difficult times based on clear guidelines for behaviour in times of adversity. This is specially demonstrated through the group business model, where lending is done in group, and payment default is averted through group pressure. This culture, which intersects business model, encourages growth and learning from the bottom-up in terms of operations, although vision is usually disseminated from above.

As earlier highlighted in the literature review in Chapter 2, CMI (2015:1) indicates that the culture of an organisation is its personality and character. It argues that "Organisational culture is made up of shared values, beliefs and assumptions about how people should behave and interact, how decisions should be made and how work activities should be carried out". This reinforces the works of Schein (1992) and Dopson (2010). How do those play out in real practice? The evidence from the research suggests that in LAPO MFB, for instance, staff and managers pray together from the Holy Bible at the beginning of each week particularly on issues the CEO perceives as requiring divine guidance and help. This occurs as well at the board, board committee and management levels. Such cultural expression has been associated with staff and managers bonding to achieve organisational goals. The logo of LAPO MFB is an artefact representing community, warmth and nature. All of the offices are open-planned, promoting transparency, access and teamwork. These practices underpin the culture of the organisation. Grooming has copied LAPO MFB. In the in-depth interviews, some respondents indicated that the directors' praying together was a visible aspect of the organisational culture that impacted their decision-making and governance practices. This was said to instil fear of God in staff, removing the temptation to steal. Asset Matrix, LAPO and Emerald MFBs were cited as examples. The findings of the primary research also highlight the case of Emerald, whose leaders socialised in church; an example followed by many of its customers. They had shared attitudes, a shared belief system and shared values. This finding that culture plays a role in organisational resilience narrative is also supported by

the Marxist and Christian orientations of the chairman and MD/CEO of LAPO. O'Reilly et al's (1991) cultural profiles also support this conclusion. According to Goffee and Jones (1996), communal culture is team-oriented and sustains the achievement of goals by combining innovativeness, improvisation, stability, and people orientation within teams. This cultural dimension is evident in Grooming, LAPO, Emerald, Asset Matrix and AB MFBs, underlining their ability to pull through difficult situations. The research findings indicate that resilience in these MFBs is not only far reaching, but long lasting. This was not the case with those that tended to have fragmented or mercenary cultures which were often low in sociability, although sometimes there was a high commitment to solidarity in such banks. Examples include ICMB, Integrated MFB, Akute, Ojokoro, Olive, Daily Capital and several others. When they encountered one or two difficulties they ceased to exist. Culture was identified or perceived as a key contributor to their resilience narrative.

4.7: Finding Five: LAPO MFB Resilience Approach

4.7.1: Introductory Remarks

This section summarises the findings in the case study of LAPO MFB, the largest and probably the most resilient MFB in Nigeria in the last ten years. As a part of the methodology for executing this thesis, and particularly because it is practice oriented, it was to identify how and why LAPO had flourished over the years, in good and difficult times, while several other MFBs failed. The objective was to gain insight that other MFBs could learn from.

LAPO MFB has remained so powerful over the last ten years whilst several others, the latest being Fortis MFB, have foreclosed. LAPO represents a shining example of organisational resilience that most other MFBs could emulate and learn from, hence this section.

With the launch of the Micro-Finance Policy Framework in December, 2005, the micro-finance industry in Nigeria was confronted with a new set of challenges. First, a large number of MFIs failed to grasp the importance of the changes, and how a MFB deliver its services to be effective in meeting the needs of the target market. Secondly, most community banks that were to transform into MFBs did not seem to know how and when to do this. Consequently, some MFBs perceived themselves as smaller commercial banks and began competing with real commercial banks for deposits and customers, resulting in the abandonment of their primary duty of providing banking services to the poorer people and/or their micro-enterprises (Agusto & Co., 2015). This decline in their capacity to withstand operational challenges increased and the loss of focus made self-regulation a remote and unattainable

goal. This was in spite of efforts that were made by regulatory authorities to get them back on track.

Furthermore, as a result of the new regulatory requirements transmitted to MFBs in 2005, managerial incompetence, distractions from the core purpose of financial intermediation for poorer customers and an inability to pay depositors meant that delinquency increased. Some 224 technically insolvent and terminally distressed MFBs were suspended by the Central Bank of Nigeria (CBN) and the Nigeria Deposit Insurance Corporation (NDIC).

In a bid to strengthen and enforce the regulatory regime, a target examination of all 820 MFBs was conducted from February to June 2010. The result of the exercise culminated in a press conference by the CBN Deputy Governor, Dr. Kingsley Moghalu. He convened a group to discuss the status of MFBs in Nigeria and the 27% whose licences had been recommended for revocation to achieve overall Financial System Stability (FSS) (CBN, 2011).

In addition, the impact of the 2008 global financial crisis on MFIs in Nigeria was severe and long lasting, as Foreign Direct Investments (FDIs) declined. Competition became more intense, credit lines dried up as credit risk increased, and numerous MFB customers were unable to pay back loans due to the harsh, hostile economic environment that ensued. These factors combined to weaken the micro-finance market significantly, putting the achievement of the policy objective of financial inclusion and economic empowerment of the unbanked populace at great risk.

Given the above scenario and the numerous petitions received from aggrieved depositors, the need to identify the nature of the problem and ascertain the scope of the damage done to the affected institutions became paramount. In the midst of all these developments, LAPO MFB was not only stable, it was able to withstand the challenges and prospering in the process.

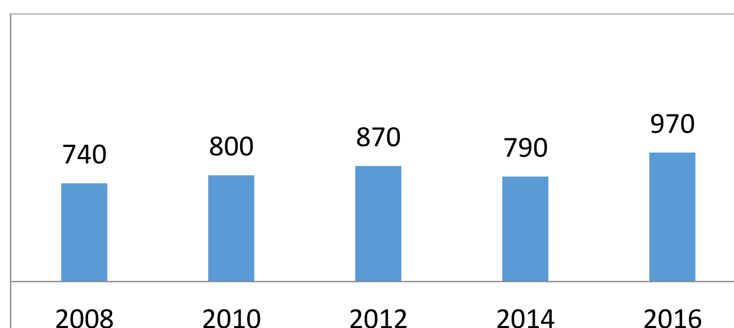
As highlighted earlier, LAPO MFB has been a shining light in the MFB industry and has been rated the best MFB in Nigeria in the last ten years. It achieved an A- Rating, the highest in the industry (Babatunde, 2017; LAPO 2018 and Agusto & Co., 2018). Consequently, shedding light on how it evolved from a small, obscure enterprise in the village setting of Ogwuashiukwu to become a financial powerhouse all over Nigeria and later Sierra Leone could contribute to knowledge and theory; and inform practice. Avoiding the researcher biases here would be a lot more difficult having been involved in LAPO business for over 26 years.

He (the researcher) and his wife chaired the board of LAPO for about 26 years beginning from when it was an MFI, and following it into its transformation to a MFB. His wife chaired the bank "officially" for about 11 years and he has been the chairman for the last 15 years. This experience is useful to draw on in a discussion of organisational resilience. He will therefore discuss some of the unique practices of the bank. First, however, is restating some of the very relevant developments in the MFB industry in Nigeria since 2005, when the CBN regulatory regime began. These changes are summarised as follows:

- The MFB sector in Nigeria took off in 2007, following the new MFB regulatory policy and prudential guidelines enacted by CBN in 2005. Since then, the industry has grown moderately, driven largely by the reluctance of commercial banks to fund emerging micro-enterprises.
- As at December, 2016, there were over 970 MFBs licensed by CBN. The industry is dominated by unit MFBs which account for the largest share of Nigeria's branch distribution, with 43% of total branches and cash centres. The operations of MFBs are governed by the Revised Micro-Finance Policy Framework for Nigeria ("RMPFN"), issued by CBN in April 2011.
- Despite the growth of MFBs recorded in recent years, obtaining relatively low-cost financing remains a major challenge for micro, small and medium scale businesses.
- LAPO is the dominant market leader in the provision of micro-credit facilities in Nigeria, and evidence suggests that it is likely to sustain its leadership, in the medium term, by growing efficiently and effectively distributing credit to its target customers.

Source: CBN bulletin and Agusto & Co. Micro-Finance Banking Industry Report (2015) in LAPO 2018-2022 Strategic Plan, Jan 15, 2018

Figure 4.8: **Growth in number of MFBs in Nigeria**

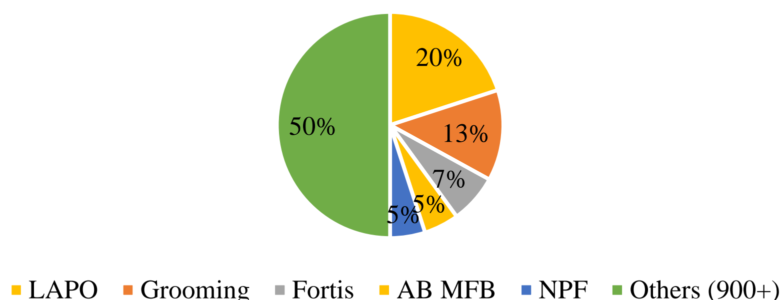


Source: LAPO, 2018

4.7.2: LAPO's performance within the industry

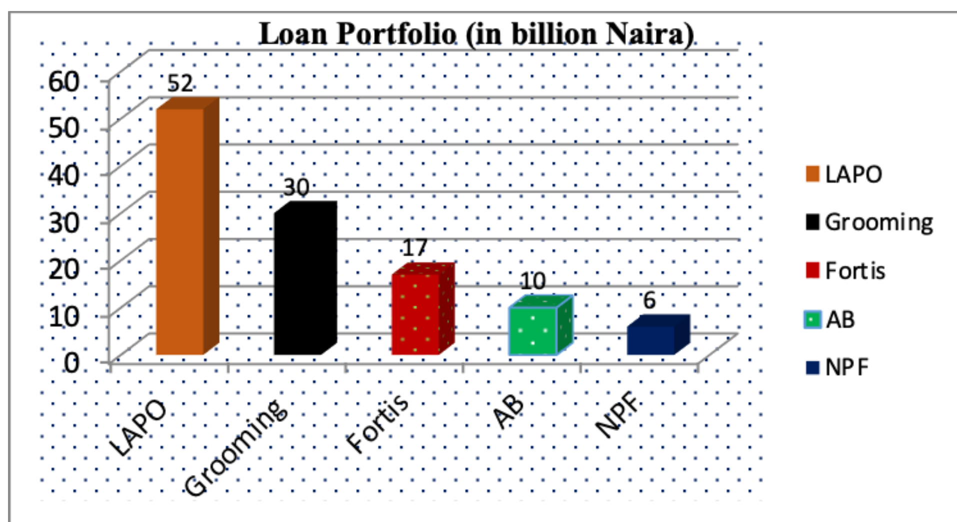
LAPO MFB being the largest Micro-Finance Institution (among 970 MFBs) in Nigeria contributes 20% of industry disbursement and 28% of its loan portfolio.

Figure 4.9: **Shares of Nigerian MFBs industry disbursement**



Source: LAPO, 2018

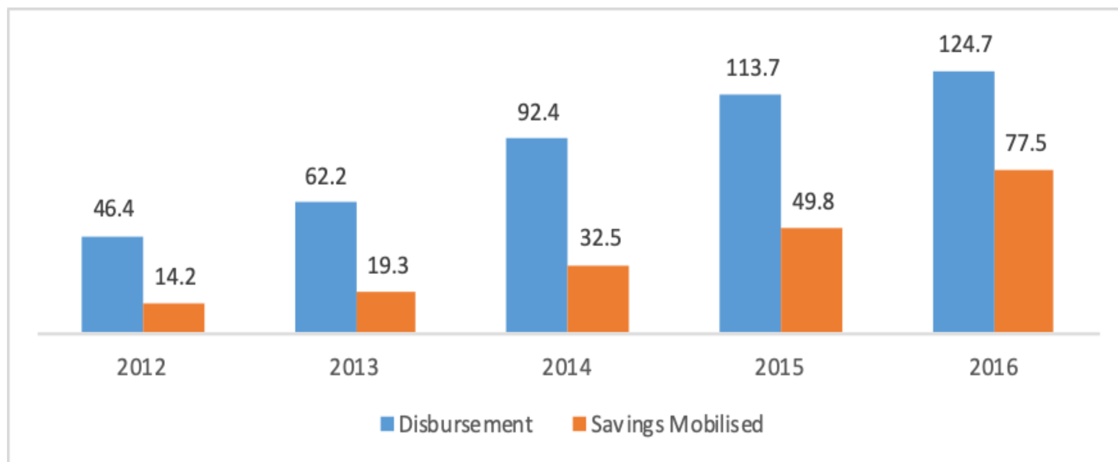
Figure 4.10: **Shares of Nigerian MFBs Loan Portfolio (in billion Naira)**



Source: LAPO, 2018

In 2016, LAPO's loan portfolio was ₦52b (US$173m) compared with Grooming's ₦30b (US$100m), the second highest in the industry. Grooming modelled its business on LAPO and asked LAPO to second one of its staff to implement the model in 2010. All the other MFBs are relatively small in comparison to these two. LAPO and Grooming have demonstrated the greatest capacity to overcome short term adversity, with consistent growth in all key performance indices.

Figure 4.11: **Nigerian MFBs Loan Disbursement vs. Savings (in billion Naira)**

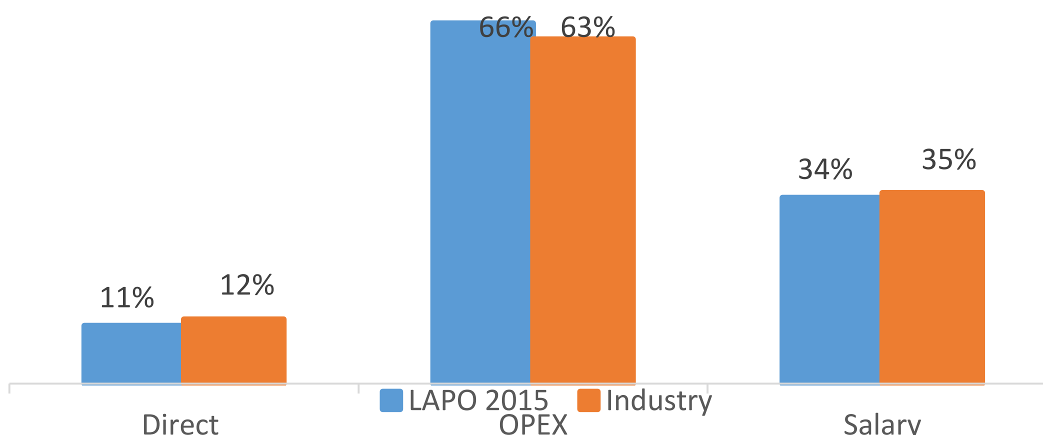


Source: LAPO, 2018

As already stated, LAPO is the largest MFB in Nigeria, contributing 20% of industry disbursement and 28% of its loan portfolio. Figure 4.11 above shows how its disbursements grew from ₦46.4b in 2012 to about ₦125b in 2016 while savings mobilised increased from ₦14.2b in 2012 to ₦77.5b in 2016.

The savings provided a cheap source of funding for credit to micro-enterprises. This enhanced LAPO's profitability as well as its robust capital base to deal with bad loans and ultimately augmented the resilience of the bank. Worthy of note is that most (about 80%) of its savings came from borrowers, in a certain way unofficially collateralising the credit extended to them. This minimised loan defaults, generating low PAR. It created increased profitability and financial self-sufficiency. Resilience is a consequence in such an operating environment.

Figure 4.12: **MFBs Operational Expenses**



Source: LAPO, 2018

LAPO MFB's direct cost and salary was better than the industry average, although its operational expenses were higher by 3% points than the industry average in 2015. This aligns with its goal of efficient business practice as it is required to support lending at the micro-enterprise level whereas loans conceded could be as low as US$50 in micro-credit administration. In micro-finance, the depth and breadth of outreach is as important as sustainability, and efficiency provides extra cash to extend outreach. In this way, micro-enterprises are able to attract more funding beyond the minimum, while breadth is not compromised. The implication of this is that, even when MFBs extend credit to medium enterprises, mission drift is minimised through credit minimisation. Being able to balance seemingly conflicting goals helps to consolidate resilience in MFBs, particularly LAPO and Grooming, which have been at the forefront of the industry in both Lagos and Nigeria in 2018 and 2019.

Table 4.12: **Nigerian MFBs Industry Performance vs. LAPO's share (2013 - 2016)**

INDUSTRY PERFORMANCE vs. LAPO MFB's SHARE (2013 – 2016)

Industry vs. LAPO MFB's share (2013 - 2016) - in billion Naira

Year	Indicator	Industry	LAPO MFB	% share of LAPO
	Loan portfolio	94.06	23.44	25%
	Deposit	121.88	13.85	11%
2013	Assets	237.84	27.58	12%
	Shareholder funds	64.94	5.68	9%
	Loan portfolio	82.42	33.25	40%
	Deposit	110.69	20.36	18%
2014	Assets	221.65	39.34	18%
	Shareholder funds	53.04	8.16	15%
	Loan portfolio	149.33	44.46	30%
	Deposit	159.45	25.71	16%
2015	Assets	343.88	52.40	15%
	Shareholder funds	91.38	10.25	11%
	Loan portfolio	183.96	52.33	28%
	Deposit	166.23	27.67	17%
2016	Assets	341.68	62.72	18%
	Shareholder funds	77.87	13.62	17.5%

Source: LAPO, 2018

The table above shows that despite LAPO's growth in all key indices of performance, its market share has been declining since 2014. This has been due primarily to the growth of Grooming, as shown in Table 4.13 below, which has become the main challenger in the industry. Even under such circumstances, however, the resilience of the MFB has not been compromised.

Table 4.13: **LAPO's Market share vs. the share of key MFBs industry players (2013 -2016)**

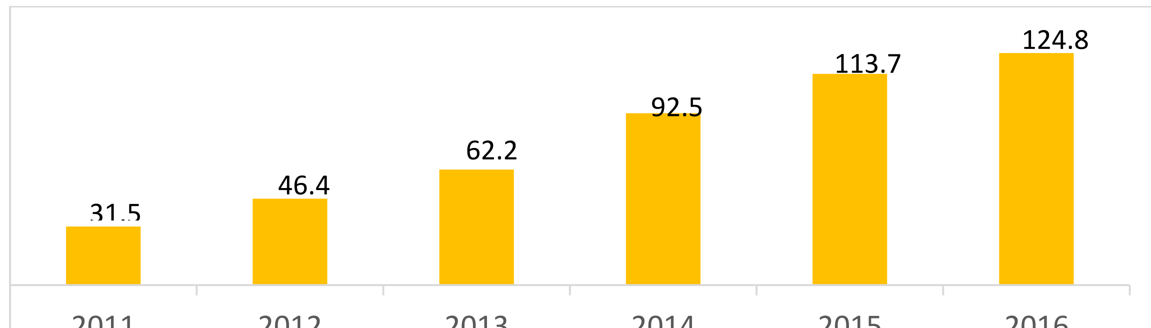
LAPO MFB's SHARE vs. THE SHARE OF KEY INDUSTRY PLAYERS (2013 – 2016)

		% Share from industry value					
Year	**Indicator**	**LAPO**	**Grooming**	**Fortis**	**AB**	**NPF**	**ACCION**
	Loan portfolio	25%	10%	9%	7%	6%	3%
	Deposit	11%	3%	8%	1%	3%	1%
2013	Assets	12%	5%	5%	3%	4%	2%
	Shareholder funds	9%	5%	2%	3%	6%	3%
	Loan portfolio	40%	19%	14%	11%	8%	5%
	Deposit	18%	5%	11%	1%	4%	1%
2014	Assets	18%	8%	7%	5%	5%	2%
	Shareholder funds	15%	11%	4%	5%	8%	5%
	Loan portfolio	30%	15%	9%	8%	5%	4%
	Deposit	16%	4%	7%	1%	0%	1%
2015	Assets	15%	7%	6%	4%	4%	2%
	Shareholder funds	11%	10%	3%	3%	0%	3%
	Loan portfolio	28%	17%	9%	6%	5%	4%
	Deposit	17%	6%	5%	1%	0%	1%
2016	Assets	18%	10%	6%	5%	4%	2%
	Shareholder funds	18%	17%	5%	5%	0%	4%

Source: LAPO, 2018

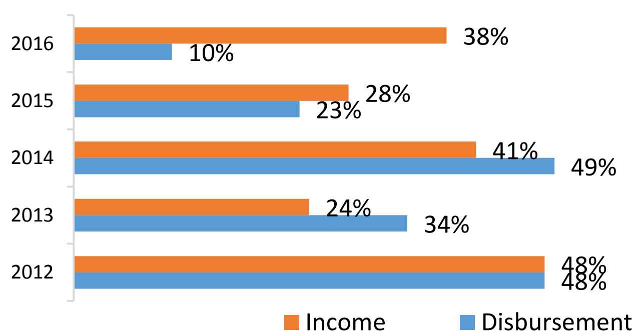
From ₦2b ($6.25 million) in 2006, LAPO's loan disbursement grew to ₦125b ($390 million) in 2016, with an average growth rate (CAGR) of 51%

Figure 4.13: **LAPO's Loan disbursement growth (in billion Naira)**



Source: LAPO, 2018

Figure 4.14: **LAPO's percentage Loan Disbursement Growth**

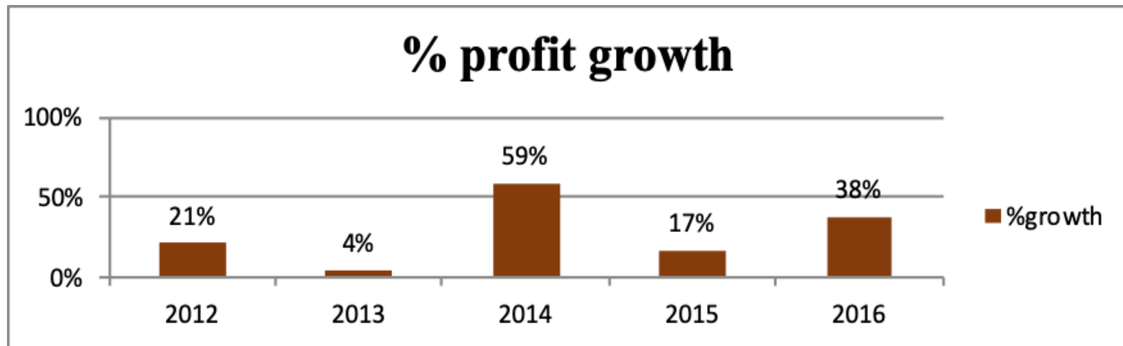


Source: LAPO, 2018

Figure 4.14 above shows that there has been consistent growth in absolute disbursement during the period under review. However, the growth rate has been falling at different rates.

However, as indicated in Figure 4.15 below, profitability has been oscillating, primarily due to cost management challenges.

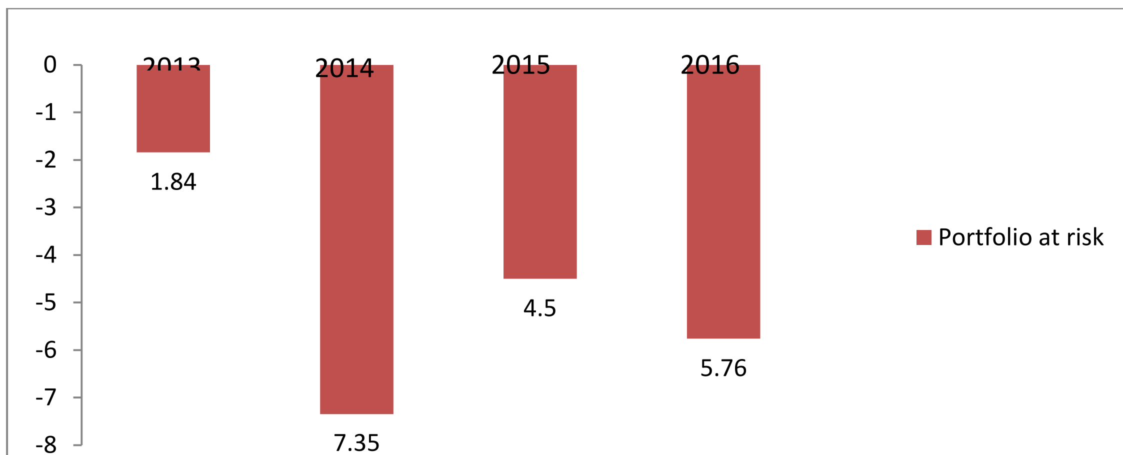
Figure 4.15: **LAPO's Percentage Profit Growth**



Source: LAPO, 2018

Figure 4.16: **LAPO's Portfolio at Risk (PAR)**

Portfolio At Risk >1 day



Source: LAPO, 2018

LAPO's determination for market growth has given rise to increasing disbursement and savings mobilised with PAR increasing beyond the regulatory threshold in 2014 and 2016, when the industry PAR was generally in double digits. This was partly a result of the intensified unrest in different parts of the country, particularly the Northern part with several debtors from the crisis areas among others losing their businesses. This led to their inability to repay loans, ultimately increasing PAR. Increased provision on the LAPO balance sheet impairs its profitability, but its on-going concern framework is not threatened particularly due

to the increased robustness of business done in Lagos and other parts of southern Nigeria, as well as insuring micro-credits.

4.7.3: Foreign loan hedging, corporate governance, Staff Welfare and Staff At Risk (SAR)

LAPO MFB is the largest MFB with over 400 branches. It hedged its foreign loans by domiciling them in commercial banks of their choosing and, in turn taking the Naira equivalent at the conversion rate at the time from such commercial banks. The intention was to minimise its risk exposure to international creditors. Hedging of foreign loans has helped build organisational resilience in LAPO MFB. This has not been the case with Fortis MFB. Foreign loans are one of the key causes identified for Fortis' distressed state, and ultimate closure in March 2019.

Furthermore, Dr. Emokpae (chairman at LAPO) and Dr Ehigiamusoe (the founder/CEO) and most of the other directors shared common values in terms of social equity and social justice that may have impacted the organisation over the years. They were also committed Christians who believed in a life of sacrifice and avoidance of ostentatious living. The research indicates that they believe in the power of prayers which they weaved into the culture of the organisation. Prayer sessions held with staff at the beginning of every week provided an opportunity to rally staff around common goals and objectives, particularly dealing with troubling issues including morality and debt recovery. The researcher believes those values and practices may have played a role in preventing insider borrowing, system gaming and compromised governance practices in LAPO. Additionally, Dr. Ehigiamusoe is the first son of a pastor. He was taught the virtues of integrity and selflessness very early in life. Today, he is an elder of his church while Dr. Emokpae is the senior pastor of Foursquare Lake View Church. Both are based in Lagos, the commercial capital of Nigeria. Dr Emokpae spearheads a foundation (Refuge Centre for the Needy) that provides hot meals to about 750 poor people every week, as well as providing uncooked food with cash to widows and orphans on the last Sunday of every month. Furthermore, Dr Ehigiamusoe and Dr Emokpae meet regularly outside the board meetings. On some of the occasions, they pray together and discuss key issues relating to the bank that may have enhanced service sustainability and organisational resilience of the MFB over the years.

Their values, a product of their life experiences and philosophical orientation, have affected their lifestyles and character and between them they have steered the strategic growth and

resilience of the LAPO MFB over the last fifteen years with the support of other directors and senior managers. Similar values have been identified in the key promoters of Asset Matrix and Emerald MFBs' promoters and directors. Although both are small unit MFBs, they have survived all the turbulence and adversities in the MFB industry over the years.

In LAPO, these values contributed to a business model that included delayed gratification, also referred to as delayed harvesting. The implication of this is that dividends were not paid to investors until the organisation was 30 years old. This left huge reserves for the bank's capital robustness and capital formation. This business approach enabled the bank to build huge back up funds for times of adversity. These reserves helped LAPO to become the most capitalised MFB in the industry. As already indicated, capital reserves provide the cash to fall back upon when difficult times arise. The above position can be contested on the basis that some other MFB leaders who claim similar orientations (Marxism and Christianity) had their banks closed. Examples include IC and Ojokoro MFBs. The difference however is that the directors and principal shareholders in LAPO were not allowed (as part of the board's self- regulation) to borrow from the MFB. This contrasts with other MFBs, where many of their directors and principal shareholders borrowed with no intention to repay (with the exception of Emerald and Asset Matrix). Many other MFBs declined to practice delayed harvesting. The conclusion that can be drawn from the above is that a bank with good governance practices, restricting insider borrowing with its leaders dedicated to the cause of the bank and practising delayed harvesting could become organisationally resilient to adversity.

Furthermore, on corporate governance, the LAPO board is probably the strongest in the industry (Financial Day, 2015). It is the only MFB board in Nigeria with the chairman of a first tier very successful commercial bank (GTBank) as a member. This individual chairs the Board Committee on corporate governance. On the same board is a former Director of the CBN, the primary regulator of MFBs. The board is also resourced with a board member from a worldwide organisation based in Paris (PADME), dedicated to good corporate governance in MFBs. Two of the board members subscribe to social and distributive justice, and equity based on a Marxist philosophical standpoint. One of the foremost female social activists, always at the vanguard of the debate for gender equality and fairness is another board member. The LAPO Board is adjudged to be a very strong board, with solid credentials of integrity, not just in the MFB sector but in the entire banking industry in Nigeria. The selection of the board is based on diversity, competence, character, corporate and/or gender

experience and settled home/family backgrounds. Appointing a director in LAPO is therefore a highly rigorous process. Based on the set criteria, the Nomination and Appointment Board Committee members meet to identify and interview potential directors for the board periodically. Identifying a potential board member is the function of all the existing board members, who are required to submit names that meet the criteria to the board, either through the CEO or the chairman who, after initial discussion, passes names to the Nomination and Appointment Board Committee. The CEO visits the potential board member at home to observe how settled the home is and how the potential appointee relates to other members of the immediate family. The underlying reason for this is that, in the view of the company, anyone with a settled home is most likely to have a settled mind and is therefore considered suitable for the board.

By 2019, five of the nine directors of LAPO MFB were women - the three executive directors, and two non-executive directors. One of the non-executive directors is the current Chairman of GTBank, and the second is the company's Independent director. This demonstrates the commitment of the MFB to the inclusion of women most affected by poverty. It provides an entryway for women to make use of the financial sector and to engage in productive economic activities. All the directors are performance-appraised every year using Randle International to conduct the exercise. The appraisal is passed to the chairman for a one-to-one discussion with each director regarding performance, the identification of areas of weakness and how the bank could help to ensure the areas needing improvement are dealt with. They have implications for training, counselling, or improving social skills, for example. A part of remedying weaknesses amongst board members is the organisation of retreats where expert facilitation is organised.

These help the board members to bond more and they allow the chair to share the organisational vision with the board members. The CEO can present plans to operationalise strategic plans. There is no evidence that any other MFB in the country goes to this extent with its board(s). Furthermore, a maximum tenure of 8 years is given to board members and this is 4 years shorter than the regulatory maximum. This is to ensure fresh blood and new ideas and energy are injected into the board from time to time. LAPO NGO owns 66.96% of LAPO MFB. LAPO NGO is the social, health and agricultural lending component of the group left behind as an independent entity from the transformation of the old LAPO MFI to MFB when the CBN introduced the 2005 MFB regulatory policy and regime. The LAPO

NGO is the principal shareholder of not only LAPO MFB in Nigeria (66.96%), but also of LAPO MFB in Sierra Leone.

Furthermore, to intensify the culture of community and make it possible for women to work at LAPO, the bank created crèches for employees' babies in the offices. Mothers bring their pre-school children to the office and can feed them and attend to their needs at intervals during the working day. This not only settles mothers' minds but also provides a sense that there is a duty of care. It gives them the opportunity to progress in their careers whilst starting a family. In return, these women demonstrate exceptional commitment to the success of the bank. The bank (LAPO) emerged in the last ten years as the largest and most profitable in the industry. It won the 'Financial Day MFB of the year' award for several years. It is considered one of the most resilient MFBs in Nigeria.

Western models and literature do not adequately capture or explain the approach that LAPO adopts in delivering services to the poor (Sinclair, 2012). For instance Copestake (2005b), Dichter et al (2007) and Sinclair (2012) see balancing of Social goals and sustainability from the point of view of money made by the MFBs. They fail to justify the costs of delivering these services. And how those costs could be absorbed in the price and impact of service delivery

LAPO MFB is involved in several other schemes to encourage women, who constitute the majority of its staff, as well as its customers. Additionally, to be able to participate effectively in the workplace, the company has to generate its own power deploying generators, supplying water by digging and servicing its boreholes, and sometimes tending the roads to its offices, as well as paying taxes and levies to the government.

Loans from commercial banks are usually at double-digit interest rates. The cost of doing business in Nigeria is extremely high compared with most western economies. This explains why interest rates on credit to the poor and their micro-enterprises from MFBs tend to be very high in the eyes of Western scholars (Sinclair, 2012).

While many MFBs in Lagos work with interest rates of 200% APR, the LAPO rate has largely settled around 40% APR. This has also contributed to good loan repayments, minimal loan delinquency, and low PAR of around 5%, compared with the industry average of 20%.

It can be argued that resilience in organisations, and particularly MFBs, is supported through a safe working environment for staff and good corporate governance practices. This is because in a situation of sound corporate governance the directors exercise the function of

oversight that ensures the interests of all stakeholders are largely balanced. This augurs well for employment and developing staff with suitable skills through training across the industry. There is a popular maxim in Lagos: "Take care of me and I will take care of everything that concerns you" (Source: unknown). Staff take care of LAPO's business partly because LAPO takes care of them; although this can be challenged on the basis of the financial and management control measures put in place. Furthermore, LAPO has one of the few accredited and highly respected micro-finance training centres in the country, licensed to train micro-finance practitioners to attain certifications which are highly sought after. These are of value to people seeking jobs and career progression in the MFB industry. The main beneficiaries are LAPO staff, some of whom, after certification, obtain important jobs in the banking sector, including at First Bank, the very first bank in Nigeria established in 1845.

Unlike most MFBs in Nigeria, LAPO's origins are humble and have their roots in Ogwuashiukwu, a village close to the River Niger in 1987. It started when, as a young co-operative officer, Dr. Ehigiamusoe was moved by the poverty of women in his local church and by the Bible, which says that the rich must not turn their hearts and help away from the poor. Proverb 19 Verse 17 says "He that gives unto the poor lends unto the LORD, and he will give him His reward" (Holy Bible, Jubilee 2000 version). Consequently, Dr. Ehigiamusoe gave credit of about $5 to each of three of the poorest women in his church to undertake petty trading and pay the money back monthly. As the women began to testify about the progress in their lives based on the access to loans from a church member, other women showed interest. So Dr. Ehigiamusoe began to expand the number of women benefitting from the credit. A culture of community sharing, common values and solidarity with the vision of extending a helping hand to the less privileged began to take root. Little by little, the charitable deed of one man grew from the small sleepy village of Ogwuashiukwu to other villages and towns in the Delta and Edo states of Nigeria. This attracted the attention of the Ford Foundation which provided the bank with its first grant of US$20,000 in 1991, and built in a monthly allowance for the founder. The first three months of these payments were donated to his church. From there, he left paid employment to focus on this enterprise and set out to put a smile on the faces of financially excluded women. He subsequently moved his head office to Benin City, a provincial capital, which has remained the head office until now.

From Benin, it expanded all over Nigeria, and more recently found its way into Sierra Leone. Slow growth from the rural areas enabled the MFI to develop its products, its culture and

organisational processes based on community, trust and continuous learning. The MFI was transformed into a MFB in 2010. The researcher's wife became the first chairperson of the MFI at the invitation of the founder to lead the company's board in overseeing the development of the company to adequately address the financial, health and social empowerment needs of women. Leaders of such women and other customers were not only invited to become board members of the MFI, they were also invited to annual general meetings of the MFI. These meetings always took the form of a mini carnival with dancing, singing, eating and chanting-"LAPO…Progress". The MFI started giving jobs to the children of the customers, and awarded scholarships to indigent women's children for secondary schools and universities. The women were exposed to skills acquisition as well as training in healthy living and nutrition. Moreover, LAPO recently built a cancer and glaucoma health and research centre in Benin, aimed at elevating health interventions in the lives of the poor to a tertiary level. It set out to be the largest cancer research centre in the South-South region of Nigeria. This was reaffirmed at the LAPO 2018 board meeting. Images of the meeting are shown below. (Sitting on the black seat is the founder/CEO, Dr. Ehigiamusoe while the person wearing the white shirt is the Chairman, Dr. Osaren Emokpae).

LAPO holds its AGM, impacting 24 million people with health, social and financial services (www.LAPO-ngo.org) Ikeja-Lagos, 22nd November, 2018.

"Lift Above Poverty Organisation (LAPO) enhanced the socio-economic and health conditions of 24,717,347 community members across the country with its services in 2017", the Chairman of the Board of Directors, Dr. Osarenren Emokpae affirmed in Lagos at the organisation's Annual General Meeting for the financial year ended 31st December 2017. He added that its financial subsidiary, the Lift Agricultural and Rural Development Initiative (LARDI) supported 64,899 rural farmers with ₦5.6 billion during the year. Dr. Emokpae said 2,237,476 persons were empowered with health and social development training, and Information, Education and Communication (IEC) publications, while 22,479,871 benefited

from the LAPO Community Campaign for Cancer Control (LAPO-C4) project in Lagos, Imo, Abuja, Rivers and Edo States, thanks to screening and media awareness. The Chairman of the Board of Directors expressed LAPO's commitment to improving the lives of community members and building the capacity of women to challenge and resist harmful socio-cultural structures and processes that limit their progress and enjoyment of a good life. He emphasised that social and health empowerment programmes have always been an integral part of LAPO's poverty reduction strategy, stressing that there can be no meaningful development without women's involvement and inclusion in the development process. He said that the organisation delivers innovative health, social empowerment and financial services to target beneficiaries and he expressed gratitude to all the organisations that "have been part of the history and success story of the development organisation over the years" (Ehiaghe, 2019, in the Guardian Newspaper of January 3, 2019).

LAPO has not only built a communal culture, but has also developed strong team work, organisational and staff learning. It has also instituted an annual programme to retrench employees who, in the judgement of the company, live far beyond their means. They are referred to as Staff At Risk (SAR). These employees have a lifestyle that is unsustainable in terms of the salary they are paid. Proxies are used to identify this, such as the size of the house they live in, the cars they drive, the types of clothes they wear, or where they have their lunch. Some of these staff were subsequently linked to fraudulent enrichment by gaming the system and pilferage of company money. Identifying these staff and relieving them of their jobs (i.e. retrenching) have helped to minimise company losses due to staff misdemeanours, such as fund diversion and theft. The result is that LAPO has about the lowest recorded staff involvement in diversion and embezzlement of company funds in the industry. Indeed, this is lower than 0.1% of income in an industry where over 20% was reported in Integrated MFB and Uda MFB. However, this programme has a possible downside. Lifestyle may not necessarily translate to fraudulence and theft. Staff could have other sources of income, from inheritances or part time jobs or even regular gifts from family members and friends. The downside notwithstanding, the LAPO SAR programme is unique in the industry; and it can be argued as having assisted in minimising the tide of possible increases in staff involvement in stealing at the expense of the company, somewhat contributing to a culture of resilience.

Furthermore, the bank draws on the expertise of academia with the engagement of Professors Okojie and Osunde (on its board), collaborating with researchers in the universities and the CBN, granting some of them yearly sabbaticals. These initiatives bring new ideas and

creativity to the organisation. Underlying all of this is the honesty and intellectual bent of the founder, and the chairman who share values of honesty, integrity, social justice, research orientation and the fear of God. Are these responsible for the prosperity of LAPO or its organisational resilience and service sustainability? It would be argued that they are contributors. This, conclusion, can be challenged or contested as there was no detailed comparative study of failed MFBs based on similar parameters. The implication therefore is that this finding provides an area requiring deeper investigation by future researchers.

4.7.4: Summary and Conclusion

The chapter dealt with the findings of the research from the behaviour of the human elements, the business model and culture they deployed and the critical incidents in the lives of promoters and senior managers in MFBs, and how those impacted the resilience of the organisations they managed. Of particular note is the evidence that suggests that corruption and the lifestyles of those in senior management and leadership position matter in MFBs' resilience narrative. So also are critical incidents in the life of a MFB itself, like the death of the founder or loss of a significant part of its capital to fraud or NPL. Non-observance of prudential thresholds, particularly single obligor lending, was a major issue in the governance of failed MFBs. So also was dysfunctional organisational culture. The implication of all this, is that a deliberate effort should be made to build a culture that values customers and staff, creating an enabling environment for developing shared attitudes and values. Also key is the creation of a learning environment and the facilitating of team orientation. There needs to be a culture that communicates "we are in this together". This was evident in LAPO, where three buzz slogans were used to intensify team work and solidarity at every meeting. These are 'LAPO-Progress' (which applies to customers); 'LAPO-commitment' (which applies to staff) and finally 'LAPO-growth' (which applies to directors and managers). This position helps to build enthusiasm, strength, resilience and stems failure in the MFB. Similar cultural dimensions exist in most resilient MFBs.

The findings further suggest that access to robust funding generates capital redundancy which in turn builds resilient capability. It is also apparent that most dead banks had issues with a low capital base and non-compliance with CBN regulations. This is particularly the case with single obligor credit limits, bad management and fraudulent practices. Other variables include poor financial management leading to low OSS and low FSS for the delinquent MFBs. Interest rates of failed MFBs were generally higher than those of resilient MFBs, which

interestingly was earlier identified by Stiglitz (1981). So also were weak internal control processes, poor risk management, and poor leadership, in failed MFBs. In all, the recurrent themes for the failure of MFBs were ballooned NPLs resulting from an inability to recover loans/credits and generally loan repayment defaults, inefficient operations, poor financial management and high interest rates. These were compounded by fraudulent practices amongst directors, managers and staff of the banks. There was also the issue of managerial incompetence and lack of skilled staff. Poor financial control was also implicated. These recurrent themes are somewhat at variance with some of the existing literature (Abraham and Balogun, 2012) that focuses only on weak capital bases and a lack of ability in responding to difficult challenges as primarily responsible for SMEs failures, of which unit MFBs technically fitted into.

LAPO offers a model that dealing directly with the twin issues of unrecovered loans (UL) and managerial behaviour that perpetuated fraudulence, which feed on each other, can provide an insight or a window into the understanding of organisational failures of MFBs in Lagos. LAPO also demonstrated the role of good corporate governance in organisational resilience. The identified elements of good corporate governance were accountability, integrity, diversity and observance of regulatory standards as minimum conditions to manage operational and financial risks. It also included deliberate program of directors and senior managers not allowed to borrow from the bank. This is because most failed MFBs were associated with NPLs, linked to insider borrowing. That leads to the issue of organisational resilience and financial sustainability. Furthermore, dealing with the underlying conditions of the above issues, while emphasising savings over micro-credit and strict financial and cost control regime could provide a recipe to resolve most of the capital base challenges of MFBs. This could boost the capital reserves and capital adequacy, significantly reducing the death rate of MFBs in Lagos, Nigeria; and enhancing their ability to survive and overcome adversity.

The research finding also suggests that the MFB industry can learn from the business approach adopted by LAPO and Grooming in areas of GL, Foreign Loan Hedging, Micro insurance, SAR, forbidding insider credit and creating enabling environment like crèches for female staff pre-school children, scholarships for low level employees and clients' children, (as well as other social responsibility commitments) and keeping strictly to CBN regulatory and prudential guidelines. Such moves could ultimately make them more resilient.

Embedding a whistle blowing culture is also key to expose financial crimes and system gaming. LAPO practices this form of openness, and other MFBs can benefit from institutionalising something similar in their organisations.

The next chapter discusses all the findings so far. It utilises WEF (Riskviews, 2013) to interrogate the findings, because WEF five themes appeared to have captured the essence of the key issues in the literature; although it could be argued that their areas of emphasis could differ. Consequently, some of the other themes from the literature review are deployed to complement WEF in the discussion. The implication of the discussion section is that it brings out insights in organisational resilience that practitioners can learn from and apply in their practice, while being context sensitive.

Chapter Five: Discussion and Analysis of Findings

5.1: Introduction

The outcome of this study indicates that there are primary underlying causes of organisational resilience and of organisational failures. There are also secondary causes or precipitants that are often a symptom of deeper underlying conditions. Capital, governance, managerial skills, credit administration, NPLs, PAR, OSS/FSS are some of the precipitants or perceived secondary causes. The research findings suggest that underlying these precipitants are a number of issues. They are mainly the human behaviours/activities in MFBs, Organisational culture, adopted business model, critical incidents and motives in the lives of the organisations and their leaders. One recent example of a critical incident in the Nigerian MFB industry is the COVID-19 pandemic which triggered lockdown orders by government, thereby disrupting businesses and economic activities. Consequently, MFBs in Lagos and Nigeria in general suspended loan issuance to customers for about five months from April to August 2020, until the lockdown order was lifted and businesses resumed. This was to avoid inevitable losses from loan defaults, since most of the MFBs customers are the SMEs which suffered the effect of the lockdown most.

This chapter sets out to discuss the findings of this research, both primary and secondary, using the key themes from the literature review. To begin, it is useful to first invoke the overarching aim of this study, to set the context for the discussion. This research explores the issues surrounding the resilience of MFBs in Lagos with a view to making a contribution to the understanding of organisational resilience among MFBs domiciled in Lagos Nigeria. The objective is not to develop a theory of organisational resilience which is outside the scope of this study, as that would have implicated very large size random sampling in the research methodology. This study is exploratory to bring some understanding to Organisational resilience phenomenon which other researchers can build upon. In specific terms, the research seeks to answer the research question: 'How and why have 69% MFBs survived while 31% have not in Lagos in the last nine years (2010-2018)?'

The emergent themes in the literature review, which are considered relevant to complement WEF in analysing and discussing the findings are highlighted in section 5.4 of this chapter. Such themes are also drawn into the discussion as WEF components are systematically applied, one after the other.

5.2: Deployment of WEF as grand Theme for Analysis of Findings

WEF (Riskview, 2013) five components of resilience (Riskviews, 2013) were chosen as most appropriate lens for discussing the findings, particularly in linking the literature with findings, with a view to drawing out lessons for theory and practice. This is because the five components capture the essence of most of the other theories and models espoused in the literature review, and the emergent themes from the literature. Consequently, the researcher decided to adopt WEF's dimensions of resilience (Riskviews, 2013) as his primary tools to discuss the findings. Because of difference of emphasis from other theories, themes from stakeholder theory, particularly as they relate to fraudulence amongst organisational stakeholders, and Institutional theory will complement WEF to discuss the findings of this research. That approach is adopted in analysing the data and discussing the findings because they resonate with the researcher's experience in the industry as an insider researcher, as it has been indicated earlier in the thesis. For instance, the five key stakeholders in MFBs (shareholders, customers, regulatory authority, depositors/donors and staff) are expected to share a common desire for banks to remain alive and to be able to meet the needs of their customers and depositors, on an on-going basis. Regrettably, it is from these same stakeholders that most challenges confronting MFBs arose and anchored primarily in fraudulent tendencies, behaviour and practices.

The implication is that in using the WEF framework for the discussion, other relevant concepts in Organisational culture, Critical incidents, Stakeholder and Institutional theories and organisational resilience are implicated. Furthermore, WEF seems to offer a balanced scorecard (Kaplan and Norton, 1996) in viewing the core dimensions of organisational resilience. And that the causes and cure for resilient challenges seem to be captured in WEF (Riskview, 2013); and hence their adoption by Japanese and some European organisations to evaluate their organisational capacity and readiness to withstand adversity and shocks.

Consequently, the following section contextualises the findings based on these five components of resilience which are: "robustness, redundancy, resourcefulness, response and recovery" (Riskviews, 2013). These components provide lenses to serve as analytical themes to evaluate, discuss and explain resilience in MFBs in Lagos, because as stated earlier, the five components seem rooted in a resource-based view of the firm as well as in stakeholder concept and agency. Furthermore, they resonate with institutional theory and institutions, as well. That is not all. They relate to organisational resources and capabilities as well as to

organisational practices and routines that have been developed over time. Key here is bringing findings and the literature together, to identify convergence as well as gaps in the literature to be filled by the findings; thereby making contribution to the understanding of MFB resilience.

This study was carried out within the field of organisational resilience and enterprise development. Coping with, adapting to and overcoming adversity, and even when adversity strikes an organisation, it is able to rise over it, bouncing back and sometimes bouncing forward (to a better state) are the hallmarks of resilient organisations. The literature and research itself suggest that resilient managers with challenging life experiences tend to populate resilient organisations, and that life experiences and value formation tend to impact corporate governance practices. Furthermore, the behaviour of the founders / directors of MFBs has relationship with their values, which are often transmitted as attributes of their organisations.

Organisations build resilience capabilities through their practices, the choices they make and how decisions are made, as well as how they are governed. Whereas robustness and redundancy in organisations may lead to organisational resilience in a linear manner, and resilience is rooted strongly in the resourcefulness of founders / leaders and organisational culture; resilience and redundancy have a dynamic relationship. The implication is that robustness indicates a cause and effect relationship with organisational resilience. Furthermore, whereas resilience manifests itself in good corporate governance, capital adequacy and strong managerial skills, these variables also contribute to making a MFB resilient - thereby making it a two-way flow.

5.3.1: Robustness

Robustness is the ability of an organisation, and in this case a MFB, to exercise reliability. This refers to the capacity to absorb disturbances and cope with crisis. Underlying this position are considerations that where and when failure confronts an organisation, insulations embedded into its critical networks and processes come to the rescue. Robustness defines a critical part of organisational capabilities as well as core competences. Most times such capabilities are expected to be dynamic, where context flexibility is exercised. It also refers to the organisation's decision-making processes in response to changing circumstances, often a consequence of the governance practices and internal institutions in the organisation. In such circumstances, an imminent challenge to an aspect of the MFB may not disrupt other aspects

of its operation. An example of the attribute of robustness includes regularly monitoring the quality of the parts, with the intention of ensuring reliability. Another example is embedding mechanisms organised in a manner to stem unexpected shocks in one part of a system from spreading to other parts. Here, the proactive and reactive themes in the literature find relevance in the way MFBs dealt with adversity in inadequate PAR, NPLs and pilferage. In this way, the mechanisms can localise their impact. Another example in the banking industry is embedding performance monitoring and measurement mechanism in a banking ecosystem. This might take place in one bank and / or in the industry as a whole. It is also about avoiding the occurrence of the crisis of panic withdrawal that accompanied IMFB's collapse between 2009 and 2010 which led to the death of several other MFBs, like Ojokoro and Akute MFBs in Lagos. ACCION, Grooming and LAPO were not adversely affected by the contagion, partly because of their robustness. Such robustness is linked to robust governance practices and redundant back up capital. Another example within one MFB is the death and resignation of some critical staff in LAPO early in 2000. This did not significantly affect the operations of the MFB. The outcome was that the robustness of the organisation orchestrated organisational reliability in such stressful situation.

The major changes to the regulatory framework in 2005 were however significant in the banking ecosystem, primarily because of the sharp increase in capitalisation and the very comprehensive prudential guidelines. Those with robust capital reserves and management benefited. Many of those with lean resources, and reactive tendencies closed down.

Robustness is also about adaptive decision-making and it is related to the theme of chosen business model. This attempts to demonstrate how managerial structure and the decision-making process could be designed to facilitate an organisation to become very flexible in a way that captures the capability of a unit of the company to function seamlessly, irrespective of the condition of other parts. An example, as already highlighted above, is when LAPO lost its key staffers in the finance and executive teams in 2000. This did not disrupt its credit and savings products, and most importantly its capacity to effectively function as an on-going concern, primarily because of its organisational robustness. When its head of operations died, it was able to weather the storm due to both organisational robustness and resourcefulness. Resourcefulness in this case was the ability to improvise and be agile when in danger and this is discussed extensively later in this section. In the MFB space in Lagos, Nigeria, robustness, as a resilience theme can be linked to some other themes and to at least three of the findings of this research namely governance, capital and managerial skills. I will treat each in turn.

Governance, irrespective of whether it is driven by shareholdership or stakeholdership paradigm, can build solidity in MFB, with critical robustness, making the organisation reliable under stress, like Grooming MFB and LAPO MFB. Governance ensured transparency in governing the MFBs, implementing prudential guidelines to mitigate both financial and reputational risks, and in the process eliminated insider borrowing and its consequence of high NPLs and failing organisation. In this way, they can overcome moral hazards and adverse selection. It can thus enhance the capacity of its sub-systems to operate seamlessly in the face of adversity when confronting a part of the system. Weak governance ultimately leads to robustness deficits like moral hazards, which encourage insider trading, institutional corruption and outright theft; a phenomenon very evident in Integrated and Ojokoro MFBs before they collapsed. Weak governance led to poor board oversight, partly based on adverse selection, which in turn led to the failure of MFBs to observe the CBN's prudential guidelines. This breached the single obligor regulation, gaming the contracting system. This resulted in over-invoicing, that sapped the liquidity and profitability. The firms stopped hiring. They also stopped developing and motivating staff with the right skill-set for micro-finance banking. All of this, combined with poor credit vetting, a diminished capacity to recover loans, and financial haemorrhaging of the MFBs, precipitated financial condition that seriously jeopardised the capacity to continue to operate as on-going concern. It even weakened their capacity to mobilise savings and tenured deposits and meet obligations to depositors. Ojokoro MFB exemplified this picture prior to its liquidation. Lack of robust governance took its toll.

Poor corporate governance also contributed to related insider borrowing / lending beyond the statutorily permitted threshold in contravention of CBN guidelines. Poor governance created an environment for funds diversion as in the cases of IC MFB, IMFB and Ada MFB. Poor governance precipitated nepotism, corruption in hiring, in giving credit and even in the utilisation of grants and tenured loans that ought to have been utilised for extending credit to the customers of the bank. It is also poor corporate governance that created the environment for MD, where managers, in the process of trying to generate income for the bank with less effort focus away from small loans to women and micro-enterprises in favour of individual loans to the middle classes and SMEs in an environment where no credit bureaus exist, and poor repayment culture is entrenched. The net result is that the failure of these ILs to repay their loans increased. Portfolio At Risk (PAR) of the bank went beyond regulatory thresholds, depreciated the banks' capital base and liquidity; and ultimately led to an inability

to operate due to a lack of cash, which is the lifeblood of MFBs. Had there been a robustness in approaching MFB governance, the story may have been different. The findings on the role of governance are amply supported by the literature (CBN, 2005), which identified poor corporate governance as a critical variable in MFB failures in Nigeria (CBN, 2005, Sanusi, 2010, Agusto & Co., 2015; Nwanyanwu, 2011; Irobi, 2008). Here, convergence can be identified between the research findings and the literature that underpinned the study.

In the repayment of foreign loans denominated in dollars and €uros, the resilient and robust MFBs had a policy of hedging. The findings here can also be analysed using themes from adopted business model and organisational culture. Consequently, the practice of commercial bank domiciliation, was often initiated by the board, which embedded the practice within its business model. They also had the requisite knowledge and experience. This means that such loan amounts were deposited in a reputable commercial bank and the Naira equivalent on the date of depositing such funds was taken from the local commercial bank. As such, when the loan repayment fell due, the domiciled dollar/€uro was used to repay the foreign loan. In this way, the MFBs were protected from the risks associated with the fluctuations of the foreign exchange market. Skilled directors operating robust governance practices, and risk minimisation business approach were most likely to be positioned to supervise and monitor foreign loan hedging that minimised foreign exchange risks. This they did usually through their board committees and internal institutions which looked after finance and risk management. Grooming and LAPO MFBs exhibited this capability. Good governance practice is therefore a key driver of resilience, through a system and process design that minimises risk exposure; it also operates relevant institutions like Risk Board Committee and several others that could moderate executive excesses. Robustness on the part of regulatory authorities – CBN and NDIC – would have helped in close monitoring of MFBs operations, which is a statutory requirement to avoid failure in the industry. These regulatory institutions could not cope in the case of failed banks because they lacked institutional robustness as well as adequate personnel and funding. Many of the MFBs that did not practice foreign loan hedging suffered the consequences of foreign exchange fluctuations that severely degraded the capital of the bank. Its full impact is often manifests through haemorrhages in human and financial capital. When the values of these two are significantly eroded, the MFB fails. The secondary data (EC, 2010) from the research corroborates the CBN information on the vital role of governance and institutional processes in MFBs. Analysis of the data on corporate governance and institutions from LAPO, SEAP and ACCION is supported by the literature

(Nwanyanwu, 2011, Acha 2012, Dagdeviren 2015, Odunsi 2015, Sahara Reporter, 2013) as well, particularly that which suggests that resilience is a complex concept that is often a function of a composite organisational backbone to which corporate governance and Institutional capacity is key. Weak corporate governance is related to fraudulence, weak institutional processes and poor stakeholder commitment, three of the critical factors in the organisational resilience story; as well as the emergent themes in the literature. For example, the death of IC, Integrated MFB and Alliance MFB is linked to poor corporate governance and weak institutional processes and poor stakeholder commitment amongst a myriad of factors (Sahara Reporter, 2013) which significantly depleted their capital backbone and robust resistance to adversity. Governance was a big issue which severely degraded the robustness of the company to withstand adversity. Poor governance itself was precipitated by lack of appropriate institutions within most failed MFBs. For instance, Odunsi (2015) stated that the MD of Uda MFB allegedly stole ₦317 million; while Ahmad (2015) reported the diversion of ₦207 million by its CEO. Such findings attributed failure to poor corporate governance and key stakeholders'behaviour, which aligns with the literature (Nwanyanwu, 2011; Irobi, 2008). What was not particularly evident in the literature is that poor corporate governance is often a symptom of underlying core values as well as the fraudulence of managers; and the motives and life experiences of the leaders of the business which constituted the moral state of these leaders. Among the precipitants of resilience, corporate governance seems to be a key contributor. Effective oversight ensures employment and staff development with the right skills, and even training for the entire industry, which in turn strengthens the organisational robustness to defeat any adversity.

It is worth noting however that corporate governance, while important in embedding robustness and resilience in organisations, may not be sufficient in itself to avert failure as could be attested to by the recent development with Fortis MFB, one of the most highly regarded MFBs in Nigeria. It collapsed in February 2019. The capacity of management to improvise was called into question as was capital adequacy, requiring the intervention of the CBN to inject fresh capital into the bank to survive. The injection of fresh capital was not enough to revive the MFB. That development does not however diminish the importance of capital adequacy to organisational robustness.

Capital adequacy is about organisational robustness, which is linked to the emergent theme of adopted Business model that captures a sufficiency of funds to meet the necessary financial obligations of the MFB as and when needed as an on-going concern. This is used here in a

composite sense to represent not only the capital base of the MFB but also the liquidity and cash flow required to run the business on a day-to-day basis. The capital available for MFB operations often comes from a combination of owners' equity, savings and deposits mobilised, grants, and loans from regulatory and other sources. Accessing these sources of funds for a robust capital is key, whilst growing capital is an entirely different proposition. For instance, high PAR can erode the capital base of the bank and put it at risk of failure if not properly managed. Agusto & Co. (2015) and several other writers do argue that a strong capital base provides a robust position that engenders resilience for MFBs - that is, the capacity to cope with and adapt to challenging circumstances and withstand stress, while, for example, embedding resources to innovate, and reinvent itself. When significant percentages of credits extended to customers are unrecovered, they increase NPL and threaten capital adequacy. However, there should be adequate buffers (financial robustness) to keep the bank trading and operationally sustainable where a robust capital base exists and the liquidity ratio (capital reserve) is high.

From the secondary data, it was evident that resilient MFBs appeared to be mostly those with the largest capital base and / or maintained adequate capital reserves to absorb shocks during turbulence and panic withdrawals. And such approach is defined by the literature on business model and WEF redundancy concept. There are similar findings from the analysis of the FGD data, one-on-one semi-structured interviews, extended in-depth interviews of five leading MFB practitioners and the interview/discussions with LAPO MFB directors / board. The researcher's experience in the industry suggests a similar conclusion. The research report also indicates that capital solidity comes from the managerial skills of mobilising savings and delivering credit efficiently while applying a liquidity ratio of between 30% and 40 % even when the regulatory requirement is much lower at 20%, among a number of variables. Robustness is an overarching context here, being a net contributor to establishing resilience.

Furthermore, there was an issue in the findings about the role of inefficient management and poorly skilled staff, particularly in areas of critical thinking, problem-solving and interpersonal and communications skills in MFB failures. This is supported by the literature emergent themes on resilience and double bottom line concept (Adeyemi, 2008; Ikeanyibe, 2009), which linked inefficient management to poor corporate governance (Alegieuno, 2008; Okpara, 2009), and inability to apply ambidexterity in honing the double bottom line. Many initial staff entrants into MFBs after the introduction of the 2005 regulatory policy were from commercial banks. The skills they possessed were mostly in the areas of investment and retail

banking, and for IL and "big" credits with big offices and enormous infrastructural backbone. These skills needed to be deconstructed and / or unlearned by those entrants if they were to do well in the MFB market. The findings suggest that, regrettably, many of these bankers could not transiton from a commercial bank mind-set to that of a MFB; and this led to early failures in MFBs and exits from the industry. This assertion can however be challenged by the fact that Asset Matrix MFB whose CEO came from commercial bank background has been prospering in good and bad times, suggesting that there may be more factors in the resilience narrative.

The right skill set for JLL/GLL and GLM gave early movers an advantage, building robustness in the management of the "resilient" MFBs. In Lagos for instance, the two leading MFBs, LAPO and Grooming use GLM/JLM models for over 80% of their business. In fact, at some point, JLL accounted for about 99% of their income. Over the years, these banks have been opening up to IL. This has been gradual, and recently technology has been employed to facilitate both approaches, but mostly this applies to the IL component of their business model. The research findings indicate that the MFBs that failed were mostly IL dependent, primarily because of managerial skills deficiency in GLM/JLL. Also to blame were skill deficits in evaluating loan applications and even debt recovery and factoring. Self-management and relationships with the board of directors were also harmful. The directors themselves did not have the skills to adequately develop and appraise strategic and operational plans and they were unable to build these skills amongst the staff. Without this skill-set, it was easy to fritter away the capital of the bank and weaken its capital base through unstructured lending and a weak capacity to recover credits. It also precipitated poor governance as the board could not monitor insider borrowing beyond the regulatory thresholds where they, themselves became participants in breaking the law. This created high PAR, delinquent loans (DL) and led to the eventual failure and exit of some MFBs from the industry.

A poor capital base tends to attract less skilled directors. Poorly skilled directors are weak in corporate governance. Poor corporate governance affects the ability to hire, motivate and develop skilled staff, to attract credit from multinational donors and credit organisations. One factor affected the other and was in turn affected by the same. Bad corporate governance itself (which may have a functional relationship with the values, motivation and experiences of the organisational leaders) could be linked to poor stakeholder commitment, aligning with

emergent themes on stakeholder versus shareholder theory and of course the emergent theme on weak institutions.

Finding a way through adverse circumstances in the face of the constraints of technical and organisational capabilities facing small organisations like unit MFBs is almost impossible without a robust board and managerial skill-set, which were identified as a major challenge with failed Nigerian MFBs (CBN, 2015). While a robust managerial-skill set certainly helps in furthering organisational purpose, it could also be a consequence of this purpose and of organisational core values and core ideology (Collins and Porras, 2000 and Agusto & Co, 2015). How a managerial skill-set is categorised in running a MFB is often a function of the experience of the MFBs' leadership and the board. However, what is not in doubt is that, where the core ideology and values to grow employees along with the business exist, training employees to hone relevant managerial skills should always be a priority. This was found in ACCION, LAPO and Grooming MFBs, where robustness existed in managerial skills, providing the capacity to respond to and adapt to any eventuality.

Other issues associated with robustness include life experience, motivation and the attitudes of the organisational leaders, their core values and business models, as earlier highlighted, as well as the dynamic interface between core values, the motivation of leaders and key managers and the chosen business model. Collins and Porras (2000: 10) opine that core values "are the essential and enduring tenets of an organisation. A small set of timeless guiding principles. Core values require no external justification; they have intrinsic values and importance to those inside the organisation". It is about who the organisation is which comes from the founder's and / or key leader's core ideology. Such posturing is expected to lead organisations to invent its market to align with its core values, which enriches the robustness of the thinking process that drives organisational resilience. LAPO fits within this mantra, which exemplifies the argument by Collins and Porras. Many MFBs communicate core values that are focussed around integrity, transparency, or professionalism, but some of them do not live by those values. The founders and key promoters of MFBs are sometimes unconscious of the values they design and unsure about which of them serve as maps of action (Anderson, et al 1994).

One common thread that runs through failed MFBs is a combination of integrity and corruption challenges, with underlying causal factors of the character and behaviour of key human stakeholders. That calls for robust internal and external institutions in the banking

ecosystem to monitor and minimise the effect of such tendencies on MFBs' financial sustainability. For instance, when Integrated MFB MD and board members allegedly took several million dollars from the MFB, their problem was not competence. It was an integrity problem linked to fraudulent behaviour of the managing director, during which the chairman turned a blind eye because she was said to have been given a gift of ₦30 million by the MD. Ipaja, Pekkos and Andro MFBs, had a similar story. This could occur because there was no robust monitoring regime; as well as weak institutions. Furthermore, the lived values of the directors and founder of IMFB and several other MFBs were totally different from their espoused values, and with lack of internal institutions to moderate those tendencies, the behaviours of some directors and managers harmed their MFBs. This dichotomy in values reflects the morality and moral compass of the directors of failed MFBs. Since the banks did not have robust capital and managerial resourcefulness, they could not withstand the dysfunctionality of the dichotomy. The research findings also indicate financial recklessness on the part of directors of several MFBs. Decadent lifestyles were problematic amongst big commercial bank directors. These lived values eroded their capacity to adapt and / or improvise, which is critical to resourcefulness. Only external regulatory institutions could have stopped them. They existed, but without the robust resources to carry out their responsibilities.

Also, whereas the espoused values of many MFBs included teamwork and respect for one another, there were intense boardroom politics, and board members canvassed irreconcilable positions amongst each other, in many failed banks. These views did not align with the core purpose of financial inclusiveness of the banks, leading to mission drift. Rather than lending to micro-enterprises and poor individuals, credits were channelled, in some cases to middle-class friends and relatives of the directors and managers. Turning such poor circumstances into positive outcomes is part of the resourcefulness of MFBs in this study.

On the other hand, some MFB leaders and key managers shared robust Christian values of integrity, fairness and social justice in helping others. Emerald MFB exemplified this. This was a part of the communal culture exhibited in such organisations that was strong in solidarity and sociability. The directors and founders in such organisations were all members of the same church. They prayed together every Sunday, and shared scripture on how they could help the poor and needy in a sustainable manner. This in turn may have affected the way the bank was run with integrity and fairness where there was congruence between the values espoused and values practised. Similarly, there was the evidence of a robust

organisational culture that assisted them in time of difficulty, when shareholders gladly brought in more cash for the affected MFBs to weather the storm. The implication was that when most of the MFBs in Akute failed between 2010 and 2015, Emerald became the last MFB standing. Robust internal institutions, honesty, core values and transformational leadership practices became key in the fertile pool of robustness. However, in addition to honesty and core values was Emerald's understanding of the dynamics of the market. The MFB leaders and managers minimised the risk appetite and consequently the risk exposure of the MFB, ensuring the liquidity of the bank always exceeded the regulatory threshold; an expression of the business model adopted. Indeed, it always doubled the regulatory liquidity ratio threshold of 20% and this became very helpful when there was a run on MFBs when IMFB collapsed - a critical resourcefulness attribute.

Since values are a part of organisational culture emergent theme (Hearnshaw and Wilson, 2013) which can help an organisation to adapt in a dynamic environment, the interaction between leadership, values and culture can be a saving grace in challenging times (Vargo and Serville, 2011, Radford et al, 2013). While the situation of resilient MFBs in Lagos appeared to have aligned with this position, the same could not be said of most of the MFBs that died. The values practised by the leaders of most of the dead MFBs appeared to be in conflict with stakeholder theory that illustrates fairness in an organisation's response to all key stakeholders' needs, which ought to be considered in managerial practices (Jones, 1995; Damak Ayadi et al, 2005). So also was the threat to shareholdership paradigm as maximising the interest of shareholders suffered in the process. While many of the failed MFB leaders were feasting on the funds of the MFBs for fraudulent enrichment, they ignored savers, donors, creditors, shareholders and the regulatory authorities, leading to a diminution of robustness. This was an expression of robustness deficit in regulation, governance, institutions, monitoring and control, within each failed MFB and the supervisory performance of CBN and NDIC.

5.3.2: Redundancy

Redundancy "involves having excess capacity and back-up systems, which enable the maintenance" of critical functions should disturbance occur (Riskviews, 2013:2). This creates opportunities for implementing programmes required to acquire the critical problem-solving skills and capabilities for dealing with business challenges. The redundancy dimension assumes that an enterprise may not experience a collapse when faced with challenges to its

facilities if it has back-up resources, like capital/savings, systems and infrastructure. Examples of redundancy characteristics include replicating systems and resources not particularly necessary for daily operations which could become useful for maintaining critical functionalities in the event of crises. Redundancy comes from both business model and governing institutions within the organisation. So also are corporate governance issues in building redundancy into the DNA of the MFB.

"Redundancy" which is a technical word also captures the provision of duplicate systems, people and resources in critical areas of the business to take over operations where the primary people, processes and resources fail. Additional costs are implicated, and the move is often very expensive for small MFBs. It has however been found that those who could implement this contingency policy enjoyed advantages. An example of a MFB that has perfected this capacity is LAPO which constituted development councils (DC) made up of group leaders as part of its JLG business approach (among the customers) and institutional back up in every zone of its business operational areas. Such councils not only discuss prospects and challenges but provide a critical backbone for confronting operational challenges including debt recovery if and when needed.

Another dimension of redundancy is the promotion of diversity, as core to the overall business model. This requires "balancing diversity with efficiency" (Riskviews, 2013:2) which embeds organisational resilience. Such redundancy enables MFBs to survive, adapt and improvise in difficult circumstances. Grooming has demonstrated this through portfolio plurality, while ensuring efficiency indicators are monitored and implemented. LAPO is a similar case.

During this research, it was identified that MFB failure does not just happen. It goes through a process where the signs of stress begin to appear at some stages in the lives of many MFBs. When unattended to swiftly, these develop into bigger challenges, and sometimes fatal ones. This is often an unintended consequence of institutional deficit in risk management and operational monitoring and control. Furthermore, it was evident that several other variables relating to resilience deficits were prevalent in MFBs. Some of these include corruption, stealing, poor internal control / poor credit regime / lack of credit evaluation, an emphasis on lending with little or no attention to savings, integrity challenges, lack of innovation, unfavourable government / regulatory policies, lack of planning and poor managerial practices, or over-dependence on grants. These were often a result of wider issues linked to

redundancy deficits in managerial skills, capital and institutions. The inability to recover loans could be a consequence of a skills deficit and even a lack of capital to hire and develop the right quality and quantity of skilled staff, and to provide the necessary infrastructure / technology backbone. These could be signs of dangers ahead.

5.3.3: Resourcefulness

Resourcefulness is about the capacity to adapt. It also means the capacity to respond flexibly and improvise as well as to transform a negative situation into a positive one. Adaptive systems are characteristically flexible, which is very important for resilience in the face of adversity. The underlying assumption for this dimension of resilience is the building of trust amongst critical stakeholders and a readiness to improvise when challenges are faced.

This is about creativity and innovation, which is the ability to do something differently to get a better result. It is linked not only to having access to resources that are not immediately needed, but also the capacity of the individuals in the organisation to identify a better way of doing things and ultimately affect the entire organisation. Moving from cash to using cheques to trade with customers was a major issue in 1990. But LAPO had to take the lead in the deployment of cheques. This reduced the workload of staff. It made their jobs safer and minimised theft which constituted resourcefulness at that time. A similar situation was the leveraging of core financial packages and technology by ACCION, Grooming and LAPO. Most recently, the capacity to develop a business model requiring most of the staff to work from home, prioritise online product development and marketing in response to COVID–19 challenge is a resourcefulness attribute. This attribute can mean the difference between life and death in the MFB industry. Although it is too early yet for a conclusive pronouncement on COVID–19 survival, LAPO and Grooming MFBs seem able to cope well and adapting successfully, because of their resourcefulness which flows out of their culture that is inventive, business model that is flexible and organisation capacity that is agile.

Overall, the dynamic relationships between redundancy and resourcefulness appeared to have precipitated robustness, in the MFB market. When the relationships create the pathway for adaptation and coping with adversity, the outcome is organisational resilience. This appears to be what the findings suggest thus far. Furthermore, when such relationships failed to generate the required momentum for adaptation, failure often results. While adaptation enabled the more resilient MFBs to survive difficulties that came their way, they were also able to efficiently manage their current resources to deliver value at the same time. This

position aligns with the literature of organisational capability of ambidexterity (March, 1991; Duncan, 1976), and is in turn reinforced by the literature on agency and stakeholder theory.

5.3.4: Response

MFBs' resilience performance is also evaluated with two more lenses captured in the WEF components of resilience, namely **Response** and **Recovery**, which describe and define how a system performs in the event of crises. "They provide evidence of resilience when crises occur, and they are dependent on risk, the event and the time frame. These components provide the ability to compare systems and feed the measurements and results to calibrate the resilience characteristics" (Riskviews, 2013:3).

Response is the ability to pull together resources to tackle challenges quickly, in an agile fashion, in the face of adversity. Agile organisation is often a conscious decision based on organisational institutional arrangement and operationalising agency theory. It also flows out of intentional business model anchored on agility. This is how LAPO proceeded between 2000 and 2003. It has to do with agility, flexibility and honing appropriate crisis management methods, coupled with the ability of decision-makers to manage problems with dexterity and mitigate their possible negative impact. This is also an example of resourcefulness and response coming together to define resilience in operations. Whereas Emerald MFB was able to deal with issues of resource mobilisation, recovery of credit and suspending further credit with runs on MFBs in 2009 to 2010, Ojokoro and Akute could not do this, and hence their demise occurred. The attributes of agility and flexibility which came to rescue the resilient MFBs, are underpinned by their business model and consequent institutional arrangements. Such abilities are critical components of WEF response model, which provides a supporting lens in assessing organisational resilience.

Effectiveness in communication and trustworthiness between key decision-makers elevate the possibility that when a crisis occurs, information can be communicated speedily to ensure the survival of the organisation. Speedy communication of information is a business model attribute. Second, inclusive participation helps the organisation to consider all possible options for overcoming challenges in a crisis situation. The type of culture the organisation possesses counts in this circumstance. Whereas LAPO, with its communal culture could respond quickly and flexibly to managerial and capital challenges between 2000 and 2003, IMFB, with its mercenary cultural dimension could not. Response is also about adaptability, improvisation and agility, which Akute MFB lacked before its closure.

5.3.5: Recovery

"Recovery means the ability to regain a degree of normality after a crisis or event, including the ability of a system to be flexible and adaptable and to evolve to deal with new or changed circumstances after the manifestation of a risk. This component of resilience assesses the organisation's capacities and strategies for feeding information throughout the organisation, and the ability for decision-makers to take action to adapt to changing circumstances and incorporating new situations into business strategies" (Riskviews, 2013:4). ACCION MFB, after facing cash and credit recovery challenges in 2016 was able to regain normality in 2017 based primarily on its internal institutional strength and dynamic capabilities. LAPO's recovery in 2000 after losing a critical staff was partly a result of inherent resilience characteristics, incentive structures and purposely designed proactive measures to overcome problems. Incentives like promotions, overseas conferences and training and bonuses typical of LAPO, ACCION and Grooming were very helpful. When the crises were over, the MFBs not only regained normality, but actually moved forward using the technology and measures developed during the crises.

5.3.6: Down side of the WEF lenses Approach And Remedies

The downside of WEF is that the approach was not entirely adequate for analysing, mirroring or validating the findings of this research, to explain organisational resilience without necessarily being able to account for failures in MFBs, using five WEF components. The inadequacies in WEF were remedied firstly by infusing the emergent themes from the literature review in the analysis. A second remedy is the recognition of the need for effective and strong management and financial controls, and the enforcement of strict compliance within prudential guidelines. The utilisation of such tools can provide an enabling environment to embed organisational resilience and boost enterprise development at the same time. This should not be left to management and the board of the MFBs alone. CBN and NDIC must play a pivotal role through regular inspection and monitoring visits and incentivising whistle blowing. Further remedy in discussing the findings of this research, was to bring the key issue of the behaviour of the human elements, particularly in orchestrating the failure of MFBs through fraudulent practices, poor corporate governance, deliberate falsification of bank records of income and expenditure, deliberate fund diversion by collection clerks and moral hazards in credit administration, into discussion. Such human elements also include behaviour in accessing loans with no intention to pay them back and

even outright pilferage and exploiting information asymmetry. Both character traits and circumstances are involved, whereby character is related to the values and lifestyles of key stakeholders and circumstances are related to incompetent and corrupt regulatory officials. The implication of this development in MFBs is the level of risk associated with NPLs, and consequent PAR beyond regulatory thresholds. The consequences are undesirable outcomes associated with failing and faltering MFBs. Similar to MFB dilemma was the collapse of Skye Bank (Vanguard, 2018), which was traced primarily to NPLs, which was linked with agency dysfunctionality and poor shareholdership management in that bank. The directors and senior managers fraudulently fiddled with the book-keeping and were involved in direct pilferage of bank funds, due to docility in institutional oversight. It was not until the government decided to withdraw its public funds from the bank and domicile these in the CBN that a major gap was identified in the finances of the bank. On examination, CBN found that US$295m (₦89.4b) could be traced to the account of the chairman of the board of directors and another US$96m (₦29b) was written off as bad debt. This amount was also traced to his personal account. Similarly, US$6.8m was allegedly taken by the same chairman for "personal expenses" in breach of regulatory guidelines. These are not small numbers, particularly in a country where about 60% of its people live below the poverty line. On top of this, the father of one of the directors was alleged to have accessed a credit of US$633m (₦191b) with no intention to repay. Another senior manager took US$364m (₦110b) ostensibly to invest in oil and gas, without the supporting collateral. The fraudulence of the chairman somewhat contributed to poor governance practices which resulted in his turning a blind eye when other managers were helping themselves to the bank funds. Oceanic bank and Afribank suffered a similar fate some ten years earlier. These have been associated with the behaviors, motives and lifestyles of the promoters and senior managers of the banks, which WEF could not sufficiently explain. But they could be explained through institutional stakeholder theories and agency. Lack of proper monitoring and enforcement institutions allow some of the stakeholders to game the system to gain advantage over other stakeholders; governance that should help in moderating the interests of stakeholders failed to do so with the connivance of fraudulent directors. More recently (December, 2018), Access bank bought over Diamond Bank, due to its under-capitalisation. The circumstances leading to this are still unfolding, but initial anecdotes indicate that the CEO fraudulently enriched himself by diverting huge sums from the bank along with other directors, coupled with financial mismanagement. Fraudulence and theft cut across the entire banking industry, and this was

not limited to MFBs. The intensity could be linked to lack of or inadequate internal and external institutions to monitor and enforce control regimes and manage risks. However, the idea of stakeholder fraudulence as a prism to discuss and explain bank failures in general and MFBs in particular can be challenged on the basis that if proper monitoring and management control systems were in place, theft and the diversion of funds in MFBs could be minimised. The implication is that MFBs' failures would be averted. However, that argument ignores the position that financial and management controls are overseen by the board and senior managers of the MFBs. Since management and directors are at the forefront of diverting MFBs' funds, they failed to implement rigorous controls and monitor programmes. These actions could have been on purpose and managerial conspiracy to defraud.

When MFBs fail, the brunt of the burden is borne by the very poor and vulnerable people who they were set up to elevate from poverty. The poor save with MFBs for 'a rainy day' as and to access credit. MFBs also benefit the poor through social capital, particularly for those who have formed groups that mutually support each other. Research suggests that the "single most powerful predictor of human resilience is interpersonal support" (George, 2011:2). However, when MFBs fail, the poor lose three things: their life savings, access to credit and access to social capital that comes from a sense of community and interpersonal support when the bank was alive. This explains why, despite the fact that rate of failure amongst MFBs is not higher than any other business; its impact is more devastating on the poor in a country that contains some of the poorest people in the world. That is why this study is particularly important. It can be argued that minimising failure in MFBs helps the poor more than any other socio-economic group, or indeed any other stakeholder. Consequently, the resilience of MFBs is very beneficial to the economy because it benefits the poor and their micro-enterprises and consequently their ability to consume, which fuels economic growth. Micro, small and medium enterprises constitute over 50% of Nigeria's GDP.

5.4: Alignment of Findings with Literature and Emergent Themes

This section is an attempt at aligning the literature, findings and research contribution in a way to complement earlier frameworks for discussing the findings. This is intended to extract more insights from the research outcome.

MFBs are very challenged in meeting their primary purpose of inclusive banking for the poorer people in the world, and in particular, Lagos state of Nigeria. The Andhra Pradesh MFI crisis in India was discussed as it offers lessons for the Nigerian MFBs' resilience

narrative, particularly with 40% of MFBs failing in Nigeria in the last 13 years. Mission drift was discussed since it has become a challenge to MFBs in their attempts to meet both social and commercial goals at the same time. And that meeting both goals simultaneously was important for financial sustainability, organisational resilience (OR) and most importantly serving the purpose of financial inclusiveness of the poorer people and their micro-enterprises.

The second emergent theme in organisational resilience literature is about the capacity to employ either or both proactive and reactive measures to stay alive when confronted by adversity or shock. The recent thinking on organisational resilience being canvassed by Denyer (2013) on intersecting progressivity and defensiveness when adversity strikes an organisation is particularly relevant to discuss the findings.

The third theme that emerged from the literature is the role of stakeholders and regulatory institutions and practices in the lives of MFBs. This was deepened by exploring the stakeholdership versus shareholdership debate in corporate governance, and how this informs, and is informed by the pursuit of long term purpose/goal of the organisation. In drilling down the literature review, the issues of stakeholder/shareholder interests and behaviour were mirrored against MFB organisational practices and organs to monitor and implement risk mitigation processes.

The fourth emergent theme has to do with institutions and institutional theory, as well as neo-institutionalism, and how they frame organisational narrative, particularly as it relates to sustainability, outreach and resilience. Institutions internal and external to MFBs were identified, particularly in respect to operational and regulatory issues. The activities of institutions and practices within each MFB including governance were viewed critically.

Furthermore, the literary study discussed institutions like CBN and NDIC and explored how they play a significant role in MFB resilience. Neo institutionalism and what contribution it makes to MFBs' organisational resilience was also identified among emergent themes.

The fifth emergent theme was organisational business model, and how the choices and decisions about it could make or mar the organisation. Key here are lending models, interest rates, governance practices, foreign exchange hedging, harvesting and micro insurance.

The sixth theme is related to organisational culture, and the circumstances in which communal culture builds resilience into the organisation and mercenary culture destroys resilience. Additionally, the five components of organisational resilience espoused in WEF

(Riskviews, 2013) were reviewed, showing their strengths and limitations. In terms of dealing with the limitations, the presence or absence of management control systems and compliance with prudential guidelines were seen as key. Also instrumental is sound governance. The discourse is critical to understand and explain how and why 69% of MFBs survived while 31% failed in Lagos in the last nine years.

It was observed that some of the themes in the literature found some similarity and convergence amongst the findings. Furthermore, critical incidents in the lives of MFBs and their key promoters indicated that some of such incidents, how they were perceived and consequent reaction, contributed to the death of MFBs, while some MFBs were strengthened by them. These appeared to be linked to the human motivation and behaviour in the literature. Taking this further, ambidexterity, including dynamic capabilities, which build organisational capacity not only help MFB to prosper, but also to withstand shock and adverse circumstances; and can be linked to the resourcefulness, robustness and redundancy in WEF (Riskview, 2013). After all, such capabilities could provide the back-up systems and resources that the MFBs can draw upon during shock.

Institutions designed to enforce CBN regulatory and prudential guidelines, guided internal decision making in MFBs and how resourceful came to help to mitigate risks. There was a broad consensus that monitoring and performance management and managing by measures could help in building a healthy organisational practice. Such practices were perceived to impact organisational performance.

Another issue is that MD is avoidable and that meeting both commercial and social goals are important to financial and operational sustainability; which is critical for organisational resilience. And that the pursuit of the interests of key players, owners and senior managers/leaders of MFBs at the same time impacts the organisational capacity to overcome adversity, this is also intersecting with governance theory and robustness component of WEF.

The issue of Fraud is a big one. This implicated corruption, embezzlement, misappropriation and deliberate mismanagement of organisational funds. This theme suggested a serious need for significant improvement in corporate governance and strict implementation of control measures as fundamental in resolving MFB resilience challenge.

Another issue has to do with organisational preparedness for adversity, which most MFBs in Nigeria, could ill afford due to their smallness in size and weak capital base. Both proactive and reactive measures, developed by each organisation, seemed inadequate to protect many

of the failed MFBs. This was partly due to lack of robustness. But in many cases there was no preparation at all for any eventuality.

Organisational preparedness feeds into a broader theme of business model, which was identified earlier in this chapter. An example is the choice of interest rate and the adopted approach in credit administration, whether group driven or individual in nature, playing a role in how organisations survive or succeed. Andhra Pradesh crisis is key in appreciating this emergent theme. The convergence of themes is more observed in resilience outcomes than in the operation of MFBs.

The final important theme that emerged is that the failure of MFBs, globally, and in particular in Nigeria, could not be identified with a single cause. And that a combination of causes might be a more appropriate and sensible approach, in addressing the challenge of failure in MFBs in practical terms. This way, a holistic paradigm can be developed as a recipe for staying strong in the face of adversity. Unfortunately, the development of that holistic paradigm is beyond the scope of this exploratory research.

5.4.1: Alignment of Research Themes, Literature and Research Contribution

Table 5.1: **Alignment of Findings, Literature and Research Contribution**

	FINDINGS	LITERATURE	CONTRIBUTION
1.	Fraudulent behaviour of human elements, directors, staff and customers result in capital attrition which underpin capital inadequacy and MFB failure	Ghate (2008) fraudulence in Andhra Pradesh. Sougata and Sushanta (2014), Srinivasan (2011), Prandkilling Decker (2015), Nigerian banks (Oyeyomi, 2003; Acha, 2012). Fraudulence in banking in Nigeria (Okpara, 2009), Insider abuse (Opeisan,2015)	Whenever the motivation to set up MFB is intentionally for it to fail through fraudulent behaviour, Governance hardly exists; And directors take loans with no intention to repay, Which results in ballooned NPL, bad debts and very high PAR; with banks unable to meet obligations to depositors and consequent collapse of the MFB. Integrated and Ojokoro MFBs exemplify this occurrence. This is a contribution To knowledge (Okpara,2009)
2.	NPLS and PAR beyond regulatory standards led to crisis of not being able to pay depositors and repay loans from banks and multilateral organisations. This leads to license revocation.	Karmakar (2008) NPL in Manipur, Tamil Nadu and Orisa (Ulrike et al, (2011), CGAP (2010) (Alegiuno, (2008)	When banks lend beyond the regulatory single obligor threshold of 5% of equity, which was done, mostly through insider trading and often patronized by men, repayment defaults arise in many cases, so when deposit customers come for their money, the banks were unable to repay; leading to a run on MfBs, ultimately leading to bank failures.

3.	Manipulations of financial figures and misappropriation led to liquidity drain, weakening capital base and failure of MfBs.	Wright and Sharma (2010); Intellecap (2012); Fatoki (2002). Insider abuse; Corruption and financial manipulations (Okpara 2009).	Banks whose records were clean and not manipulated as well as where funds were not misappropriated but directed at the core customers tended to be more organizational resilient. Reverse was the case with corrupt officers.
4.	Deliberate non observance of prudential thresholds, breaching single obligor regulation; skewed debt in favour of directors that did not repay.	DNA India (2010 in CGAP 2019 foot note) Irobi (2008), Odunsi (2015) CBN (2017)	The fraudulent behavior of principal stakeholders, directors, staffs and customers militate against the interest of shareholders by pilfering customers' deposits diverting shareholders equity to their personal pockets which resulted in weakening capital base of the MFB leading to its failure. This position is supported by literature (Odunsi, 2015 and CBN, 2017).
5.	Financial recklessness, ostentatious living of directors leading to buying exotic cars, living in expensive highbrow homes from MFB lead to impaired capital and inability to pay depositors when they come for their money.	Oyeyomi, 2003; Acha, 2012, Fatoki 2000, Agusto, 2015, Dike, 2004; Ribadu 2006; Aburime, 2009, Duggar 2013; Kvalnes 2014; On integrity and ostentation living.	Liquidity deficit below the regulatory threshold of 20% resulting in inability to honour depositors demand leading to a run on the MFB, and ultimate collapse. This is supported by the literature (Oyeyomi, 2003, Aburime,2009 and Acha, 2012).
6.	Those banks that used business model targeted at women, with group credit administration tended to be resilient, primarily being able to recover credit and be able to pay depositor as and when due.	Sanusi (2010); Eruke (2010) Agusto & Co (2015). Research suggests that the "single most powerful predictor of human resilience is interpersonal support" (George, 2011:2).	The adoption of a business model that focuses on women with minimization of credit in groups build social equity and interpersonal support, leading to organizational resilience. This is a contribution to theory which George (2012) reinforces.
7.	High interest rates appeared to lead to loan delinquency, low interest rate assisted loan recovery.	Stiglitz et al (1981) Exorbitant interest rate, CGAP (2010, foot note), UNDP (2003) High interest 30-100%; monthly 4.5-6%. Anyanwu, 2004; Sinclair, 2012 and Armitstead, 2012.	The MFBs that charged interest rate and fees in excess of 200% APR and 6% per month tended to lead to default in loan repayments increased NPL, PAR and failure. The literature supports this (Stiglitz et al, 1981), While those with monthly interest of 2-3% and APR 200% tended to overcome adversity. This is a contribution to theory.
8.	Loan minimization tended to minimize defaulting in loan repayment. Most loan minimisation operated within groups, loan maximisation which occurred mainly through ILS. ILS Credits usually turned bad	No explicit literature	Loan maximisation particularly with ILS model tended to lead to unrecoverable credit and hence MFB failure. This is a contribution to practice.
9.	The banks that hedged their foreign loans against foreign exchange	No explicit Literature	The MFBs that domiciled foreign loan in a commercial banks of choice and took out the naira equivalent at

	volatility and insured credits were able to overcome shock and adversity		the time of executing the loan were better able to repay such foreign loans and were better able to withstand adversity, this maybe because the foreign institutions that gave the loan monitored performance of that loan on an on-going basis, as such banks were compelled as a condition for accessing such loan to operationalise good corporate governance. The outcome is that such MFBs survived and overcame adversity. This is a contribution to practice.
10.	The banks that delayed harvesting by shareholders, not taking dividends and staff, not collecting bonus for several years (say up to 20 years) had redundant cash liquidity to draw upon during difficult challenges, which assisted them to overcome adversity.	No explicit Literature	Some banks that did not pay dividends to shareholders for so 30 years and not paid staff bonuses for 27 years tended to be more resilient than those who did. This may have been because such funds provided back up cash for robust posturing to confront adversity. This is a contribution to practice.
11.	MfB with large branch networks were largely resilient partly due to access of pools of funds from savings mobilized across those branches; with very low interest paid on savings, the cash provided good backup in times of panic withdrawal that led to integrated MfB, Pekko and Ojokoro MfBs to fail in 2010.	Ehigiamusoe,2011, Adedipe, 2013; Agusto,2015	The national and state MFBs were able to withstand adversity than unit ones this may have resulted from the extensive branch networks where many customers in some branches were only doing savings which were liquidity buffers for MFBs confronting adversity. This is a contribution to theory
12.	Most of the MFBs that liquidated had FSS less than 1 two years before liquidation	Agusto 2015	Banks with high NPLS often operated FSS lower than 1which constrained the MFBs lending and income generating capacity, which when continued for over two years contributed to failure. This was particularly so during mass panic withdrawal. This is a contribution to knowledge
13.	On multilateral loans with exception of two MFBs, all the MFBs that took multilateral loans were able to overcome adversity .this might be because of due diligence conducted by multilateral loan providers and strict monitoring of the performance of such banks. This suggests that if CBN can use the monitoring model of multilateral financial institutions MfB failures could be minimized.	Risk review, 2013 ; Mcann and Selsky,2012; Sullivan -Taylor and Branicki, 2011; Selsky, 2012 – Robust, redundant capabilities.	Most MBBs that accessed IFC and multilateral loans tended to be more resilient than those which did not. And good utilisation of such loans attracted more and more of multilateral loans. This ‘good fortune’ led to increasing robustness and financial solidity of the MFBs, and their capacity to withstand any adversity. This is a contribution to practice. This capacity may have been due to better governance practice and

			managerial effectiveness due to close monitoring by the multilaterals of how loaned funds were utilised
14.	MFBs that operated good corporate governance tended to be resilient. They had a board with diversity in gender and professional calling. Their selection was professionally done. They built internal institutions on credit administration with clarity in lending process, audit, risk management, finance, legal and promotion/remuneration. They also maintained transparency and accountability with none of the directors and senior managers allowed to borrow from the bank. All business interests of leaders were made explicit and their performance evaluated by independent appraisers every year. Randle International was used by LAPO to appraise the performance of its directors at the end of each financial year.	Milliken, 1999. MFB Policy, practice and challenges in the thesis. Abraham and Balogun, 2012; Oladejo, 2011; CBN, 2005. Corporate governance policy requirement. CBN, 2010; Agwuegbo, 2012. Poor oversight and governance function-p61-62. Fuji and Morimoto, 2012 Governing Requirement p51 CBN (2010). Agwuegbo 2010. Poor oversight functions P16-62.	MFBs that operated good corporate governance and vibrant internal institutions, particularly in areas of credit risk management, audit, whistle blowing, lending processes appeared to be more resilient. This is a contribution to theory.
15.	MFBs with staff whose experience was honed in commercial and merchant banks tended to populate failed MFBs. And consequently did not have the skills to manage through adversity.	Ikeanyi, (2009); Acha, (2012); (poor managerial skill and low staff morale).	MFBs with staff with experience from MFBs demonstrated greater expertise in loan minimization that created enabling environment for organizational resilience. This is a contribution to practice.
16.	The MFBs with mercenary culture tended to fail during adversity; whereas those with communal culture tended to succeed in all situations. But the full impact organisational resilience was felt when communal culture was combined with group lending business model. And those MFBs with communal culture tended to embrace group model and attracted mostly female customers. On the other hand MFBs with mercenary culture tended to implement individual credit model which attracted mostly men.	Weick and Sutcliffe, 2001; Weick and Putnam, 2006, Erol et al, 2010.	MFBs that worked in groups, with a culture that is strong in solidarity and strong socially worked in teams and accessed group driven loans, these observed communal cultures that tended to create "we are in this together feeling" energising an enabling environment for organizational resilience. This is a contribution to knowledge.
17.	Critical incidents like panic withdrawal, death of founder, CEO and massive regulatory changes (e.g.) shoring up of capital base led to some failure in unit MFBs. The national and state MFBs were more able to survive in such circumstances. The national MFBs that failed – Integrated MFB and Ojokoro	McAteer et al, 2010, Stephenson, 2013.	Leaders tends to bring their values and life experiences to bear on their organisations, so those who had challenging upbringings and overcame them were more able to deal with panic withdrawal, death of colleagues and other critical incidences and overcame organisational adversity. This is a

	was due to underlying problem of fraudulent behavior of key human elements and large NPLS. This occurrence demonstrates that size can help MfBs to survive critical incidents when there are no underlying negative conditions. The above was at the organizational level, at the individual level it was found path-dependence impacted directors to do what they did like the faith they proclaim, the parents and the environments they grew up in; making that to affect the values in use in MFBs.	Erol et al, 2010; Mallak, 1998; Vargo and Seville, 2011	contribution to theory. Furthermore, MfBs with solid internal institutions and complied with regulatory and prudential guidelines tended to be more resilient than those that did not. LAPO represents observance; Ojokoro and Akute represent those who were not.
18.	So is leadership that is purpose driven and visionary.	Hearnshaw and Wilson, 2013; Rasford et al, 2013; Denyer, 2017.	LAPO and Grooming leadership demonstrated purposefulness by focusing exclusively on lending minimisation to women and the vulnerable and were able to adapt their offerings in difficult circumstances, a contribution to theory.
19.	LAPO business model anchored on group model ,low interest rate ,loaning 99% to women delayed harvesting till 30years, insuring credit ,debtor to many multilateral organisations operating SAR, Cretches for children of females employees ,having customers councils activated when group methodology was encountering shocks on NPLS; With stakeholders and shareholders interests managed successfully ,with board of directors implementing diversity in gender, experience and occupation, and with a board that operated good corporate governance in accountability at all levels , transparency in declaring interest in contracting arrangement with bank directors performance appraised by Randle international every year. When the outcome of such performance appraisals suggested areas of training required, directors were sent to such trainings. Furthermore it had internal institutions on credit, finance, auditing risk management, promotion and remuneration and risk management; legal and general, whistle blowing on fraud, sexual harassment and abuse of office. Strict observance of prudential guidelines particularly in capital	Adedipe,2012, Agusto and Co, 2015 Forbes and Milliken, 1999, Abraham and Ballogun, 2012; Oladejo, 2011, p. 51 of dissertation. Erunke,2014, Agruebo,2010 Argyris and Schon, 1974; Pettigrew, 1992 Kesner and Johnson, 1990; Monks and Minow, 1995, Howell and Nwanji (2007).	LAPO exemplified organizational resilience having survived several adversities since its inception in 1987 .Its inclusive staff welfare programme, SAR and DAR programmes, community councils and other internal and external institutions plus banning directors and managers from borrowing from the bank made its NPL to be the lowest in the industry and consequently enhanced its organizational resilience. This is a model for the industry to emulate and therefore a solid contribution to practice. LAPO and Grooming MFBs with strong internal institutions and complied with regulatory and prudential guidelines tended to be more resilient than those who did not. Ojokoro and Akute MfBs represent organisations that did not have good corporate governance and strong internal institutions. Banks with high level of accountability and transparency in conducting its business and reporting same to the board and regulatory authorities like CBN, NDIC and

	expenditure, liquidity ratio, single obligor and PAR guidelines. It always watched over reconciling shareholdership with stakeholdership interests – in areas of fiduciary responsibility and accountability.		EFCC tended to be more resilient than those which did not, a contribution to practice.

5.5: Summary and Conclusion

5.5.1: Summary

This chapter discussed the findings using relevant lenses and tools in the process. In particular, the WEF five components of resilience (Riskviews, 2013) were useful, although not adequate, for explaining and evaluating MFB responses to adversity. Although WEF can be argued to be rooted in a resource-based view of the firm and resonates with stakeholder theory, agency and institutional theory, the differences in emphasis suggested that directly employing those theories (and emergent themes) could assist in making the discussion more robust. Consequently, it was remedied by integrating and infusing the main emergent themes from the literature in discussing the findings, as well as establishing the point of management and internal control as variables within the analysis. Core stakeholders' fraudulent behaviour and their activities have been identified as a critical underlying variable in the narrative of delinquency in MFBs in Nigeria. Management and financial control, when backed up by strict regulatory oversight and enforceable legal/contractual frameworks could make a difference to the resilience narrative.

For instance, where redundancy exists as a further layer of management and internal control, fraudulent activities can be minimised. This may have benefitted from using more of institutional prism for discussion. Also, resourcefulness as key to energise the organisation to be inventive, innovate and/or improvise to overcome adversity could also benefit from a more extensive deployment of the stakeholder theory and agency. Similarly, robustness provides capital fall back options when NPLs threaten MFBs' organisational resilience. Contingency planning is key here. Finally, Table 5.1 by bringing theoretical background (literature review), findings and aligned contributions together, deepened the discussion and extraction of insights to make contribution to knowledge and practice enhancement which DBA programme is essentially designed to provide.

5.5.2: Conclusion

Table 5.2. below brings together the alignment of emergent themes in the literature, research findings (consolidation), WEF components and the contributions of this thesis to knowledge

and practice. Interestingly there are five findings that appeared not to exist in the literature. They are: Loan minimisation, Delayed Harvesting, Risk mitigation model using SAR framework, Development Councils (DC) and Foreign Loan Hedging (FLH). These are all linked to Business model. These findings are therefore a contribution to knowledge and theory; bridging a gap in the literature.

Table 5.2: **Alignment of Emergent Themes, Findings, WEF Factors / the Literature and Contribution**

	EMERGENT THEMES	FINDINGS	WEF FACTORS/THE LITERATURE	CONTRIBUTION
1.	FRAUDULENCE	Findings 1, 3, 4, 5 Feed into the fraudulence emergent theme But the micro finding on intentional setting up MFB to fail as a part of fraudulence has no support in the literature.	WEF (Riskviews, 2013) components of Robustness and Redundancy capture the literature - Okpara (2009) Sougata and Sushanta,(2014) Decker (2015).	Human behaviour and Founders' motivation, manipulation of figures insider borrowing, financial recklessness and corruption leading to failure. While the above is supported by the literature, the intentional setting up MFB to fail has no literature support. Such finding therefore fills a gap in the literature of fraudulence in MFBs- a contribution to knowledge and theory.
2.	BUSINESS MODEL	Findings 6, 7, 8, 9, 10, 11, 13, 15 feed into Business model theme	WEf factors of Redundancy and Resourcefulness capture stiglts (1981) Sinclair (2012) Ehigiamusoe (2011) and Adedipe (2012) business model theories	Business model that focussed on women, in groups with low interest rates survived whereas individual loan to men high interest rates, NPLs and high PAR led to failure
3.	Business model-Micro components And Organisational culture micro components	- Loan minimisation - Hedging foreign loan - Insuring foreign exchange volatility - Delayed Harvesting	There was no explicit literature on these findings as micro issues in Business model. So also is not explicit literature on the contributions of	Loan minimisation, SAR, Community Councils, Foreign exchange Ledging and insurance, delayed harvesting led to ability to withstand and overcome challenges

		- SAR - Community Councils - Communal and Mercenary culture	communal culture to organisational resilience and mercenary culture as contribution to failure in MFBs	and adversity. This is contribution to knowledge and Theory – filling a gap in the literature So also is the 'discovery' of the role specifically on communal culture and mercenary culture in organisational resilience narrative. This finding fills a gap in the literature of MFB Organisational resilience.
4.	Corporate governance and institutional Elements	Finding 14 feed into corporate governance and institutions	WEF Robustness and Redundancy (Risk view, 2013) miliken (1999) CBN (2010), Agwuegbo (2012) Howel and Nwanji	Transparency, avoidance of insider borrowing, good oversight functions of board led to resilience. But insider borrowing with poor risk management regime led to bank failures
5.	Organisational culture	Finding 16 feed into organisational culture	Wef-Robustness and Resourcefulness (Risk views, 2013), Weick and Sutcliffe (2001) Erol-etal, (2002)	Organisational culture driven by group built social equity leading to bank resilience. Mercenary culture and lack of team work led to failure
6.	Critical incidents and leadership	Findings 17 and 18	WEF Robustness and Response	Panic withdrawals, death of CEO's, massive regulatory changes resulted in bank failures. Owners with challenging upbringings survived critical incidents.
7.	Organisational Resilience	Findings 17 and 18	WEF (Riskviews,2013) Response and Recovery: George (2011); Denyer (2013)	Organisations with proactive and adaptive capabilities were found to be resilient, like Robust capital and Redundant shareholder funds. Organisation prepared for adversity.

The next chapter begins with making explicit the summary of findings and contributions to theory and practice. It concludes with recommendations for practice and limitations of the study; with a tinge of caution not to mistake process for destination. This means whereas organisational resilience is important, its destination is indeed more useful for society; that is financial inclusion of the poorer people in the world, improving their lives and livelihood, and finally making the world a fairer and safer place for all.

Chapter Six: Summary of Findings, Contributions, Limitations and Recommendations

6.1: Summary of Findings and Contributions to Knowledge and Theory

This chapter summarises the findings, contributions, limitations and recommendations of this research. The study, which is exploratory, has developed an understanding of how and why some MFBs overcome adversity, specifically in Lagos, and why some others are unable to do so. It set out to make sense of how and why 40% of MFBs died between 2006 (when the CBN regulatory framework and prudential guidelines came into operation) and 2018 and why 60% of MFBs survived. More specifically, it set out to explore why 31% of MFBs liquidated in the last 9 years (2010-2018), while 69% remained solvent. The setting for the research was Lagos, Nigeria, and the timeframe was 2010 to 2018. The research also provides insight into why LAPO has remained the dominant and most resilient MFB in Lagos and Nigeria as a whole in the last ten years; and how Grooming has become the main challenger to LAPO in recent years.

The choice of Lagos was informed by three main reasons namely, Lagos constituting almost 40% of Nigeria's economy, Lagos being the safest place in Nigeria and Lagos being the researcher's location of practice. LAPO was included in the case study because of three reasons, firstly because it is the largest MFB in Nigeria; secondly because of data availability and thirdly because it exemplifies organisational resilience, having survived several life threatning circumstances since 1987.

Overall, the study has largely demonstrated that financial and operational sustainability is attainable when inclusive financial intermediation is a primary goal of MFBs. All that is required is the right strategy, developed and implemented whilst observing the regulatory and prudential guidelines. Most importantly, the right skills and right behaviour are necessary for resilience and leaders with integrity must observe good corporate governance practices and codes of ethics in pursuit of resilience.

The findings of this study interestingly indicate some outcomes that are in alignment with some aspects of the resource-based view theory of the firm (Barney, 1991). The theory, which focuses on competitive advantage, is about how organisations sustain their advantage in the competitive arena by implementing strategies and tactics that exploit their internal strengths, avoiding internal weaknesses, and responding to opportunities in the environment while neutralising external threats. Resilience is about overcoming external threats while exploiting internal competences and capabilities to deliver value to live the purpose of the

organisation in the present, without threatening its future operations. This research indicates that an inability to deal with internal weaknesses (like Integrated MFB) had effect on MFB performance. On the other hand, those that were able to deal with internal weaknesses were positioned to withstand both internal and external shocks. So also, were those who could leverage their VRIN capabilities, and internal competences like LAPO, Asset Matrix and Emerald. Leveraging them helped them to stay alive, and even prosper, in the face of adverse circumstances.

From the evidence in this study, it can be argued that resilience, whether in organisations or households remains a complex phenomenon. This position finds support in the views of some scholars like Dagdeviren et al (2015). This is due also to the complexity, as well as definitional dilemma, of the subject. The good news, however, is that the nature of how resilience is captured and executed in MFBs in Lagos, Nigeria is significantly enriched by this research. Identification of the nature and the environment that incubates MFBs' organisational resilience has been key in filling the gap in the literature.

The findings also suggest that depth and breadth of outreach of MFBs' offerings can coexist as long as the social and financial considerations are reconciled. The findings further suggest that in fulfilling the mandate of financial inclusiveness of the poor, other stakeholders' interests must not be ignored. All MFBs must demonstrate the understanding of the competitive and industry environment so as not to sacrifice financial sustainability in pursuit of depth/breadth of outreach. This position is largely supported by the literature and the primary research on four MFBs; namely Grooming, LAPO, Emerald and ACCION. Both social and commercial goals are a subject of agency and stakeholder management that are achievable at the same time as capturing organisational resilience, particularly in those four MFBs. This conclusion resonates with Kar (2013) and Copestake et al (2005b), particularly in respect of operational and financial sustainability, which is imperative for organisational resilience.

Furthermore, the research has demonstrated that the organisation's ability to cope with and adapt to difficult competitive and ecological circumstances can occur and develop if the appropriate internal mechanisms and institutions are put in place; proactive steps taken and reactive capabilities honed. This requires harnessing internal capabilities in countenancing opportunities irrespective of the size of the MFB. Overcoming adversity is key, to take forward MFBs to a better state so that they bounce forward.

Another key finding is that MFBs organisational resilience or failure does not respect size in MFB industry, like COVID–19 to humans. This challenges most of the literature that indicates poor capital base, a function of size, as a key reason for MFB failure. Although most failed MFBs are small units, larger national MFBs also fail. The failure of Integrated MFB, which used to be a leading MFB in Lagos, demonstrates that size on its own cannot guarantee MFB resilience. The outstanding success of Asset Matrix and Emerald, small unit MFBs, indicates that small businesses can be effective if the proper internal control measures are implemented and key stakeholders' commitment exists. Furthermore, that when leadership with integrity and behaviour that intentionally prioritises achieving organisational purpose over their personal and commercial interests runs the MFB, such MFB is likely to survive difficult circumstances. What that implies is that to achieve success, managerial motives must serve poorer people as a priority, over personal or commercial gains, albeit in the short run.

Similarly, the research has shown that the integrity of MFB managers and other stakeholders, by desisting from fraudulent behaviour and practices, plays a key role in MFB's organisational resilience. Furthermore, business models based on low interest rates, group credit administration and observance of (and sometimes exceeding) prudential guideline thresholds are key proactive requirements for embedding resilience in MFBs, particularly when they are directed at female customers while prioritising staff welfare. This is a contribution to theory.

Another contribution to theory is that communal culture among women customers, which includes very close social contacts in the entire value chain, combined with having clear and measurable goals in participating in the MFB ecosystem is critical to MFBs' organisational resilience; particularly one that engenders teamwork, group solidarity and fear of being ostracised.

When leaders and managers hold themselves to higher moral standard like intentionally excluding themselves from borrowing from the bank while deploying very strict SAR management philosophy, their chances of overcoming adversity is very high. This is a contribution to theory, which future researchers can test for validity.

The research findings also throw up the issue that the values of organisational managers and leaders are often transferred to the core values of the organisation. And that good corporate governance practices are often a function of values, life experiences and the motivations of

MFBs' senior managers and directors. And that the dynamic plays a significant role in the resilience narrative. This is a contribution to knowledge; which is supported by the finding that good governance in LAPO and Grooming stemmed insider borrowing in both MFBs and ultimately led to the minimisation of NPLs, unlike many other MFBs where insider borrowing ballooned NPLs that precipitated their failure. This is an addition to the stock of knowledge in the field of Enterprise Development and in particular, MFBs organisational resilience in Lagos.

At the inception of this study, it was stated that the aim of the research was to make a contribution to understanding MFB resilience, thereby bridging the literature deficit in MFB practice in Lagos, Nigeria. This was broken down into the following objectives:

A. To identify the core products and associated features of MFBs in Nigeria.
B. To determine the organisational processes (how), practices and other factors (what / why) that helped MFBs cope with, adapt to and / or overcome adversity.
C. To identify the factors (why) that led to the closure of 65 MFBs of 225 operating in Lagos in 2010, the deaths of 29 MFBs in 2014 and 31 MFBs in 2018 (where "death" and "closure" are used interchangeably to mean ceasing to trade).
D. To make recommendations for practice (how) to assist MFBs to cope with adverse circumstances in Lagos State, Nigeria that may prove useful in the entire MFB industry locally and internationally.

The research question of this study as stated earlier is "How and why did 69% of MFBs in Lagos, Nigeria survive while 31% did not in the last nine years (2010-2018)?"

It is worth reminding that between 2010 and 2018, two large MFBs and about 470 small unit MFBs failed in the country. Some 124 of these were based in Lagos. However, all the failed MFBs in the last nine years in Lagos (except IC and IMFB) have been small unit MFBs. The failure was due partly to the fraudulent behaviour of some of the managers and directors of the MFBs, resulting in system gaming, outright pilferage and unrecovered loans. Further causal factors included unfavourable business models and dysfunctional organisational culture.

The evidence therefore suggests that, whereas most small unit MFBs failed due to multiple factors, the large multi-branch MFBs that failed did so due primarily to some stakeholder fraudulent behaviour and activities, as well as poor corporate governance practices; which in turn resulted in insider trading and outright theft in violation of prudential guidelines. The

research outcome also indicates that when prudential guidelines are closely observed, size can become a key factor in resilience due to the capacity to leverage sizeable capital resources. However, size becomes an albatross if regulatory prudential guidelines are ignored or breached and the organisational purpose is compromised like in MD. This is a contribution to theory.

Further, if the motivation to serve the poor is the key driver of MFB operations, the MFBs could cope with adversity through the commitment of the promoters of the bank, and the practices they exhibit. This involves some commitment to delayed harvesting on the part of the shareholders, and delayed bonus receipts on the part of the staff. This practice builds capital reserves. When the above is accompanied by insuring credits and hedging foreign loans, such moves protect the bank's finances in the event of any unexpected eventuality or negative shock. This is a contribution to knowledge and theory.

Regrettably, the evidence suggests that some of the unit MFBs were set up to fail from the beginning. That dishonest motive underpinned the dysfunctional operations and governance of these banks through pilferage and diversion of depositors' funds by the promoters of the MFBs. This was compounded by regulators who permitted $66,000 capital base (small) MFBs to be collecting deposits. When infractions were discovered in the operations of such MFBs, incompetent and fraudulent regulatory officers did not act speedily. The findings here suggest that the key motives, that may not be expressly stated, of MFB owners are key in organisational resilience. If and when MFBs were set up to fail, they failed.

This research makes contribution, not only to the local debate of MFBs fulfilling their banking inclusiveness mandate on a sustainable basis, but also achieving social and commercial goals simultaneously, albeit in the long term. The fact that MFBs are able to do so, and remain standing, defies business, political and ecological shocks and challenges in the process. The deficiency in the international perspective is compensated for by the contributions to knowledge relating to Lagos MFBs.

The theoretical contributions are generalizable to theoretical propositions, particularly in the urban areas of sub-Saharan Africa. However, this has to be done with caution, particularly because context, history and culture matter. The study is, after all, exploratory to generate insight and understanding. As such, the outcome of this study reaffirms and validates previous work which suggests that fraudulent behaviour and practices amongst key stakeholders is a contributor to failure in Nigerian MFBs (CBN, 2015). The implication of the

conclusion is that, although causal factors of organisational resilience are complex and difficult to pin down, the enabling context can be identified.

Consequently, there must be a deliberate and comprehensive effort to deal with fraudulence, as it is a contextual orchestrator of organisational failure in MFBs. It brings misery to the poorer people in society who are the main depositors and savers in MFBs. This must start with intentional managerial and operational control systems, monitored and enforced by the regulatory authorities, as well as a strong and enforceable legal regime to punish infractions.

In bringing this study to a close, the researcher affirms that the study has made several contributions to knowledge and theory. These are amplified below for emphasis in resilience narrative and contributions to theory and practice of this thesis.

Firstly, fraudulent behaviour and activities, anchored in values and philosophical orientations, motives and the lifestyles of some leaders and other critical stakeholders, individually and collectively are key in identifying the enabling environment for primary causal factors of failure in MFBs in Lagos, Nigeria. Similarly, the honesty and consequent actions of key stakeholders of MFBs, starting with leaders and managers, create the enabling environment for organisational resilience. This is supported by the works of Ghate (2007), citing allegations of profiteering and unethical practices. Also relevant is work by Nwanyanwu (2011), Acha, (2012), and the CBN, (2015) indicating diversion and outright theft of MFB funds by the MDs and other leaders of the banks as precipitants of the failure of MFBs in Nigeria. The position is also supported by secondary research and secondary data from Agusto & Co. (2015), Adedipe (2017), Erunke (2014), Daily Independent (2015) and Sahara Reporters (2013) who state that extravagant lifestyles, as well as the world views of MFB senior managers (Akinteye and Abiola of Integrated MFB as examples) led to the collapse of Integrated MFB, Ojokoro MFB and several others. The position has also found support in the primary research which indicates that the majority of failed MFBs had problems with insider trading by fraudulent organisational leaders. Poor, and often gamed corporate governance practices and outright pilferage of bank funds contributed to failure. Most recently (on 21st January, 2019) the man who won the banker of the year 2018 award and CEO of the largest and arguably the most resilient commercial bank in Nigeria (Zenith), added his voice to support the above position. He particularly spoke about the centrality of dishonesty, and consequent fraudulence, depraved values and the character flaws of principal owners and leaders of banks as the major reasons for failure in Nigerian banks (Anaeto, 2019).The

implication of the conclusion is that fraudulent leaders, who operate poor corporate governance, if unchecked, could precipitate more MFB deaths. Based on this conclusion, part of the research question of identifying how and why 31% of MFBs died in Lagos in the last nine years has been answered.

Secondly, a business model that captures low interest rates, insured credit and a group lending approach, often focussing on women, tends to breed resilience. However, a business model that implements very high interest rates and primarily an individual lending model (which appeals to male customers) tends to lead to failure and death in the MFB industry. The business model that includes a measured approach to foreign loan exchange rate management and insuring micro-credits extended to the poor and micro-enterprises, is key in the resilience narrative. This position is supported by the finding that those MFBs that hedged foreign loan exchange rates and insured micro-credits tended to be more resilient than those that did not. The business model also includes an approach to customer service, treating them as valuable clients (assets) or as poor beneficiaries (liabilities). It also has to do with the method of dealing with customers (either as group and/or individuals), what interest rate is charged/given, approach to dealing with prudential guidelines and risk management, either at the minimum or maximum thresholds. That is a contribution to knowledge even though the above may not hold true for all MFBs, particularly those in rural areas, as Lagos is primarily an urban state.

Another contribution comes from the light shed by the research on the business model narrative on how quickly investors take dividends and managers collect bonuses. And that delayed gratification enhances organisational resilience. This is evidenced in LAPO, which deferred dividend payment till its 30th year and bonuses till over 27 years and was able to build up major cash reserves in the process. Cash is a great defence when MFBs face adversity. This was the case with LAPO, a large MFB, and Emerald and Asset Matrix, a small unit MFB, during the 2010 bank-wide failures. The opposite can deal a fatal blow to the organisation, resulting in failure and death as was the case with the Ojokoro and Integrated MFBs. Delayed gratification is key in embedding resilience in MFBs, which challenges the argument that MFBs must satisfy the double bottom line of social and commercial goals at the same time. Prior literature is particularly deficit in this area, and therefore the finding is a contribution to knowledge which can significantly enhance practice.

It is worth emphasising that five very important findings that appeared not exist in the literature include Loan minimisation, Delayed Harvesting, Risk mitigation model using SAR framework, Development councils and Foreign Loan Hedging. These are all linked to Business Model. This is therefore a contribution to knowledge and theory, bridging gaps in the literature at the same time.

Although small unit MFBs often lack the financial robustness to deal with unexpected eventualities, it was not, however, their small size that was the primary cause of their failure. This was demonstrated by Asset Matrix, Emerald and over 900 other unit MFBs. Their strategy management and how this was operationalised through its business and lending model among several variables was key. Big MFBs like Integrated and IC failed, the implication being that size is no cure for a failing MFB. The business model conclusion is supported by Sougata and Sushanta (2014), and Ghate (2007), citing the implementation of usurious interest rates and unethical business practices in Andhra Pradesh that caught the eye of the government resulting in encouragement for borrowers to default on loan repayment. UNDP (2003), Sinclair (2012), Armitstead (2012), EC (2010) and Amangbo (in Anaeto, 2019) had similar views on interest rates and poor credit administration in Nigeria leading to high unpaid loans, high PAR and ultimately poor operational and Financial Self-Sufficiency. This consequently led to MFB failure. This position is supported by Agusto & Co., (2015).

It is worth observing that the business model also includes the idea that resilient MFBs in Lagos tended to focus on women and adopt a group approach to credit administration. This finding finds support in the practice of Grameen Bank with 95% of its clients being women (Armendariz et al, 2005 in Ehigiamusoe, 2011). Furthermore, the primary research supports the conclusion by asserting that resilient MFBs operated interest rates of between 2% and 10% per month based on APRs of between 40% and 200%. The failed/non-resilient MFBs operated interest rates of between 10% and 25% per month based on APRs of 200% to 400%. In addition, LAPO and Grooming, the largest and most successful MFBs in Lagos, operated group lending on the basis of relatively low interest rates compared to other MFBs. They focussed on women, who constitute over 85% of their total clients. On the other hand, most failed MFBs operated primarily individual lending at very high interest rates. Examples include Integrated IMFB, Common Benefit, Akute and Ojokoro. Over 50% of their clients were men. It is worth restating that GL (group lending) creates an environment for members to build solidarity and social capital among themselves which they treasure so much and would jealously guard against losing. Failing to repay a loan taken as a member of a group

often leads to ostracism from the group, which most members would not want to do. The implication is that, in practice, low interest rates and group lending, where each member of the group serves as a surrogate guarantor for the other, organisational resilience results, in the MFB market in Lagos Nigeria. Hedging foreign loans, insuring micro-credits, delaying dividend and bonus payments, as indicated in prior paragraphs, complement interest rates to orchestrate MFB organisational resilience. This is a contribution to knowledge; which practitioners can implement to proactively build organisational resilience and financial sustainability.

The business model conclusion can, however be challenged on the basis that the research has an urban bias, as Lagos is over 80% urban, and potential variation might have been observed if rural areas with credit for peasant farmers who need more time to grow and harvest crops than urban petty traders had been included in the study. It is also worth noting that the values of the leaders of the MFBs are often a product of their life experience, life stories and socialisation influence; and should be observed in the story of organisational resilience. The resultant organisational variables of governance, managerial skills, capital, risk appetite and risk management and ultimately suitable business model are natural antecedents.

Another contribution to knowledge is the observation that communal organisational culture backed up by strong enforcement institutions facilitates resilience. For MFBs, those with a communal culture which is high in sociability-relationships and solidarity, backed by strong internal control, good corporate governance and risk mitigation processes, are able to pull together in difficult times. Clear guidelines of behaviour in times of distress and absolute difficulty are key. This is supported by the literature from the works of Goffee and Jones (1996) and the findings in the primary research in the case of Emerald, whose leaders socialised in church and many of its customers behaved the same way. O'Reilly et al's (1991) cultural profiles also support this conclusion when integrated with Goffee and Jones, where communal culture is team-oriented and sustains the achievement of goals by combining a number of ingredients. These are innovativeness, improvisation, stability, people orientation within teams and the minimisation of the dysfunctional activities of SAR. This cultural dimension is evident in Grooming, LAPO, Emerald, Asset Matrix and AB MFBs and it explains their ability to succeed in difficult situations. The same cannot be said of those that tended to have fragmented or mercenary cultures that were often low in sociability and commitment, although sometimes high in solidarity. Examples include ICMB, Integrated MFB, Akute, Ojokoro, Olive, Daily Capital and others which ceased to exist as a result of

one or two difficulties. These companies tended to breed SAR with tendencies to pilferage within the company. The implication of this conclusion is that a deliberate effort should be made to build a culture that values customers and staff, creating an enabling environment for developing social capital and solidarity, facilitating team orientation. The idea that “we are in this together” is valued, while at same time it is important to mitigate employees' risks by continual rationalisation of SAR, CAR, and even DAR. This position helps to build resilience and stems failure in MFBs.

This study has laid a foundation for future researchers in areas of MFB organisational resilience, particularly in Lagos Nigeria. It bridges the literature deficit in the area. Secondly, the study has clarified issues confronting MFBs since the CBN regulatory policy and prudential guidelines were introduced in 2005 and revised in 2011. And that fraudulent stakeholders interact with organisational factors to precipitate MFB failure.

The study has made a contribution to theory which suggests that when honest leaders are driven by the motives of social good, they tend to behave responsibly and practice good corporate governance. They also develop the skills set of their staff to be able to deliver robust MFB services to the most vulnerable parts of society. Furthermore, they embrace the organisational culture that engenders community, sharing and learning combined with a business model that leverages the group’s social equity. In the process, they build organisational resilience. Additionally, such practitioners tend to focus on the continuity of MFB in service sustainability. They focus on meeting social goals while not ignoring financial goals, where “sustainability” is about being able to deliver micro-credit in particular on an on-going basis. This is a contribution to knowledge and theory.

The issue of stakeholder interests and how they manage to ensure goal attainment was not properly dealt with prior to this study. For example, donor sustenance and the agents of development organisations, focus on achieving social goals at minimum price/interest to the poor. They tend to ignore agency that demands acceptable reward for enterprise. MFBs have agency with entrepreneurs who, while doing social good, desire fair rewards for their investment. Consequently, not much was known, prior to this research, about organisational resilience in the MFB space in Lagos, Nigeria. This study has helped in bridging that gap in the literature, particularly as it relates to micro components of adopted business model.

This research offers lessons particularly where the conditions of serious regulation and prudential guidelines from the regulatory authorities are features of the area under analysis.

This study makes a contribution by suggesting that all stakeholder interests and management are important in the resilience story, and that adopting a holistic approach to the subject is key. It suggests that motives and lifestyles of the key human agents in MFBs can either help or wreck organisational resilience, depending on the social condition, path dependence and the kinds of control measures implemented. The behaviour of directors and managers is key.

It is worth emphasizing that the study also makes a contribution to theory and knowledge in suggesting that when corporate governance and managerial skill set interact and combine with the observance of prudential guidelines, organisational robustness and resourcefulness are the result. And that such practice shapes organisational resilience.

Furthermore, the outcome of this research suggests that sustainability, whether in terms of service, operations or finance should reflect resilience in service delivery over time. This means that MFBs should aim at meeting the triple bottom line of people (social), profit (financial) and planet (environmental). This means that community is important to resilience narrative, and that it is in the enlightened self-interest of shareholders of MFBs to manage the possible tension. In this way, they engage with the legitimate needs of all stakeholders at the same time in an on-going basis. They are assured of the commitment of such stakeholders in upholding the organisational mandate and supporting the MFBs during crisis and shock, which is in the longterm interest of shareholders. This is a contribution to knowledge and impacting practice.

Further contribution is that the lending model was identified as very significant, particularly in an environment of foreign loan exchange rate hedging, micro-credit insurance, the observance of prudential guidelines as corporate minimum thresholds and good corporate governance. The latter anchors the resourcefulness of organisations towards better resilience. Insights gleaned from the insider experience impacted the above findings, making a contribution to knowledge. Further, the overall approach adopted by the researcher helped develop meaningful insights into the construction of resilience frameworks in data deficit environments; a useful contribution to theory. This can be supported with evidence, beginning with the understanding that organisational culture, stakeholder theory and institutional theory, when mixed with ambidexterity, provide a foundation to anchor both proactive and adaptive components of resilience and the way they are framed to overcome adversity. This occurs whilst meeting the needs of the four critical stakeholders of shareholders/owners, staff, customers and community. Howell and Nwanji (2007) provide a

worthy lens in this respect. The contribution also elicited how resilience is achieved based on a specific framework: the WEF model (Riskviews, 2013). This was used to ascertain the capacity for organisational resilience. When key stakeholders are honest and avoid fraudulent practices, while observing regulatory guidelines, their MFBs stand a good chance of surviving adversity.

Another contribution to theory is that management and financial control systems and governance practices work for organisations when the enabling environment is created by organisational leaders and a legal enforcement regime exists. When leaders are fraudulent, such systems do not work. This is because the practitioners deliberately make them fail to achieve their personal goals, thereby defeating the organisational goals of sustainability and resilience.

6.2: Overarching Contribution to Theory

The overarching contribution of this thesis to knowledge and theory is that Organisational Resilience in MFBs in Lagos Nigeria is a product of a combination of factors, in which the behaviour of the human elements is key. It results from the behaviours of some key MFB human elements (primarily promoters and management), the organisational culture they implement and the business model they adopt, as well as the interactions between those factors. The interactive process generates the corporate governance practices, inclusive of strict observance of regulatory/prudential thresholds as absolute financial and operational control minimum, while adopting inclusive business strategy of group lending model to mostly women with relatively low interest rate and delayed harvesting. Such business model extends to insuring credits and hedging international loans against foreign exchange volatility. Not only that. It could also extend to adoption of human resource practice that rationalises staff at risk (SAR), while creating a conducive environment for employees, mostly, women to thrive. Those practices are combined with the adoption of organisational culture that is communal and team oriented, in which capacity building/ skill acquisition is added to credit products for effective deployment of such credits. Backup systems (e.g capital redundancy), context, meaning social and economic conditions, path dependence, meaning historical conditions, are significant in the process.

Conversely, failure in the MFB industry is primarily the consequence of some key stakeholders' fraudulent behaviour and practices (particularly of the key leaders and managers of the MFB and the customers), combined with dysfunctional business model,

cultural and governance practices, weak institutions, intentional flouting of regulatory and prudential guidelines and lack of proactive preparation for shocks. And that failure could also result from how those factors are combined and how they interact with each other.

Consequently, what this finding suggests is that to identify organisational resilience or failure, its causes and cure, we should not focus on one factor only, as that could lead to a futile exercise. What this means is that there is wisdom in moving from sloganizing the "or" to embracing the paradigm of the "and". A holistic package is a worthy vector in that journey.

6.3: Contribution to Practice

There seems to be six main contributions to practice of this research. Firstly, is in the area of business model. Practitioners that embrace a business model that is underpinned by six key pillars are likely to develop resilient organisations. They are group methodology, low interest rate, foreign loan hedging, insuring credits, delayed harvesting and most importantly, complying fully with prudential guidelines as absolute minimum. The example is adopting a liquidity ratio far beyond the regulatory threshold of 20%. (Emerald and Asset Matrix exemplify the above contribution)

The second contribution to practice still relates to business model. Practitioners that adopt women as their main target, focus on credit minimisation, avoid individual loans and instead adopt group credit lending with peer group collaterization, combined with implementation of low interest rate, stand a good chance of surviving adversity.

Of particular interest here are findings that were not rendered explicit, nor had adequate support in the literature. They are Loan minimisation and delayed harvesting as Risk mitigation model. So also, is the use of SAR framework, Development councils and Foreign Loan Hedging to minimise risk in the tool kit of Business Model for MFBs that were able to overcome adversity. This is therefore a contribution to practice (knowledge and theory at the same time).

The third contribution to practice is the adoption of communal culture that is strong in social relationship and solidarity. Central to this is operating in teams, with clear observable goals that can be monitored from time to time. This also creates social capital to fall upon in the difficult moments among group members.

The fourth contribution to practice is also on a business model that forbids directors and their friends borrowing from the MFB, observing very closely single obligor regulation, engaging

in delayed harvesting and delayed bonus award, as well, while being vigilant on insider trading and very importantly, implementing very strictly the SAR regime.

The fifth contribution to practice is for the regulators of the MFB industry. To minimise failure requires enforcement of robust corporate governance regime in all MFBs, incentivising whistle blowing, doing supervisory visit regularly, while focussing more on licensing National and State MFBs. Evidence in this research supports that contribution, as over 90% of failed MFBs were small unit ones. Extensive control measures are required, and more importantly, implemented. They also need to create the environment for mergers to shore-up the capital of MFBs, leading to less failure. That has been done twice in commercial banking in the last ten years, which did not only give robustness to such banks, it assisted in stemming bank failures.

Final contribution to practice is that investors that genuinely went into the MFB business to achieve the double bottom line of social and commercial profit and permanence, often attained organisational sustainability and resilience, and were skilled to manage the tension in achieving both goals, as well as which goal to prioritize at different stages in the life of the organisation. They did, and future players need to follow. This of course would necessitate the extensive background checks of possible partners and managerial staff, and to identify incidents that were critical, in shaping their lives. Their social media account is also worth checking, including that of Interpol and possible criminal records and the way they lived in their homes. They should also be people who share common values, religious and/or social networks. The above contribution is evidenced by directors who went to same church, prayed together, discussing difficult management/business challenges in the process. The practice and routine of praying together every morning before work in LAPO and doing same at board and committee meetings appeared to have instilled the fear God which may have minimised insider theft and other deviant behaviours that could threaten the bank. This contribution to practice is left for future researchers to explore further.

6.4: Recommendations for Practice

From the evidence documented in this submission, the following recommendations are made, which truly, if implemented will assist practitioners to build organisational resilience into their MFBs to prepare for any eventuality. It can also be argued that if the recommendations are implemented, they will position the relevant governmental organs and regulatory

authorities to become more helpful in complementing the efforts of the MFB managers in solidifying MFBs to withstand adversity.

- There should be a deliberate programme to create the enabling environment and incentives that facilitate and reward honesty. Similarly, the MFB should develop a comprehensive, yet implementable policy on honesty across the entire MFB value chain. This could minimise the effect of the character flaws of principal promoters and leaders among the MFBs, rewarding honesty and punishing fraudulence. In practical terms, this should begin with the directors' appointment policy of extensive background checks (inclusive of their social media accounts, appearances and their lifestyles) by the regulators. Scrutiny of staff employment policies and processes, along with thorough background checks of potential employees is key. This should particularly be emphasised for those in credit and managerial roles. As a follow-up, there must be a deliberate broadening of the concept of SAR which is implemented by only a few MFBs at the moment. This must extend to include customers and even directors. This will help to identify Customers at Risk (CAR) making the regulatory KYC (Knowing Your Customers) more robust to deal with the challenge of fraudulence and financial misappropriation in the industry. Directors and the main promoters of MFBs must be exposed to extensive background checks and on-going regular monitoring. This could lead to the regular removal of Directors at Risk (DAR) from the boards of vulnerable or threatened MFBs. Although this may increase the cost of operation, it is well worth doing, considering the alternative situations of loan default, system gaming and outright stealing that could increase the NPLs and PAR of the MFB. High NPLs often precipitate MFB failure.

- MFB failure deals a bigger blow to the poor than to the rich as the poor are the main depositors in MFBs. MFBs, rather than helping lift the poor from poverty, deepen their poverty when they fail. This explains why it is more in the interests of the poor to prevent and avoid MFB failure. The implication is that the regulatory authority should complement the efforts of honest leaders and managers in MFBs to strengthen proactive practices to stem MFB failure. Such practices should also be fair and transparent.

- All stakeholders must consider the adoption of practice that prioritises exploration over exploitation, providing financial inclusion to the poor and micro-enterprises on a sustainable basis, rather than focussing on immediate financial benefits of investors. This may require delayed harvesting otherwise known as delayed gratification, precipitating

capital formation through capital reserves. Such capital reserves provide solidity at a time of adverse financial circumstances like during COVID–19 lockdown.

- To adopt the financial inclusion philosophy along with its practical implementation, the boards of MFBs must assume a commanding role in formulating organisational strategy and its enforcement, unlike the current situation where some boards of Directors rubber-stamp what the managers do and hardly monitor procedures or carry out regulatory enforcement. Board leadership in strategy formulation can motivate staff to be innovative and creative in designing solutions that make MFBs healthy. This is required for the MFB to be continually positioned to develop the right products and services that should be properly delivered to customers at a price they can afford, while implementing a risk mitigation regime that minimises loan default and stem failure of the MFB.
- Discussions and policy making in MFBs should be directed to the critical areas of making micro-finance more helpful to the poor and their micro-enterprises. The necessary complementary interventions as part of that journey are key and these include health counselling, family planning and education offered in a way that builds incremental capacity in the poor and amongst vulnerable women. This way, they seem better able to manage the credit extended to them by the MFBs. Being resilient should be a part of that process as MFBs must exist to serve the poor. This is because where MFBs elevate the social status of the poor and women, this not only brings more business to the MFBs, it also makes society safer and contributes to reducing high security financial costs to manage operations. Armed robbers and street urchins often burgle MFB offices to steal. Making the poor to improve their economic standing will ultimately reduce the operational cost of MFBs. This can however be contested on the basis of the volatile socio-economic environment and large horde of the hungry unemployed.
- The construction of the MFB business model should be institutionalised. This means that the processes and organs of the MFBs that are assigned should go beyond ad-hoc arrangements. Permanent structures must be built in to monitor and enforce these mechanisms. Credit management and managerial skills acquisition and development should be in alignment with the goal of sustainable inclusiveness rather than the milking (through high interest rates and all kinds of administrative and legal fees) of both the customers and staff by the owners and directors of the bank. This is because the recommended approach has the potential to invoke a culture of collective ownership

among those critical stakeholders and the commitment to protect the bank from failure. This position is supported by Scott's argument (1995; 2001) which maintains the view that institutions are social and economic structures that have attained a high degree of resilience and internal strength to adapt in stressful situations. It is also supported by Amangbo (in Anaeto et al, 2019). It is the researcher's view that a win-win scenario could be created here with the MFBs and customers gaining at the same time. The principal promoters and directors of the MFBs should apply the Zenith Bank model of not extending credit to themselves, as the evidence indicates that directors and principal shareholders are often the main culprits in unrecovered loans (ULs).

- Those going into the MFB business should carefully check the life stories, life experiences, core values, life motivations, lifestyles and social orientations of possible partners and senior managers, through comprehensive due diligence and background checks. This could help to identify potentially dangerous partners, directors and senior managers and stem possible fraudulent practices that could jeopardise the health of the MFBs, thereby sparing everyone the agony of the poor getting poorer.
- The regulatory authorities need to increase regulatory and capital / equity thresholds by at least 500%, as had been identified with resilient MFBs. Moreover, supervisory visits at least once every 6 months should be complemented by regulatory intelligence, to ensure MFBs are scrutinised before their businesses fail. This would require more staffing of such authorities, and of course more funding and due diligence amongst existing staff. Indeed, the staff themselves must be monitored to remove fraudulent and corrupt members amongst them. As this may be difficult, based on the number of MFBs, such regulatory bodies should encourage mergers and acquisitions to achieve two purposes: namely better capital bases and secondly making inspections less tedious and ultimately more productive.
- Investors should be encouraged to sacrifice profit for permanence, by doubling the liquidity ratios of MFBs to 40% and allowing their applications to stretch beyond the prudential threshold of 20%. The commercial bank's regulatory liquidity ratio minimum, for instance, is 30%. This ensures that MFBs meet their obligations to depositors any time they call on the bank. Failing to do so can precipitate a run on the industry as was the case when Integrated MFB failed. This has been exemplified by the practice that saved Emerald and Asset Matrix MFBs - small unit MFBs - when there was a run on the

industry during Integrated MFB's failure in 2010. Because they kept their liquidity ratio at 40%, they were able to meet obligations to depositors during the run on the industry.

- Risk management is critical to MFB existence. The MFBs and their managers must adopt a measured approach to taking risk to protect the exposure of the MFBs to any fatality: hedging and insuring loans/credits, and going beyond prudential guidelines in securing the future of the organisation. The board must ensure this is done via the committees on Risk and Reputational Management as well as via the Financial and General Purpose Committee. This must be done while managing to achieve both social and commercial goals at the same time, without detriment to serving the most vulnerable poor, particularly among women.
- The MFB directors must seek to build robust, and at the same time agile institutions within the bank to stem corrupt and grafting tendencies and practices. The culture of whistle-blowing should be entrenched in all MFBs, with robust institutional and procedural arrangements in place to act expeditiously on the information provided by the whistle-blower(s). Such whistle blowing, in the area of fraud and stealing funds from the banks (MFBs), should reach the CBN and possibly EFCC since directors and senior managers have been caught stealing from the till. Implementing such a whistle blowing programme, which should be escalated to a regulatory authority, could certainly contribute to curbing funds diversion and pilfering in the bank to protect its capital assets.
- The board must consciously build agility, flexibility and adaptability into the company's DNA, embarking on stress tests at least once a year. This way, when liquidity and other challenges arise, they are able to respond to protect the bank. Furthermore, the board must embrace comprehensive self-regulation through robust governance practices that forbid them from borrowing from the MFBs in which they exercise oversight functions.
- The tax authorities should give at least ten years' tax holiday to MFBs with the purpose of easing liquidity and helping them build back-up capital / cash reserves that can be very opportune and helpful under stress. It also provides more cash to extend loans to the poor for their micro-enterprises, cash-flow smoothing and even helping consumption when crops fail, when they are sick and unable to work and when other problems confront them. The number of years of tax holiday recommended is based on the researcher's experience in the industry in the growth of LAPO from a small unit MFB through state to

become a national MFB, the status it enjoys today. Ten years is also an adequate timeframe in which to build resilience in the organisation.

The above recommendations draw support from the works of Adedipe (2016), LAPO (2018), Enrol (2010), Cumming et al (2005), Copestake et al (2005b), Mc Manus et al (2008), Scot (2001), WEF (Riskviews, 2013), Dagdeviren et al (2015) and Denyer (2017) as well as in the primary research. There is some similarity between these findings and work by Dagdeviren et al (2015:4) who "… argue that social structure and history matter in that the former reflects the environment within which individuals can or cannot be resilient while path dependence can explain the historical process, including the development of structure and the initial conditions that give rise to the resilience…". Although their conclusion was not based on MFB organisational experience but rather families and individuals. However, individuals in households in a broader sense have norms, structures and processes from which one can draw parallels with other formal organisations. Individuals, particularly founders and leaders in many cases exhibit their historical and socio-cultural antecedents within formal organisations; and in turn influence organisational core values.

Furthermore, path dependence is important in explaining organisational resilience based on the evidence in this research that the historical and social conditions of the founders and leaders of MFBs underpin their character and integrity. This in turn impacts MFB governance practices, as well as managerial skills, which are considered immediate antecedents, even precipitants, of the implemented business models and overall business practices. These models and practices often determine the ability of the MFBs to act out their mandate of financial inclusiveness for poorer people in society in the short term, while remaining conscious of the long term. In this way, they can pursue that mandate on a consistent basis.

Finally, it could be argued that while philosophising and applying western criticality (Dichter & Harper, 2007, Sinclair, 2011) to Lagos domiciled MFBs, and sometimes taking an academic approach (Chowdhury, 2009) on their practice is not bad in itself, such an approach is however of little value to practice if it does not advance the cause of humanity, particularly in Lagos, Africa and in other developing economies. The researcher's submission is that there can be no true social justice and security in the world, particularly in Nigeria, if the rich ignore the poor (Bible, Proverbs 30:7-9). This has been linked to the Boko Haram insurgency and the frequent kidnapping and armed banditry that has become common in the country. There must be a deliberate programme and intervention to encourage the rich to help the poor

to access the good things in life and to reduce poverty in Nigeria in particular, and in the world at large. This in no way suggests laziness on the part of the poor but suggests that most of the poor could be willing to take the opportunity to escape poverty if they are adequately resourced and motivated to do so.

If the above recommendations are implemented, it could bring a positive outcome, as the poor consuming more generates economic activities that grow the Gross Domestic Product (GDP). This could have positive implications for economic development and a safer environment for business and social interaction. For the recommendation to work, tax breaks and tax credit should be extended to the donors as well as special national honours given to them for channelling financial resources to the poor through MFBs.

Regulatory authorities must monitor the situation to ensure that the funds from tax breaks and other designated measures are indeed directed to the vulnerable poor. An example is the Nedoghama scheme in which wealthy Benin people in diaspora (mainly in the USA) mobilise funds among themselves and channel these through LAPO to help needy Benin indigenes, with very negligible interest rates. Initial evidence suggests positive outcomes. Such a scheme has the potential to deepen the reach of MFBs' support to poorer people and the micro-businesses they own.

In organisational strategic planning, resilience should be included as a key objective of MFB corporate strategies. Furthermore, organisational resilience must be integrated into the practical framework to emancipate the poor through a collective effort which MFBs can play a part in. So also, are Financial Management and Banking studies curriculum in Universities and Polytechnics in Nigeria.

Furthermore, considering that Lagos and Nigeria are the main focus of this study, it is worth emphasising the need to include resilience metrics (aimed at modifying CAMEL), financial equity goals (which is about meeting the investment interests of shareholders while serving the need of the poor adequately) and MFBs' performance measures as key components of corporate strategy in MFB governance and practice, if fatalities are to reduce significantly and organisational resilience and enterprise development are to be improved instead.

6.5: Limitations of the study

The limitations of the study are largely related to data availability, the literature reviewed, the scope of the study and the research methodology.

First, restricting the scope of the study to Lagos, largely an urban state, literarily shut the door on what could potentially have enriched the findings from the rural community. The possible effect of this shortcoming is mitigated by the knowledge that the majority of the people in Lagos are poor, the urban status notwithstanding.

Secondly, since this study focused essentially on exploring the 'how and why' of resilience in MFBs, it necessitated a comparison of resilient and non-resilient MFBs' responses to the difficult challenges they faced during the research period. Data on loans and advances, who accessed the loans, recovery rates, interest rates and management fees charged for each product, and repayment rates between group loans and individual loans were not readily available. Virtually all the MFBs refused to release the relevant data. The researcher could access only the primary data of LAPO and limited secondary data of others in the public domain particularly from MIX Market, Agusto & Co., CBN, BA Adedipe Associates and a small number of other sources. Most of such data were not in a format that enabled a detailed comparison between the operations and finances of resilient and non-resilient MFBs. This created availability bias. This limitation has, however been mitigated somewhat by the insider knowledge of the researcher which was useful when it came to obtaining certain information that led to the largely positive outcomes of the study.

Thirdly, the methodology adopted was a sequential exploratory mixed methods approach and so, it tended to derive qualitative, rather than quantitative insights, focussing on Lagos, which made the generalisation of the findings somewhat challenging. The methodology derived from the philosophical assumption of pragmatic realism (which intersected with social constructivism) was highlighted in Chapter 3. It indicated that "The pragmatist researchers look to the '*what*' and '*how*' to research, based on the intended consequences - where they want to go with it. Mixed methods researchers need to establish a purpose for their mixing, a rationale for the reasons why quantitative and qualitative data need to be mixed in the first place" (Creswell, 2014:44). The rationale for mixing methods is informed partly by the literature and data availability. For instance, some of the literature in this research came from newspaper articles, which are susceptible to the writers' and editors' biases. Those were largely anecdotal. However, the effect of these biases on the outcome of the research is somewhat mitigated by other data sources like Agusto and Co., the CBN, and MIX Market as well as from the primary data. The triangulation that resulted from the methodology adopted for this research should have enhanced the validity and reliability of the research as well as

the transferability of the learnings from the study to other countries, together with generalisability to theoretical propositions.

Fourthly, the research techniques of non-probability and purposeful sampling including snowballing, and even qualitative data coding presented the challenge of elevating the similarity principle which could create echo chambers. Echo chambers are a situation of hearing more or less the same thing from everybody because they are not only similar in their perspective to issues, but also because of solidarity and wanting to belong to the group. Deviation from a group position could be viewed negatively by other group members. Thankfully, pledging confidentiality in respect of human data sources may have elicited a more objective outcome, and being an insider in the profession, the researcher could confirm the soundness of the data gathered using such techniques.

The fifth limitation relates to the literature reviewed. Narrowing the literature to focus on MFBs' resilience meant not extending it to other businesses - which could have widened the resource available to enrich the study. It could have provided material to assess the overall performance of MFBs on resilience metrics to gauge whether they are doing better or worse than other sectors in the economic space. However, the gravity of this limitation is neutralised by the fact that MFBs take deposits from very poor people whom, in the first instance they are expected to elevate from poverty. The poor losing their money when MFBs fail further worsens their condition, which may not happen when other businesses fail. Furthermore, there could have been a loss of focus, and the research could have become unmanageable if the reach had been extended to other businesses outside of Microfinance.

The sixth limitation is the finding of a link between the fraudulent practices of key stakeholders of MFBs and organisational resilience. In addition, relevant here were the lifestyle and life experiences of these stakeholders as regards stealing from and defrauding the bank. A deeper study is required here to determine if there is causality.

The seventh limitation derives from using Pearson’s correlation coefficients to analyse the secondary quantitative data to see if relationships could be identified. Where relationships were identified, for instance between PAR and failure in MFBs, no cause could be established as both could have resulted from a possible third factor. Interrogating the data with WEF, complemented with insights from the literature review, in discussing the outcome of the research helped in minimising the extent of this limitation. But WEF (Riskviews, 2013), on its own, had its shortcomings as frame for discussion and analysis, which

hopefully, the introduction of enforceable internal control and strong governance regime into the discussion, should help ameliorate.

The eighth limitation comes from not examining the role of technology in MFBs' resilience. Emergent technologies such as Fintech and Block chain have been making inroads into MFBs in Lagos particularly in the last two years. Examples are the deployment of Agent banking software by LAPO, ACCION and Grooming; USSD for payment transfers, airtime vending, Cash Cards and Credit Cards. The impact of these technologies on business performance is yet to be ascertained as they are still in their infancy.

6.6: Recommendations for Future Study

This study was directed at Lagos in particular and Nigeria in general. Since the data were not statistically significant, it has not been possible to generalize the findings to other African developing economies. The implication is to recommend that future researchers should consider expanding a similar study, embracing a deeper quantitative approach to examine sub-Saharan Africa. In so doing, they could accommodate other economies with fewer resources in areas where poverty appears more widespread, and even deeper.

Furthermore, it is recommended that future researchers should see this research as a call to action to explore MFBs' organisational resilience further, adopting approaches that are more generalizable and with data that are more robust. A cross-case comparison between African, South American and Asian MFBs and 'how' and 'with what' in response to their unique and context-related challenges is worth doing. This approach would enrich the literature on MFBs. There is also scope for a deeper investigation of the role of leadership and life stories as well as of corporate governance in the resilience narrative. Organisational culture as a means of building resilience in MFBs in Nigeria could also be explored in greater depth. So also, is organisational leadership, as it has been established that leaders define the strategic direction of MFBs. They influence organisational culture, and install performance measures to manage the organisations. The leadership role in the resilience narrative requires closer scrutiny. In the Indonesian study, for example, the issue of organisational leadership received attention, as leadership was identified as a co-driver of innovation and effectiveness in the industry. Leadership was also said to demonstrate intimate awareness in building internal (VRIN) capabilities in MFBs, which are relatively difficult to imitate or replicate in the short term, but important in the resilience narrative.

Since honesty and associated behaviour, linked to motives of critical stakeholders, was identified by this research as a co-driver of resilience, future research could look closer at the issue (of honesty) using a deeper and broader research, which must include the rural poor. Honesty in promoters, senior managers and leaders, and their consequent behaviour influence other stakeholders to embrace honest practices but it could be argued. This position suggests that a deep study into the role and behaviour of leadership in embedding resilience will enrich the literature of MFB organisational resilience. So, there is scope for a deeper investigation of organisational culture, its role and scope for either enhancing resilience or wrecking it and the issue of why women seem to be the dominant gender of customers of "resilient" MFBs is a significant one.

6.7: Concluding Remarks

Care must be exercised in generalising the contributions as the study was essentially urban-oriented, as the most vulnerable people based in rural areas were not included in the study. The gender bias of the research is also a limitation as the MFBs studied, particularly those that survived shocks, served mostly women.

The shortcoming of this study notwithstanding, the dissertation makes a contribution to both knowledge and practice, particularly if the context is taken into consideration. The outcome of this study is essentially practice-minded and so it should impact practice by inspiring the development of practice-oriented templates by practitioners.

This chapter summarised and condensed the findings. It also made recommendations for practice and future research. Furthermore, the researcher advises that people should not be alarmed by the problem of failure of MFBs in Lagos Nigeria as its incidence is not worse than the rate in other businesses. But that because its failure disproportionately affects the poorer and most vulnerable members of society, something must be done by the regulatory authorities to minimise the failure of MFBs. And if they fail, such poor people and depositors should be able to recover most of their savings through NDIC comprehensive insurance scheme.

This study has made a contribution to the body of knowledge in bridging the gap in the literature on MFBs' organisational resilience in Nigeria, and specifically in the Business Model, and in particular its micro components. The implication is that it helps develop an understanding of MFBs' organisational resilience, as well as the underlying causal variables. It makes sense of the practices in the industry, and discusses why these occur. It has also

achieved all the objectives set out at the beginning of the research, particularly the “how” and “why” of organisational resilience, and in particular what competences, capabilities, practices and institutions are required for strengthening to stem failure in future.

Finally, if MFBs are resilient and do not serve the poor faithfully, they drift from their mission. Consequently, there is scope to research what may be required to eliminate possible Mission Drift and encourage MFBs to be faithful to their core purpose of financial inclusion of the poor in Lagos, Nigeria, and hopefully around the world while retaining financial and operational sustainability at the same time. In this way, organisational resilience is assured.

It is therefore worth emphasising, that, as interesting as the concept and practice of resilience in MFBs and the entire banking industry might be, it is instructive to note that it is not an end in itself. In other words, there could be the temptation to mistake process for destination, which must be avoided. The destination of micro-finance banking is to provide financial services to the poorer and most vulnerable people in the society in a way that enhances their inclusiveness in the formal financial sector and improves the quality of their lives and life expectancy. Complementary factors and other interventions are required to achieve that purpose, as well as practitioners with moral rectitude and investors with compassion. It also means that MD and moral hazards must be tamed, and the depth of outreach must not be sacrificed under any guise, including organisational resilience. That is a challenge for practitioners, the regulatory authority and the government, and indeed all stakeholders.

Furthermore, the failure rate in MFBs, although high, is not particularly strange, nor should it be alarming, as the rate is similar to, if not better than, what exists in other businesses in Nigeria, particularly SMEs. This is the group to which most unit MFBs in Lagos belong. What is important, however, is for regulatory authorities to protect the depositors’ funds in whatever way possible, and in particular through the NDIC insurance scheme, so as to protect the poor who are not only the main depositors/savers but also the most vulnerable members of society. The implication of this is for regulatory authorities to monitor and enforce very strict management and financial control measures and sound corporate governance practice in all MFBs. Severe sanctions for infractions are required while incentivising whistle blowing on fraudulent activities and insider abuse. Good behaviour of leaders and managers, functional institutions and strong internal control measures are key. In this way, MFB organisational resilience can be enhanced.

Chapter Seven: Reflections

7.1: Introduction

When George Floyd pleaded that he could not breathe when a white male police officer knelt on his neck with his hands chained at his back, it reminded me of the exact situation I found myself at my first viva. As the viva continued with what seemed to be intentional sadism from a white male examiner, I asked for water to drink, because I was fainting. Rather than get me decent water to drink, even the type that could be given to dog or cat, for it not to be perceived as animal cruelty, I saw myself perceived as less than those animals. The "generous" big male professor, who had expressed with pride how big he was before the commencement of the examination, brought a half-drunk bottle of water from his bag. This was the remnant of water he had drunk from, using his mouth. I did not also deserve to have a glass to pour the water in by his behaviour (so, I could avoid at least putting my mouth on where he already had put his). As disgusting and appalling as this behaviour was, a fainting black male student had no choice but to accept the humiliation to stay alive. George Floyd was not that lucky. Of course, I reported this treatment to the doctoral college after the viva. The examination was cancelled. Who was to suffer the consequence? The weaker party of course that happened to be the student. So personal resilience summarised my experience on the DBA program. And my topic is on MFBs' organisational resilience. How apt a topic for the times we live in, not just for MFBs but also for individuals and other organisations confronted by unprecedented challenges like the COVID-19 pandemic.

The Novel Corona Virus Pandemic (NCVP) has been a great adversity to the world. It brought untold hardship to many people and many businesses round the world, and in particular MFBs in Lagos, Nigeria. To survive this adversity requires a great dose (if not unprecedented amount) of resilience at the personal and organisational levels, which struck at the heart of my research. And in some way describes my personal journey and experience studying and being examined for a DBA. An example here will suffice. When I got the result of my DBA viva on 5th March 2020, I rushed to the attachments to view the key issues highlighted by each examiner in the detailed feedback. The very first attachment I read was from one examiner who ticked all the boxes with "Yes" to arrive at the conclusion that I had passed with amendments. Then I checked the second; and found that a number of boxes were also marked "Yes", that I was good, from abstract to some areas of content. But comments on areas for improvements were highlighted near some of the boxes. The verdict was

resubmission within one year; curiously with none of the boxes ticked ''No''. Mentally, summing the average, with many ''Yes", and no "No", I felt I should have been passed (with amendment). Another point was the comment of one of the examiners, that having my reflection section in Chapter one was strange. Apparently the examiner never saw that kind of structure before, as well as the quantification of qualitative data. But we were told during two of our DBA weekends that reflection and reflexivity can be in either chapter one, methodology chapter or in the last chapter of the dissertation, depending on the choice of the student. So also was the issue of quantification of qualitative data, which came for discussion in my first examination that was cancelled. The "big professor" said I should have quantified my qualitative study since I had over 50 respondents as well as having adopted mixed methods design for my research. Furthermore, the overall format and structure of my dissertation was given by one of the supervisors, with a thesis from Bath University as a sample that I should use for my dissertation. I used that sample religiously as my template to structure the content of my dissertation. Why should observing what a supervisor counselled me to do be used against me by an examiner? I considered it to be unfair. That is a perception, my reality and certainly not the same with my examiners. This is a reflection section which requires honesty and authenticity in the way I feel.

My experience on the DBA journey is a serious lesson on the subjectivism in social science research, in general, and social science examinations in particular. It could also be about overcoming the challenge of racism, at both the personal and institutional levels, after all, at some point in my DBA journey, my white male supervisor compared me to a horse. Furthermore, that DBA examination is not just about what an examiner feels but also that one examiner can hardly agree with the other, in some way mirroring the condition of social science western criticality. It did appear that the examiners did not seem to know the difference between DBA and PhD. It is the same with supervision. Luck or good fortune becomes the desired outcome (by the student). I would argue that this is dysfunctional, and recommend a more objective way and process to DBA examination. Marking scheme should be given to examiners, and rendered explicitly explicit to everyone concerned with examination; and a part of it should be the summary of key issues discussed at DBA weekends. This is to avoid the "what I want" specifications of an examiner, and focus on "what it is". This is to avoid other students 'suffering' a similar or worse fate as/than mine. So that what is examined is not what an examiner wants, but what is actually required for examination. If the lectures at DBA weekends, observed conventions, and lectures, are not in

line with what examiners are looking for in dissertation and examinations, such weekends should be scrapped.

Furthermore, I reflected on the questions at viva when in a couple of cases questions asked suggested that some of the examiners may have forgotten some of the content of the written presentation. I drew attention of the examiners to the relevant pages, in such cases during the oral presentation. At the end of the oral examination, I was told that I did well at the viva. Then why not allow me to go with "pass with amendment"? This became an additional pain to me, particularly reflecting on the outcome of the examination almost a year earlier that was cancelled due to no fault of mine. Should I protest? I sensed that even though the opportunity existed for protest, it may not be helpful. The one cancelled took almost a year for another examination. Will protest not add one or two more years? I concluded that this is a test of my personal resilience. My thesis is on resilience. I proceeded to doing the amendments, sincerely praying and hoping for good fortune this time around.

7.2: The Journey Milestones

My personal journey in terms of conducting research into a field in which I am an active participant was very challenging and tricky. There were things I knew, or that I thought I knew, and a number of related assumptions that had to be challenged as I worked my way deeper into the study. These challenges became a hindrance to the research. In the course of the research, I found that I needed to unlearn certain things and learn new ideas if my biases were to be sufficiently tamed as an insider researcher. The challenge was always to turn my experience in the industry into an advantage.

Entering the Executive DBA programme in 2014, I was bullish about getting through in a couple of years, particularly given the certificates, qualifications and education I had acquired from five different universities prior to the programme. Between the time when I expressed an intention to commence the study and finally enrolling on 7th July 2014, I carried out various interviews and discussions with the DBA director and my supervisors. We had conversations not only about the programme, but also about whether the supervisors were interested in the area of my research. The journey seemed like going into an African marriage, where intentions not only had to be declared between couples, but the families of the couples had to also consent to these intentions. Furthermore, checking out how compatible the couples were; and most importantly, if the couples stood the chance of making it together long term was important. I initially focussed on resilience in Micro-

finance institutions (MFIs) in Nigeria. My research purpose was to make a contribution towards an understanding of Micro-finance resilience in Nigeria. By “contribution” I meant conducting a study for which the intended outcome was to reduce a gap in the literature and to create a better understanding of Micro-finance practice in Nigeria. Furthermore, by “understanding” I meant having knowledge of, or a comprehension of, as well as clarity about the meaning of resilience in Micro-finance practice. I was interested in how resilience is developed and why it is difficult for many of Lagos’ domiciled MFBs to show resilience. This lack of resilience contributed to a failure rate of approximately 40% over the last 13 years, and 31% over the last nine years.

Attempts at defining resilience were an Achilles heel, as the field is a highly contested one. There were as many definitions as writers in the field. The literature was not very helpful in resolving the dilemma. Does resilience mean superior performance, risk aversion, prosperity, survival, sustainability or overcoming serious adversity? Is it coping with and adapting to challenging moments? Is it overcoming and adapting to one incident or several incidents? Is it not giving up in the face of several difficulties, particularly in a situation of information asymmetry? Could it mean bouncing back from adversity? If so, would resilience return the business to its original state or to a better, newer state? Consequently, is it about bouncing back or bouncing forward? The implication of this definitional dilemma is that there was a need to differentiate between the meaning of resilience in an engineering setting and an ecological setting. More importantly, there was a need to separate resilience in these contexts from social and environmental settings. The context and discipline are important when pursuing a definition.

On the subject of resilience, Dagdeviren et al (2015:2) argued that “potential ambiguities in relation to the meaning of the term, and its susceptibility to value judgements make it difficult to use resilience as an objective tool of analysis. This is largely because outcomes associated with resilience may be valued in various ways in different cultural, ethnic, and socio-economic settings”. As such, the contexts of culture, ethnicity and socio-economic circumstances are contexts which in my perception implicated geography and politics. These issues had to be considered when seeking to define resilience. Although Dagdeviren et al’s definition was more directed at personal and family settings, it had some application at the organisational level. Consequently, I decided to adopt a simple definition at the outset: that is organisational resilience. That it is about coping with and overcoming life-threatening incidents (adversity) over a certain period of time (about ten years).

The next issue I had to wrestle with was whether to carry on with my initial interest in studying MFIs, or narrow the research to focus on MFBs (Micro-finance Banks) that are regulated and more likely to yield data I could access to establish organisational resilience. While I was determined to explore the bigger issue of the entire MFI industry, it dawned on me that most MFI data were inaccessible. I had to settle for MFBs that are required by law to provide information on their operations and performance to the Central Bank of Nigeria (CBN). I was confident I could access the financial figures of living and dead MFBs from the CBN and other (secondary) regulatory institutions in the industry. Initial contact with these organisations, however, met with brick walls. They were not ready to release financial figures for individual MFBs. At least, if they were, they did not seem to have data in a presentable format. All they were prepared to supply was aggregate data about the industry. Comparing and contrasting the financial and operational data of living MFBs with dead ones was particularly central to my research, as aggregate data did not provide what I needed. Thankfully, Agusto & Co. (a Nigerian rating agency) and BAA (a MFB consultant) provided some limited data in that respect.

7.3: Decision on Methodology

In methodological terms, although I initially adopted a primarily social constructivist approach to philosophy, this approach was grounded in qualitative research and so the case study that had to be modified as a result of my interaction with the supervisors. My earlier supervisory team felt that such an approach might not be productive when it comes to providing adequate information to establish a thesis for a DBA dissertation. I had to explore pragmatic realism as an alternative philosophical approach; a strategy grounded in a mixed methods research design (Creswell, 2014). In so doing, social constructivism became a supporting epistemological commitment. Although the study still remained more qualitative in scope (than quantitative), secondary numeric data was useful in shaping further meaning and complementing the data gathered from the qualitative study. When Professor Hulya Dagdeviren and Dr. Marija Cubric joined the Supervisory team, they brought their strength into helping me to identify areas requiring restricting, to strengthen the thesis. Dishonesty, as a key finding of the research, had to change to fraudulence. This is because fraudulent behaviours and activities that could be traced to dishonesty are a lot easier to prove than dishonesty itself.

Over the course of my research journey, I progressed through both the first and second milestones relatively quickly, but not without encountering some challenges in the literature, and in defining the differences between "causes" and "symptoms". In some cases, I experienced challenges in separating out the underlying/primary causes and the secondary causes.

Progression towards later milestones proved the most challenging aspect of my research journey. Promises from some MFBs to release their financial records did not materialise and, since such financial data were not available, I happened upon a major roadblock. I thought of suspending or quitting the DBA programme altogether. Stemming from further conversations with the supervisors, it was felt that changing the topic of my research might be a way out of the gridlock. I pursued a new route for about six months and found that it could indeed be more problematic. I considered it expedient to remain focussed on the original topic, but had to adopt a primarily qualitative method of carrying out in-depth interviews with knowledgeable stakeholders in the industry.

In using a qualitative method, it was unclear how I could approach interviews given my familiarity with the research setting. The supervisors further counselled me on the use of the "critical incidents" approach as a complementary tool in the research methodology. "Critical incidents" are incidents that occur in organisations and in the lives of individuals. They can alter the natural or intended course of the organisation and individual. On reflection, I reasoned that overcoming negative critical incidents and taking the opportunity to examine positive ones resonated with the idea of resilience. It immediately reminded me of one critical incident in the life of one MFB that changed the bank forever, and another incident that led to the death of another MFB.

Consequently, I decided to adopt a multi-angled (mixing methods) approach (Howell, 2004; Howell, 2013; Creswell,2014) that would not only underscore the symptoms of failure, but that would also reveal the underlying causes of failure as well as how the MFBs that failed or nearly failed came back to life. That meant, however, that l had to redefine resilience, not as overcoming or adapting to difficult circumstances over a minimum of ten years as was initially intended. Overcoming one critical incident like the resurgence of Boko Haram, or losing a relatively big amount of money was sufficient. Surviving in a difficult business environment where there are so many infrastructural, legal and contractual enforcements and moral deficits is no different. This "discovery" was very liberating! As a result, I decided

that part of the interview should be semi-structured to gather more in-depth insights. Over the course of my journey, I tended to be verbose in the use of words at the outset of the study. One of the supervisors insisted that “words are precious, don’t waste words.” Ever since, I became conscious of how I used words and I took care to clarify new terms as they were introduced into the study. I tended to write more clearly and I became more careful in my choice of words, not only in my writing but also orally.

7.4: Voice

The next question posed by my supervisors was “where is your voice in all this? Your voice must be clear; after all you have been a very successful practitioner”. This was initially difficult for me to understand until the DBA Director clarified the issue; that the difference between a DBA and PhD is that a DBA is more practice-oriented and, as a professional in the field in which I am researching, my experience and opinions must be a part of the dissertation. I was counselled not to shy away from my views as they would enrich the study. Consequently, I found some aspects of my MSc research on resilience of SMEs at Cranfield School of Management useful in framing the study. This led me to acknowledge such work in the dissertation.

To return to the issue of “critical incidents”, I was concerned I might produce data that would not be useful for my study. As a practitioner in the MFB industry, could I ensure my own preconceived biases were not dominant in the study, particularly as I participated as an interviewee on one occasion? This was as a result of the advice of the supervisors. And the interview was conducted by a very competent colleague who was also undergoing a DBA programme. As I progressed, I found that avoiding my biases in relation to the study was impossible. Since I was conscious of them, and questioned them, I saw this kind of thinking as a first step towards minimising their presence in the study. Multiple research approaches complemented this strategy, from inspecting initial focus group data, and case studies to carrying out in-depth interviews with some top players in the industry. I examined secondary data from the regulatory authorities and rating agency, and finally I interviewed my colleagues on the LAPO MFB Board. LAPO MFB has been the largest and most successful MFB in Nigeria over the last ten years.

This submission is, by and large, the outcome of this composite, albeit mixing methods, research approach, underpinned by abduction (Howell, 2004; Howell, 2013 and Creswell, 2014); which in some way helped to minimise my biases. In some ways, the study has

benefitted from my unique insights and experience. Most importantly, however, it unveiled the underlying causes of failure and how seemingly simple strategies and tactics, as well as organisational resources and processes were configured to embed resilience and gear the entire organisational offering to very challenging circumstances.

The topic that finally emerged as my research journey progressed was: "An exploratory study of how and why some MFBs overcome adversity and why others do not". While focusing on the Lagos State of Nigeria in particular, the topic had to be treated in a national and international context; while recognising relevant historical and social conditions.

7.5: Research Motivation

Three main factors motivated my desire to do carry out this study; 1) my association with one of the leading MFBs in Nigeria since 1987; 2) my M.Sc. dissertation at Cranfield University on Organisational Resilience during which I was introduced to the concept of resilience capability; and 3) my concern with the 40% failure rate in Nigerian MFBs (2006-2018), which further impoverished the poor who lost their life savings.

In the association with the leading MFB in Nigeria, my initial interest was confined to an advisory role. As the MFI grew, my wife became the pioneer chairperson of the organisation. In the meantime, the whole family became involved not only in the MFI but also in appreciating the true state of the poor. We could see people, particularly women, who had difficulty in putting food on the table for the family. They had no access to potable drinking water, education, or health care and could not help their own families. Many women died during childbirth and nutrition for babies was very low with so many babies dying before their first birthday. Even where some of the women attempted to advance plans for petty commercial ventures, they could not access funds to bring them to life. Village money lenders, when they came to the rescue often practised usury that meant the poor women became poorer. My wife would return from meetings with women groups in the villages extremely sad and depressed. I also had a feel for the widespread nature of poverty as well as its intensity amongst women while I was working as a senior brand manager with Unilever.

At some point, after over ten years on the job as chairman of LAPO MFB, my wife was overwhelmed by the scale and complexity of the job and decided to step down. I was then invited to take over as chairman. In that position, I had become not only an ideological/emotional investor in the industry but also a financial investor, having invested some of my own money. That got me interested in researching resilience in organisations,

which led me to do a two-year Master's degree at Cranfield University in the same field. This experience took me further into the field with a doctoral research programme, focussing on MFB.

7.6: Conclusion

To conclude, I argue that micro-finance must not abandon its original purpose of servicing the financial needs of the poor but must be financially viable and self-sustaining while doing so. A delicate balance is required in the process. This means balancing the goals of outreach (social) and sustainability (financial) throughout its value chain; even if in designing and implementing a survival strategy the MFB has to broaden its clientele beyond micro-enterprises and the very poor.

It is worth emphasising that this particular chapter is essentially a reflection of my experience in conducting the study. It discussed by intentions, my engagement with supervisors and the experience of progressing through the various stages of the degree towards the conclusion of my research. It discussed the need to learn criticality, and the centrality of 'my voice' in the thesis. It also discussed the need to unlearn certain ideas after exposure to competing ones.

Finally, my DBA journey was a test of personal resilience, which could be linked to my Christian faith to hope even in the darkest moment like during the COVID–19 pandemic, as well as to my historical condition. It was also a test in observing the practicality of subjectivism in supervision and examination. When one of my supervisors said in low tone "I will now support this horse" during the last meeting with supervisors in preparation for the first examination, I was taken aback being likened to a horse. This could have been metaphoric. Whatever imagery was contemplated, I did not find it funny. As an African, I found that insulting and racist. The same was the situation when one of the examiners gave me half bottle of water he earlier drank from when I was very thirsty during the examination. This experience would suggest a hypothesis that power relation in DBA supervision and examination is exacerbated in a way that imperils the weaker party to produce findings that reinforce world view of the stronger party, particularly if that weaker party is a black male.

Consequently, I will argue that a better way of examination needs to be identified and developed, for social justice and more objective assessment. This way, power relations will not be at the expense/disadvantage of the student, who is in a weak position (in the power triangle) relative to supervisors and examiners. I consider this as a contribution to knowledge which future researchers could build upon.

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APPENDICES

Appendix 1: **FOCUS GROUP DISCUSSION GUIDE**

My name is ……………………………………………………………………..………..
I am from…………………………I am undertaking a study on MFB Resilience. Please, feel free to discontinue participation at any time. The main objective of this discussion is to ascertain how and why some Nigerian Micro-finance Banks are doing well while others are not, to the extent that many of them closed down in 2010. Please feel free to tell me your honest opinion on the issue, one after another. There are no wrong or right answers and you can agree or disagree with what another person has said. All your responses will be strictly confidential and will be utilised for academic purposes only.

- Are you aware of any micro-finance banks?
- Which of them are you aware of?
- Which of these MFBs have you ever patronised / worked for?
- Which of them do you currently patronise / work for?
- What are your likes about these MFBs? Any other likes? What else?
- What are your dislikes about these MFBs? Any other dislikes? What else?
- Which MFBs would you not patronise / work for?
- Why would you not patronise / work for the MFBs?
- Are you aware that some MFBs have closed down?
- Are you aware of any such MFBs?
- Which of them are you aware of?
- Do you know why they closed down?
- Let's discuss the reasons why each of the MFBs closed down.
- To what extent do you think the following factors contributed to the failure of each of the MFBs : management, funding, leadership, savings mobilisation lapses, fraudulent practices, inefficient debt recovery, internal processes, governance, regulatory issues
- In which order would you categorise Nigerian MFBs? I mean, which ones would you classify as group one, group two, group three, etc.?
- What are the similarities of each group?
- What suggestions would you offer for the improvement of Nigerian MFBs?

A classification of the various existing MFBs into groups based on their perceived performance resulted in four categories:

- Those with a strong capital base and many branches;
- Those that are not very strong financially and have a small workforce and few branches;
- Upcoming MFBs in terms of capital base and positioning;
- MFBs no longer in existence;

Appendix 2: **All MFBs in Lagos, Nigeria and their status: dead or alive as at January 2015**

S/N	NAME OF MFB	MFBs closed down by CBN in 2010. Marked "yes"	MFBs re-licensed to resume business by CBN in 2011 Marked "yes"	MFBs closed down by CBN in 2014. Marked "yes"
1.	AB Micro-Finance Bank			
2.	ACCION Micro-finance Bank			
3.	ACME TRUST Micro-finance Bank	Yes		
4.	ACUITY Micro-finance Bank			
5.	ADDOSSAR Micro-finance Bank			
6.	ADIF Micro-finance Bank	Yes		
7.	ADKOLM-Emerald Micro-finance Bank			
8.	AGUDA TITUN Micro-finance Bank			
9.	AKCOFED Micro-finance Bank			
10.	AL-BARAKAH Micro-finance Bank			
11.	ALLOVER Micro-finance Bank	Yes		
12.	ALSTAR Micro-finance Bank	Yes		
13.	ALTITUDE Micro-finance Bank	Yes	Yes	
14.	AKUTE Micro-finance Bank	Yes		
15.	AMEGY Micro-finance Bank			
16.	APEX Golden Micro-finance Bank	Yes		
17.	ASHA Micro-finance Bank			
18.	ASSET MATRIX Micro-finance Bank			
19.	ASSETS Micro-finance Bank			
20.	ASSOCIATED INVESTMENT TRUST MFB			
21.	AVALON Micro-finance Bank			Yes
22.	AZSA Micro-finance Bank			
23.	BANCORP Micro-finance Bank			
24.	BERACHAH Micro-finance Bank	Yes	Yes	
25.	BETHSEDA Micro-finance Bank			
26.	BEULAH Micro-finance Bank	Yes		

27.	BISHOPGATE Micro-finance Bank			
28.	BLUE INTERCONTINENTAL MFB			
29.	BLUE RIDGE Micro-finance Bank			
30.	BOI Micro-finance Bank			
31.	BONDED Micro-finance Bank			
32.	BOSAK Micro-finance Bank			
33.	BOWEN Micro-finance Bank			
34.	BOWMAN Micro-finance Bank			
35.	BRISTOL Micro-finance Bank	Yes		
36.	BRIYTH COVENANT Micro-finance Bank			
37.	BROADVIEW Micro-finance Bank	Yes	Yes	
38.	CALM Micro-finance Bank			
39.	CAPSTONE Micro-finance Bank			
40.	CARDINAL ROCK Micro-finance Bank			
41.	CASH COW Micro-finance Bank			
42.	CEDAR Micro-finance Bank			
43.	CENTURY Micro-finance Bank	Yes		
44.	CHANELLE Micro-finance Bank			
45.	CHARTWELL Micro-finance Bank			
46.	CHEVRON EMPLOYEE CO-OPERATIVE MFB			
47.	CIT Micro-finance Bank			
48.	CITADEL Micro-finance Bank			
49.	CITIGATE Micro-finance Bank	Yes	Yes	Yes
50.	CITISERVE Micro-finance Bank			Yes
51.	CITY MISSION METHODIST MFB			
52.	COCONUT AVENUE Micro-finance Bank			
53.	COMMON BENEFIT Micro-finance Bank	Yes		
54.	COMPASS Micro-finance Bank			Yes
55.	COMPLETE TRUST Micro-finance Bank	Yes	Yes	
56.	CONPRO Micro-finance Bank			

57.	CORAL Micro-finance Bank			
58.	CORESTEP Micro-finance Bank			
59.	COWRIES Micro-finance Bank			
60.	CREDIT EXPRESS Micro-finance Bank	Yes	Yes	
61.	CREDIT PLUS Micro-finance Bank			
62.	CROWNED EAGLE Micro-finance Bank	Yes	Yes	
63.	CRYSTAL GOLD Micro-finance Bank			Yes
64.	DAILY CAPITAL Micro-finance Bank	Yes	Yes	Yes
65.	DESMONARCHY Micro-finance Bank			
66.	DUNAMIS Micro-finance Bank	Yes	Yes	Yes
67.	DYNAMIC Micro-finance Bank	Yes		
68.	ECHO Micro-finance Bank			
69.	EDEN Micro-finance Bank			
70.	EDS Micro-finance Bank	Yes	Yes	Yes
71.	ELIM Micro-finance Bank			
72.	ENTERPRISE Micro-finance Bank	Yes	Yes	Yes
73.	EQUATOR Micro-finance Bank			
74.	ESTATE Micro-finance Bank	Yes	Yes	
75.	ETHICS Micro-finance Bank			
76.	FBN Micro-finance Bank			
77.	FESTAC 77 Micro-finance Bank	Yes		
78.	FIELDREAMS Micro-finance Bank	Yes	Yes	Yes
79.	FINATRUST Micro-finance Bank			
80.	FINEX Micro-finance Bank			
81.	FIRST CHOICE Micro-finance Bank			Yes
82.	FIRST CREDIT Micro-finance Bank			
83.	FIRST HERITAL Micro-finance Bank	Yes	Yes	Yes
84.	FIRST IDEAL Micro-finance Bank			
85.	FIRST OPTION Micro-finance Bank			
86.	FIYINFOLU Micro-finance Bank			
87.	FLOURISH Micro-finance Bank			
88.	FREEDOM (Lagos) Micro-finance Bank	Yes		

89.	FUND EXPRESS Micro-finance Bank	Yes		
90.	FUNDS MATRIX Micro-finance Bank			Yes
91.	GAPBRIDGE Micro-finance Bank			
92.	GIDEON TRUST Micro-finance Bank			
93.	GLOBAL INITIATIVE Micro-finance Bank			
94.	GLORY Micro-finance Bank			
95.	GOLD Micro-finance Bank			
96.	GOOD NEIGHBORS Micro-finance Bank			
97.	GREEN ACRES Micro-finance Bank			
98.	GREENFIELD (Lagos) Micro-finance Bank			Yes
99.	GROOMING CENTRE Micro-finance Bank			
100.	GS Micro-finance Bank			Yes
101.	GTI Micro-finance Bank	Yes	Yes	
102.	HALMOND Micro-finance Bank			
103.	HARMONY Micro-finance Bank			Yes
104.	HAVILAH Micro-finance Bank			Yes
105.	HAZONWAO Micro-finance Bank	Yes		
106.	HEBRON Micro-finance Bank			Yes
107.	HIGH STREET Micro-finance Bank			
108.	HITECH Micro-finance Bank			
109.	HYBRID Micro-finance Bank			
110.	IBOGUN Micro-finance Bank			
111.	IC Micro-finance Bank	Yes		
112.	IFEANYICHUKWU Micro-finance Bank			
113.	IKORODU DIVISION Micro-finance Bank	Yes	Yes	
114.	IMPACT Micro-finance Bank	Yes		
115.	IMPERIAL Micro-finance Bank	Yes		
116.	INFINITY Micro-finance Bank			
117.	INTEGRATED Micro-finance Bank	Yes		
118.	INTERGLOBAL Micro-finance Bank			Yes

119.	IPMAN Satellite Micro-finance Bank			
120.	IPODO-IKEJA Micro-finance Bank			
121.	ISLAND Micro-finance Bank			
122.	JESSE FIELD Micro-finance Bank			
123.	KAJOLA Micro-finance Bank			
124.	KBS Micro-finance Bank	Yes		
125.	KFC Micro-finance Bank	Yes		
126.	KEYSTONE Micro-finance Bank			Yes
127.	KINGS Micro-finance Bank			Yes
128.	KOPO-KOPE Micro-finance Bank			
129.	KSF Micro-finance Bank	Yes	Yes	
130.	LANDROCK Micro-finance Bank			
131.	LAPO Micro-finance Bank			
132.	LASU Micro-finance Bank			
133.	LEKKI Micro-finance Bank	Yes	Yes	
134.	LIFEGATE Micro-finance Bank			
135.	LINKS Micro-finance Bank			
136.	MAINSTREET Micro-finance Bank			
137.	MANNA Micro-finance Bank			
138.	MAR-BONCH Micro-finance Bank			
139.	MAYFAIR Micro-finance Bank			
140.	MAYFIELD Micro-finance Bank	Yes	Yes	
141.	MBA Micro-finance Bank			
142.	MCB Micro-finance Bank	Yes		
143.	MERCURY Micro-finance Bank			
144.	MERIDIAN Micro-finance Bank			
145.	METRO Micro-finance Bank			
146.	MIC Micro-finance Bank	Yes		
147.	MILESTONE Micro-finance Bank	Yes		
148.	MONEYCOM Micro-finance Bank			
149.	MONEYWISE Micro-finance Bank			
150.	MOORGATE Micro-finance Bank	Yes		

151.	MUSTARD Micro-finance Bank			
152.	MUSTASONS Micro-finance Bank	Yes		
153.	MUTUAL BENEFIT Micro-finance Bank			
154.	NEEDS Micro-finance Bank			
155.	NETWORK Micro-finance Bank			
156.	NEW GATE Micro-finance Bank	Yes		
157.	NEW HEIGHTS Micro-finance Bank			Yes
158.	NEW LIFE Micro-finance Bank	Yes	Yes	
159.	NOVEL Micro-finance Bank			
160.	NPF Micro-finance Bank			
161.	OCTOPUS Micro-finance Bank			
162.	OJOKORO Micro-finance Bank	Yes	Yes	
163.	OLIVE Micro-finance Bank	Yes	Yes	
164.	OLOWOLAGBA Micro-finance Bank			
165.	OMNI Micro-finance Bank	Yes		
166.	ONYX Micro-finance Bank			
167.	OWOTUTU Micro-finance Bank			
168.	PARALLEX Micro-finance Bank	Yes	Yes	
169.	PARKWAY Micro-finance Bank			
170.	PATRICKGOLD Micro-finance Bank			
171.	PEARL Micro-finance Bank			
172.	PENIEL Micro-finance Bank			
173.	PEOPLESERVE Micro-finance Bank			Yes
174.	PETRA Micro-finance Bank			
175.	PLANET Micro-finance Bank	Yes	Yes	Yes
176.	PRIMATE Micro-finance Bank	Yes		
177.	PROLIFIC Micro-finance Bank	Yes	Yes	
178.	PROVIDENCE Micro-finance Bank			
179.	PYRAMID Micro-finance Bank			
180.	REHOBOTH Micro-finance Bank			
181.	REPHIDIM Micro-finance Bank			
182.	RIC Micro-finance Bank			

183.	RIGGS Micro-finance Bank	Yes	Yes	
184.	ROCKSHIELD Micro-finance Bank			
185.	ROYAL BLUE Micro-finance Bank			
186.	ROYAL EXCHANGE Micro-finance Bank			
187.	ROYAL TRUST Micro-finance Bank			Yes
188.	SAFEGATE Micro-finance Bank			
189.	SANTRUST Micro-finance Bank			
190.	SATELLITE Micro-finance Bank			Yes
191.	SEED CAPITAL Micro-finance Bank			
192.	SEED FUND Micro-finance Bank			
193.	SHELTER Micro-finance Bank			
194.	SHERPERD Trust Micro-finance Bank			
195.	SHORELINE Micro-finance Bank			
196.	SNOW Micro-finance Bank			
197.	SOLID ALLIANZE Micro-finance Bank			
198.	SOUTH WEST IKOYI Micro-finance Bank	Yes		
199.	SOVEREIGN Micro-finance Bank	Yes	Yes	
200.	STAKO Micro-finance Bank			
201.	STATESIDE Micro-finance Bank			
202.	SUISSE Micro-finance Bank			
203.	SUPREME Micro-finance Bank			
204.	SUSU Micro-finance Bank			
205.	TOP TRUST Micro-finance Bank			
206.	TOUCHGOLD Micro-finance Bank			
207.	TOUCHSTONE Micro-finance Bank	Yes		
208.	TOWNSERVE Micro-finance Bank			
209.	TRADERS Micro-finance Bank	Yes	Yes	Yes
210.	TREASURES Micro-finance Bank	Yes	Yes	
211.	TRUEBOND Micro-finance Bank			
212.	TRUSTHOUSE Micro-finance Bank			
213.	TSM Micro-finance Bank			
214.	ULTIMATE Micro-finance Bank	Yes	Yes	

215.	UNICREDIT Micro-finance Bank			
216.	UNIQUE Micro-finance Bank	Yes		
217.	VCL Micro-finance Bank			
218.	VENTURE SUPPORT Micro-finance Bank	Yes		
219.	VERDANT Micro-finance Bank			
220.	VINELAND Micro-finance Bank			
221.	VINING Micro-finance Bank			Yes
222.	VIVA Micro-finance Bank			
223.	WEALTHBASKET Micro-finance Bank			
224.	WEALTHSTREAM Micro-finance Bank			
225.	WIZETRADE Micro-finance Bank	Yes		
		62	29	28

Closed in 2010, but re-licensed in 2011

Appendix 3: **GROUP DISCUSSION GUIDE**

Introduction

My name is ……………………………………………………………………..………..

……………………………………………

The main objective of this discussion is to ascertain how and why some Nigerian Micro-finance Banks are doing well while others are not, to the extent that many of them closed down in 2010. Please feel free to tell me your honest opinion on the issue, one after another. There are no wrong or right answers and you can agree or disagree with what another person has said. All your responses will be strictly confidential and will be utilised for academic purposes only.

Discussion

- Are you aware of any micro-finance banks?
- Which of them are you aware of?
- Which of these MFBs have you ever patronised / worked for?
- Which of them do you currently patronise / work for?
- What are your likes about these MFBs? Any other likes? What else?
- What are your dislikes about these MFBs? Any other dislikes? What else?
- Which MFBs would you not patronise / work for?
- Why would you not patronise / work for the MFBs?
- Are you aware that some MFBs have closed down?
- Are you aware of any such MFBs?
- Which of them are you aware of?
- Do you know why they closed down?
- Let's discuss the reasons why each of the MFBs closed down.
- To what extent do you think the following factors contributed to the failure of each of the MFBs?
  - management
  - funding
  - leadership
  - savings mobilisation lapses
  - fraudulent practices
  - inefficient debt recovery

  - internal processes
  - governance
  - regulatory issues
- In which order would you categorise Nigerian MFBs? I mean, which ones would you classify as group one, group two, group three, etc.?
- What are the similarities of each group?
- What suggestions would you offer for the improvement of Nigerian MFBs?

Thank you.

Appendix 4: **INTERVIEW GUIDE FOR THE SEMI-STRUCTURED QUALITATIVE STUDY**

	ISSUES IMPORTANT TO THE STUDY	QUESTION FOCUS AREA	PROPOSED DISCUSSION GUIDE WITH PARTICIPANTS
A	What are the main products and services of MFIs in Nigeria, particularly Lagos?	Core products of MFIs in Nigeria	• What are the Main products and services of MFIs that you know? • Which one in your view is their most important product or service? • Who are the main clients of MFIs, men or women? • What is the percentage of men?
B	Could proper organisation of work help MFIs to cope with adverse circumstances?	How services are delivered, monitored and managed	• How do they provide their services to customers? • How do they recover their loans and advances? • How do they get funding?
C	What may have led to some MFI closures in 2010 and 2014?	Factors that led or contributed to closure or failure: internal versus external; managerial versus environmental	• Why did some MFIs close down in 2010 and 2014? • What specific practices do you think led to the closures? • How did they give loans? • How did they collect the loans? • How did they get the money they disbursed as loans? • Were there environmental factors or not?
D	How did some MFIs survive in the face of extreme difficulties?	Resilience of MFIs	• How did MFIs that are alive cope with the difficult problems they encountered? • Are there specific things they did or had that may have helped them to cope?

E	What role did Mission Drift (if any) play in MFIs' ability to cope with extreme events and difficult situations?	Contribution of Mission Drift and other factors to MFIs' resilience	• Do you know of any MFI that stopped or reduced giving credits/loans to poor people? • To whom did they give their loans instead? • What in your opinion led them to do so?

Appendix 5: **STRUCTURED INTERVIEW GUIDE**

Introduction

My name is ……………………………………………………………………..………..

……………………………………………

The main objective of this interview is to ascertain how and why some Micro-finance Institutions in Lagos overcome difficult challenges of the industry while others do not.

Please note that there are no wrong or right answers, so feel free to tell me your honest opinion on the issue. All your responses will be strictly confidential and will be employed for academic purposes only.

Questions

1. Which Micro-finance bank main products and services do you know?
2. Which one, in your view, is their most important product or service?
3. How do Micro-finance institutions provide their services to customers?
4. How do they recover their loans and advances?
5. How do they get funding?
6. Are you aware that some MFBs closed down in 2010 and 2014?
7. Do you know any of those that closed down?
8. Please can you tell me why they closed down?
9. What specific practices do you think led to the closures?
10. How did the MFIs that are alive today cope with the difficult problems they encountered? Please let us take them one by one.
11. Are there specific things they did or had that may have helped them to cope?
12. What are those things?
13. Do you know of any MFB that stopped or reduced giving credits/loans to poor people?
14. To whom did they give their loans instead?
15. What in your opinion led them to do so?
16. How did this affect their poor customers?

Thank you.

Appendix 6: **IN-DEPTH INTERVIEW GUIDE**

Introduction

Good morning Sir / Madam,

My name is …………………………………………………………………………..………..

We are conducting a research on micro-finance banking challenges in partial fulfilment of requirements for the award of a DBA from the University of Hertfordshire. We thought it necessary to have a conversation with you because you have been a very important player in the industry. You can opt out of this interview at any time.

Questions

1. What is your impression about the Nigerian micro-finance bank industry?
2. What are your likes about the industry?
3. What are your dislikes about it?
4. Anything else?
5. What else?
6. What has been your experience in the industry?
7. What was very striking in your experience? I mean, something that you remember every time?
8. Have you ever had any bad experience in the industry? If so, could you share the experience with us?
9. In your opinion how is the industry faring today?
10. In your opinion, why is it that many MFBs do well despite the Nigerian economic challenges?
11. Is there any other reason?
12. Why do you say so?
13. Any other reason?
14. Why do you think some MFBs find it difficult to survive the Nigerian economic challenges?
15. Is there any other reason?
16. What else?
17. In your opinion why did some MFBs die? I mean why did they stop doing business?
18. How did that happen?
19. Any other reason?
20. But that also happens in the surviving MFBs, why in this case did it lead to its death?

21. Why did what led to its death happen?
22. Why did what you just said now happen?
23. Is there any other reason why it happened?
24. I am a bit confused, can you please elaborate.
25. You as a very notable practitioner – how did your bank go out of existence?
26. Please explain more, what happened.
27. Why did that happen?
28. Why did what you just said happen?
29. In your perception, is there one thing in particular over and above others that made the bank go out of operations?
30. What particular thing is that?
31. Why do you think that is the major reason?
32. What you said may also happen in some of the surviving banks; why was your own situation different?
33. You have opened my eyes to some of those very interesting issues in the industry.
34. Are you aware that some MFBs bounce back after very difficult moments?
35. How do they do it?
36. What do they do?
37. Why do they do that?
38. Why did you not do those things in your own MFBs?
39. Any other reason?
40. If you were to run another MFB, what will you do to make it resilient; that is to be able to adapt to difficult circumstances and be able to overcome them?
41. Any other thing?
42. What else?
43. Are there other comments you wish to make concerning the topic we are exploring?
44. What else?
45. When did you enter into the Nigerian micro-finance bank industry?
46. How did you enter?
47. Has micro-finance banking always been your dream career?
48. What was your main reason for going into the industry?
49. Any other reason? 50. What else?

    Thank you.

Appendix 7: **UNIVERSITY OF HERTFORDSHIRE CONSENT FORM**

I, the undersigned *[please give your name here, in BLOCK CAPITALS]*

…………………………………………………………………………………………………….

of…..…………………………………………………………………………………………

hereby freely agree to take part in the study entitled: *EXPLORATORY STUDY OF HOW AND WHY SOME MICROFINANCE BANKS OVERCOME ADBVERSITY AND WHY OTHERS DO NOT*

………………………………………………………………………………………………

1. I confirm that I have been given a Participant Information Sheet (a copy of which is attached to this form) giving particulars of the study, including its aim(s), methods and design, the names and contact details of key people and, as appropriate, the risks and potential benefits, and any plans for follow-up studies that might involve further approaches to participants. I have been given details of my involvement in the study. I have been told that in the event of any significant change to the aim(s) or design of the study I will be informed, and asked to renew my consent to participate in it.

2. I have been assured that I may withdraw from the study at any time without disadvantage or having to give a reason.

3. In giving my consent to participate in this study, I understand that voice, video or photo-recording may take place.

4. I have been told how information relating to me (data obtained in the course of the study, and data provided by me about myself) will be handled: how it will be kept secure, who will have access to it, and how it will or may be used.

5. I have been told that I may at some time in the future be contacted again in connection with this or another study.

Signature of participant……………………………………..…Date………………………….

Signature of Signature of investigator………………………..Date………………………..…

Name of investigator *[in BLOCK CAPITALS]*……………………………………………………..

Appendix 8: **GUIDE FOR COLLECTING DATA FOR THE QUANTITATIVE ANALYSIS**

	ISSUES	PARAMETERS
A	Practices	• Loans to groups as a percentage of total loans • Individual loans as percentage of total loans • What was the percentage of the highest loan given to an individual to total equity • Gender % in product delivery • Ways/procedure of loan recovery • Cost of delivering loans and mobilising savings • Were key performance indicators used? • If so which?
B	Capabilities	• Capital base • Assets • Ample access to funding/Finance
C	Products	• Savings portfolio • Loans portfolio • Micro insurance • Others
D	Risk Management	• Portfolio at Risk (30 days) • Operational Self-Sufficiency • Financial Self-Sufficiency • Geographical distribution of loan and savings portfolios and branch network
E	Profitability and Liquidity	• Gross Profit as percentage of turnover • Net profit as percentage of turnover
F	Regulatory and Reputational issues	• Compliance with regulatory issues on financial reporting and financial plus operational ratios • Transparency- Declaration of directors' interests in Statement of Account • Portfolio at Risk • Internal control and internal audit • Credit policy

Appendix 9: **IDENTIFIED BUSINESS PATTERNS ACROSS MFBs**

The participants of the study include:

- Customers of Liquidated MFBs (CL)
- Customers of Existing MFBs (CE)
- Staff of Liquidated MFBs (SL)
- Staff of Existing MFBs (SE)
- Community Members affected by MFBs (CM)

S/No	QUESTION	ANSWERS
1.	Understanding of the Micro-finance Bank	CL: Financial assistance for business empowerment CE: Grant loans to assist businesses SL: Grant loans to micro and small-scale business owners SE: Grant loans to assist businesses CM: Grants loans/financial support for SMEs CE: Loans to Women CL: Loans to Men
2.	Most preferable service/product	CL: Savings CE: Loans SL: Loans SE: Savings and Loans CM: Loans
3.	Classification of customers	CL: 50% women, 50% men CE: 80% women, 20% men SL: 55% women, 45% men SE: 70% women, 30% men CM: 68% women, 32% men
4.	Age range of customers	CL: 25 years and above CE: 20 to 55 years SE: 20 years and above CM: 20 to 60 years
5.	Loan range given to customers	CL: Minimum of 30,000; Maximum as determined by MFB CE: Minimum of 50,000; Maximum of 200,000

		SL: Minimum of 50,000; Maximum of 250,000
6.	Percentage Interest	CL: 15% per month SL: 10% per month SE: 3%-5% per month CE: 6%-7% per month CM: 2.5%-6% per month
7.	Procedure for acquiring a loan	CL: Opening a savings account, some documentation and the provision of a guarantor CE: Open a savings account with registration fee of N1,000 and insurance fee of N1,000 and save up to N5,000; then the customer joins a group, provides a guarantor while a staff from the MFB investigates the business before loan approval SL: Opening of a savings account, some registration, documentation and provision of guarantors, investigation of customer SE: Account opening, registration; the evidence of some savings or collateral (value to be full or half of the loan); the joining of a group and the provision of a guarantor CM: Open a savings account, make some deposits and provide a guarantor
8.	Required documents for loan approval	CL: Guarantor CE: PHCN bill, Identity card, Passport photographs and Guarantor SL: Filled Guarantor forms SE: Filled loan/registration form, co-request from Group leader, evidence of savings/collateral CM: Being part of a group
9.	Characteristics of a guarantor	CL: Evidence showing ability to repay loan should the customer default CE: Ability to provide collateral SL: Good paying job
10.	Process of loan repayment	CL: Weekly instalment payments for a predetermined period that allows customer to save as well

		CE: Weekly repayments for 23 weeks SL: Weekly repayment SE: Weekly repayment for a specified period CM: Weekly or monthly instalment payments
11.	Challenges of loan repayment	CL: Business challenges and misappropriation of funds on family needs. Decision not to pay CE: Business challenges and misappropriation of funds on family needs SL: Business/Personal challenges and misappropriation of funds on irrelevant celebrations SE: Business challenges and misappropriation of funds CM: Business challenges and misappropriation of funds on family needs. Decision not to pay
12.	Sources of funding for MFBs	CL: Services rendered to customers CE: Personal funds, fixed deposits and loan interests SL: Personal funds, borrowed from commercial banks and loan interests SE: Customer savings and loan interest CM: Sponsorship from commercial banks
13.	Reason for MFBs closing down	CL: Risky loans, loan repayment defaults and staff misconduct. Fraudulent managers and directors CE: Loan defaults that lead to bankruptcy SL: Poor due diligence, loan defaults leading to insufficient funds and bankruptcy SE: Mismanagement of funds; lack of proper investigation and monitoring of customer which led to high loan defaults and affected operations CM: Mismanagement, risky loans and loan defaults
14.	Reason for existing MFBs to cope with difficult problems/situations	CL: Sizeable capital base, high volume of good customers that will repay loan promptly and proper investigation of customers before loan approval CE: Ensuring that the loan default rate is minimised for continuous operations. Character of managers

		SL: Good operational standards through proper investigation and management of customers to ensure they repay loans on time SE: Proper investment of funds to generate more capital for business operations CM: Good management and financial support
15.	Patterns Identified	CL: Most liquidated banks were unit ones. National and state banks did not easily liquidate SL: Most of the unrecovered loans are individual loans, mostly to men at high interest rates of over 10% per month CL: Pressure of group members made it difficult not to pay back loans by group members SE. There is proper investigation of partners and staff before setting up the MFB; proper investigation of customers before loan approval CE: There is greater publicity to attract more customers and ensure proper investigation of the business before loan approval. Guarantor/collateral is provided to mitigate the event of loan defaults in individual loans. Some flexible loan procedures and good customer service for good customer relationship for individual loans SL: No proper investigation of customer and guarantors before loan approvals; There was no seminar to educate customers on loan management; No proper training of staff on good customer relationship and continuous monitoring of customers to ensure loans bring about business growth and development SE: There is adequate and good management of finances, training of staff on operations and customer relationship, proper due diligence on customer before loan approval and proper monitoring to ensure funds are used appropriately. CM: Good MFBs related to community leaders through well trained and incentivised staff, put customers into groups

		before giving them loans, did proper investigation and monitoring of customers to ensure loan recovery. But were sometimes too hard on loan defaulters through arrest, harassment and selling their properties.

Appendix 10: **PROGRAMMES AND INITIATIVES WITH DATES**

1. Bank of Industry (BoI), (1964)
2. Nigerian Industrial Development Bank (NIDB), (1964)
3. Nigerian Agricultural Bank (NAB), (1972)
4. Nigerian Bank of Commerce and Industry (NBCI), (1973)
5. Operation Feed the nation (OFN), (1976-1980)
6. Rural Banking Scheme (1977-1989)
7. Nigerian Agricultural and Cooperative Bank (NACB,) (1978)
8. The Green Revolution (1979)
9. Better Life for Rural Women, (1986)
10. Directorate of Food Roads and Rural Infrastructure (DFFRI), (1986)
11. Nigerian Directorate of Employment (NDE), (1987)
12. Peoples Bank of Nigeria (PBN), (1989)
13. Nigerian Economic Reconstruction Fund (NERFUND), (1989)
14. Community Banking (1992)
15. Nigerian Agricultural Land Development Authority (NALDA), (1992)
16. Family Support Programme (FSP), (1993)
17. Family Economic Advancement Programme (FEAP), (1997)
18. Nigerian Agricultural Cooperative & Rural Development Bank Limited (2001)
19. National Poverty Eradication Programme (NAPEP), (2001)
20. Poverty Alleviation Programme (PAP), (2001)
21. Bank of Agriculture Limited (BOA), (2010)

Appendix 11: **Data Sources**

The 5 Lagos based MFIs used in the analysis and graphical representation are:

1. LAPO MFB. – Plot 6, S & T Road, Opposite Uselu Market, Benin City Edo State;
2. No 9 Oba Akran Avenue, Ikeja – Lagos;
3. Grooming Centre MFB – No. 120 Ikotun – Egbe Road, Opposite Kessingsheen Plaza, Iyana Ejigbo, Lagos;
4. BOSAK MFB. – Plot 8 Cocoa Industries Road, Ogba Ikeja – Lagos;
5. ACCION MFB. – 4th Floor, Elizade Plaza, 322A Ikorodu Road, Beside LASU Mini Campus, Anthony, Lagos.

The 2 Failed Lagos-based MFIs used, due to availability of data are:

1. IC MFB.
2. INTEGRATED MFB.

Appendix 12: **MAJOR REASONS WHY SOME NIGERIAN MICRO-FINANCE BANKS FAILED**

LIFE STORY AND LIFESTYLE (internal data vs industry data)

SECONDARY RESEARCH - INTERNAL COMPANY DATA

The Focus Group Discussion participants comprising failed and vibrant MFB managers affirmed that:

- Akute, IMFB and Ojokoro MFBs failed because their CEOs always fraudulently approved huge amounts of unauthorised loans to themselves and their close relations and bought big cars and houses without paying back the loans. Why were they doing this? Most benefited directly and this was found to be linked to their mindset and lifestyle.
- Some MFBs went into liquidation because they gave a considerable number of loans to customers without collateral and proper investigation. The customers then took advantage of such lapses and absconded with the money leading to NPLs.
- The failed MFBs also continually exceeded the CBN loan rules and regulations by granting very significant numbers of loans to directors and managers who could not pay back the loans.
- Some failed MFB marketers had the reputation for either

SECONDARY RESEARCH - INDUSTRY

Available secondary data sources indicate that:

- The operating expense of most of the failed micro-finance banks continually dug into their financial revenue and drained virtually all of their much-needed finances to the point of eroding their capital base. Slowly but surely, they approached the dooms day of liquidation and eventually went under. This was related to the lifestyle of key operators
- It was identified that many of the directors of failed MFB were not only fraudulent but also had moral, ethical and lifestyle deficits, some related to their life experiences. Most took loans that were not repaid (NPLs)
- Although the long-term Operational Self-Sufficiency of some of those reviewed failed MFBs such as Ascend MFB (192.24%), Alliance MFB (123.48%) and IMFB (118.95%) were securely above 100%, they still collapsed – not because of financial capability but due to other factors like mass panic cash withdrawal that was triggered by customers' loss of confidence in the banks.
- According to EC (2010), factors that led to the closure of the MFBs were attributable to a long record of the following:

a) High level of non-performing insider-related credits, and other forms of

fraudulently colluding with customers to give out bogus loans or collecting money from them without remitting it in the banks.

- Most failed MFB customers diverted loans meant for businesses to non-profit ventures such as burial, naming and other ceremonies. When they could not pay back such loans, the MFBs incurred huge losses, went bankrupt and eventually failed.

insider abuse

b) Heavy investments in the capital market, with the resultant diminution in the value of the investment after the meltdown

c) Poor asset-liability management owing to portfolio mismatch

d) Heavy investments in fixed assets beyond the maximum limit prescribed and

e) Operational losses sustained as a result of high expenditure on staff and other overheads.

Appendix 13: **LIFE EXPERIENCES AND LIFESTYLE (semi-structured vs. in-depth interviews)**

SEMI-STRUCTURED INTERVIEWS

The majority of the thriving and failed MFBs customers and executives we sampled believed that:

- Most MFBs customers have the fraudulent mindset of collecting a loan and disappearing without repaying it (NPLs).
- A large proportion of MFB customers divert the loans to perceived more pressing family needs such as food, payment of school fees, organising parties, burial ceremonies and other celebrations and therefore could not pay back their loans.
- Most customers go to the extent of using charms on micro-finance bank staff so that they will forget the money loaned to them.
- Guarantors' insincerity and deceptive tendencies of supplying fake information to marketers are also responsible for a large chunk of loan defaults which ultimately

IN-DEPTH INTERVIEWS

The MFB directors polled confirmed that:

- The owners of the failed MFBs also had a history of diverting customers' money due to fraudulence; this often resulting to panic withdrawal of funds in the banks when customers could not draw their on their deposits.
- This confirms (Argyris 1980), Collins and Porras (1996) theory that life story of business leaders and corporate organisations do affect their values in life which in turn influenced the values in use in the banks they founded or managed.
- The CEOs of LAPO, ACCION Emerald, Asset Matrix, and other strong micro-finance banks are religious and respectable men of honour, integrity and good repute while their colleagues that mismanaged and embezzled the failed banks' funds had materialistic tendencies, questionable past history and lived flamboyant lifestyles.
- Directors of most Nigerian MFBs collected and invested a huge some of their bank funds in other businesses or used it to buy exotic cars for themselves without paying back (NPLs).
- Most of the failed MFBs flouted the CBN regulation of not giving a certain amount of loan to a **"**single obligor**".**
- Some of their marketers either collected money without remitting it to the banks or compromised their professional duties by collecting bribes from customers without bothering to chase their loans thereafter.

lead to the collapse of some of the MFBs.

- Sometimes the MFB staff colludes with outsiders to defraud the banks by asking them to come and take a loan when they know such people cannot pay back the loan.
- The banks set difficult and unrealistic financial targets that compelled their staff to give out loans indiscriminately without the necessary documentation.
- When Integrated Micro-finance Bank (IMFB) failed, about 242 other micro-finance banks also went under because customers of the other banks lost confidence in the system and started withdrawing their money from those other micro-finance banks.
- Some of these failed micro-finance banks were more or less a sole proprietorship. They did not want to dilute their ownership; they did not want to lose their shareholding proportion to other people. Oftentimes, they found it difficult to bring in other people to invest in their banks. This was due to a sense of insecurity from their physical and mental poverty background

Appendix 14: **LIFE EXPERIENCES AND LIFESTYLE (Comments)**

COMMENTS

The three studies show that the reasons for micro-finance banks failure in Nigeria are many and complex but they hinge mainly on managerial fraudulence, lifestyle of the banks' directors, staff and customers. That the values the key stakeholders espoused were not what they lived or actually exhibited in relation to MFB operations and governance

While the directors of the banks embezzled their respective banks' funds through outright pilferage, financial recklessness, huge amount of unsecured loans to themselves, their friends, relatives and phony customers, most of their staff are negligent and collude with customers to defraud the banks. They also engage in unethical banking practices that flout the CBN regulations.

The studies further indicate that customers' fraudulent disposition, diversion of loans to other uses, use of charms to hypnotize MFBs marketers and mass panic withdrawal of their funds at the slightest sign of bankruptcy in one or two major MFBs are contributory causes of micro-finance failure in Nigeria.

Appendix 15: **CORE VALUES**

SECONDARY RESEARCH - INTERNAL COMPANY DATA	SECONDARY RESEARCH-INDUSTRY
All the participants unanimously agreed that: • Most Nigerian MFBs do not practice the core values they profess. While most professed to help the poor, doing it with integrity, in real life they were taking savings from the poor and giving credit to themselves and their cronies	Collins, J. C. & Porras J. I. (1996) define ''Core values are the essential and enduring tenets of an organization, a small set of timeless guiding principles that require no external justification". • The core values espoused by both failed and thriving Nigerian MFBs are anchored in: - Integrity - Passion - Excellence - Efficiency - Innovativeness - Transparency - Simplicity - Performance - Customer – centredness - Teamwork - Professionalism - and Customer Service - Empathy • My findings indicate that with the exception of a few isolated cases as in LAPO and Emerald MFBs, almost all the reviewed Nigerian MFBs adopted "integrity" and "transparency" in their set of core values but hardly practiced them even where the founders and directors share the same religious beliefs. Suisse MFB, owned by Christ Embassy Church is one of many other examples. Pastor Ayodele Olusola, a Christ Embassy Church pastor is the MD/CEO of the MFB; all board members of the MFB are senior pastors of Christ Embassy Church while the MFB marketers are also members of the church. However,

our findings (Nairaland Forum, October 11, 2017) reveal that the MFB is currently in deep financial distress involving over 200 million Naira because it did not uphold its espoused “integrity” and “transparency” values.

Appendix 16: **CORE VALUES**

SEMI-STRUCTURED INTERVIEWS

A considerable majority of the respondents acknowledged that:

- The board members of IMFB, Ipaja, Pekkos, Andro and other failed MFBs that embraced “integrity" and “transparency” in their core values flouted them while fraudulently enriching themselves by defrauding their respective MFBs, taking loans and not repaying.

- Although most failed MFBs adopted “professionalism” in their core values, they employed commercial bank personnel that had no MFB experience due to dearth of technical manpower in the Nigerian MFB industry.

IN-DEPTH INTERVIEWS

All the directors asserted that:

- Strict adherence to espoused MFB core values such as “professionalism”, “efficiency” and “excellence” plays a key role in the survival of a bank. Where incompetent managers that are not properly skilled to counsel and to evaluate loan proposals gave out loans that could not be recovered and the micro-finance bank would then die.
- Only a few Nigerians have the required micro-finance bank skill. This has also been a challenge because it takes time for people to understand the mode of micro-finance bank operations.

- Sometimes, when people migrate from a commercial bank to a micro-finance bank without the requisite experience, they introduce the commercial bank mentality in their operations.

- Most of the Nigerian micro-finance banks failed because of loss of focus on their espoused core values. Or deliberately flouted them for personal gain-leaders and managers taking loan without repaying

Appendix 17: **CORE VALUES**

COMMENTS

- The three exploratory research findings reveal that many Nigerian MFBs merely picked and espoused their core values theoretically without practicing or living them. For instance the leaders demonstrated lack of integrity by taking insider loans without intention of repayment leading to high inventory of NPLs.

- In other words, the core values of most Nigerian MFBs are verbalised and written down only as guiding principles and are different from the values – in – use as Argyris' (1980) theory in the literature postulates.

Appendix 18: **CORPORATE GOVERNANCE**

SECONDARY RESEARCH- INTERNAL COMPANY DATA

The FGDs participants that comprised micro-finance bank managers and customers affirmed that:

- Oversight functions were weak or non-existent. Most directors were on paper and never functioned in that capacity
- Some of the Nigerian micro-finance banks closed down because they were issuing out money indiscriminately to customers without proper due diligence on their business and contact addresses.
- The 'ogas' (directors and top management staff) of the banks mismanaged and embezzled the banks' funds by fraudulently granting loans to themselves, friends and relatives, buying and driving big cars as well as living flamboyant lifestyles.
- The owners of some MFBs were fraudulent and diverted customers' money for nonprofit purposes and when customers could not withdraw their money from such banks, a panic withdrawal erupted in other banks.
- Some of the MFBs liquidated because they gave out huge amount of loans to customers without collateral while their marketers collected money from customers without remitting it in the banks.
- A lot of their customers either fraudulently absconded with the loans or diverted them to nonprofit ventures such as burial, naming and other ceremonies instead of investing them in their businesses. In most cases when the latter were unable to pay the loan, they relocated to unknown addresses.
- The banks selfishly exceeded the CBN loan rules and regulations by granting huge amount of loans to single obligors who absconded with the money.

SECONDARY RESEARCH- INDUSTRY

- EC (2010), attributed the death of the MFBs to:

a) Poor corporate governance and incompetent boards, insider borrowing leading to huge NPLs ;

b) Weak management evidenced by poor asset quality, poor credit administration, inadequate controls, high rate of fraud and labour turnover;

c) Failure to meet matured obligations to customers and

rapid expansion of branch network that was not strategic in nature

Appendix 19: **CORPORATE GOVERNANCE**

SEMI-STRUCTURED INTERVIEWS

Majority of the respondents affirmed that:

- Separation between board and management was hardly existent
- The failed MFB marketers did not investigate their customers' businesses adequately to ascertain their ability to pay back loans before giving them the loan and so most of the loans they gave out turned bad.
- They failed, among other things, to consider (1) the character of the person requesting for a loan, (2) his ability to repay, and (3) the conditions prevailing in his line of business before approving and giving out loans because they were always in a hurry to increase their customer base or meet a set official target. Such shoddy evaluation of customers' and their businesses created an easy opportunity for many MFB customers to collect loans and disappear.
- They also lacked the zeal to monitor and recover loans advanced to customers and to even mobilise savings. Too much of such unrecovered loans shrank the affected bank's liquidity position and raised their "Portfolio at Risk" to such a dangerous level that led to their death.
- Also, some of the failed MFBs either flouted the Central Bank of Nigeria (CBN) regulations by giving loans to single obligors that could not pay the loan (leading to huge NPLs) or unethically diversified to

IN-DEPTH INTERVIEWS

This study revealed that:

- Many failed MFB chairmen and directors either fraudulently approved huge sums of unpaid loans to themselves and their close relations or diverted such money to their personal bank accounts.
- Akute, IC, Integrated and other failed MFB where directors took huge sums of money from their banks to do their personal businesses or used it to buy exotic cars for themselves without paying back are typical examples.
- Most Nigerian MFB board members lack requisite MFB board credentials and are nominated based on their share volume or close relationship with the MFB chairman or owner and that the situation contributes immensely to poor board oversight and subsequent death of the affected MFBs.
- The story is entirely different in LAPO, Emerald and other thriving MFBs which have able board of directors that have been able to manage the banks well.
- LAPO and other strong MFBs also have efficient, dedicated and loyal marketing officers that investigate customers' addresses before giving them loans. They also practise the group methodology and compel

seemingly more profitable businesses like property development.

customers to maintain a minimum of ₦20,000.00 (twenty thousand Naira) in their savings account at all times.

Appendix 20: **CORPORATE GOVERNANCE**

COMMENTS

The studies show that:

Most MFB board members are known to misuse their positions to obtain facilities well above the regulatory limit for insider related loans with no intentions of repaying such facilities. They were fraudulent in the use and deployment of bank funds leading to high NPLs and high PAR in excess of 20%

They also use their positions to unduly authorize the approval of loans in favour of their cronies.

Frauds and forgeries by both insiders and outsiders to the banks are rife and people generally obtain loans with no intention to repay.

Other identified poor corporate governance indicators are: lack of due diligence, unethical practices and management / oversight loopholes. Consequently, corporate governance was either weak or non-existent

Appendix 21: **BUSINESS/LENDING MODEL AND PROCESSES**

SECONDARY RESEARCH - INTERNAL COMPANY DATA

- For resilient MFBs before a loan is given to a customer, a team of micro-finance bank staff first visit and assess the customer and her business. If the customer meets the set requirements, he would open a savings account with the MFB and save a certain amount over a specified period.
- Next, he would do the necessary documentation and provide a guarantor and collateral. Later and if he/she meets all the loan requirements, he / she would be given the loan.
- LAPO and other stronger MFBs organise customers in groups of between six to twelve members. Each group is headed by a trusted and comparatively more affluent member and meets once a week at a central venue where members send their weekly payment to the group leader on behalf of a MFB marketer in charge of the group. The groups were mostly women
- The unique group methodology that LAPO and other strong micro-finance banks practise ensures easy loan monitoring and recovery.
- If the MFB product is contract financing, the micro-finance bank first ascertains the profitability of the contract and negotiates

SECONDARY RESEARCH - INDUSTRY

Financial Times lexicon comprehensively defines a business model as “a method or means by which a company tries to generate economic value from its business in the form of revenue”.

It further states that “the model provides the basic template on how a business will compete in the market place, how it is going to make money, and how it will work with internal players (firm’s employees and managers) and external players (stakeholders such as customers, suppliers, and investors)”.

The secondary research on the Nigerian MFB however industry identified the follows:

1. National MFBs were more compliant with Prudential guidelines than unit MFBs
2. The death rate was much higher among unit MFBs
3. The two biggest National MFBs adopted the same business model (Group) and similar internal processes with women as their main customers
4. The customer joins a MFB group, fills the necessary forms and supplies a guarantor and collateral;
5. He opens a savings account with the MFB and pays a specified amount

payment terms and profit sharing formula with the customer. If both parties agree, the bank would finance the contract on behalf of the customer.

- Most of the failed MFBs did not use the group model nor followed the rigorous standard process in granting credit

into the account;

6. He applies for a loan;
7. There is comprehensive due diligence;
8. If he qualifies and is given the loan, he pays the capital and the interest on weekly instalments either directly to the MFB or (in most cases) through the MFB marketer during his routine visits.

- The business model however varies slightly in some MFBs.
- But many of the dead MFBs were said not to have adopted the above processes

Appendix 22: **BUSINESS/LENDING MODEL AND PROCESSES**

SEMI-STRUCTURED INTERVIEWS

- The procedure in LAPO and GROOMING and other strong MFBs is that a customer must first belong to a group of at least five members and the group must have a leader. The group leader must know every member's residence and should also have more valuable assets than the other group members because she would be held responsible if any group member defaults.
- If any group member wants to collect a loan, he / she would present a guarantor, passport photographs and necessary requirements to his / her group leader. After the documentation, the group leader would then invite a MFB marketer in charge of the groups to physically sight and endorse the customer's guarantor.
- "A customer signs a form and provides a guarantor who also fills a form. Then the other two people in the bank will also sign for you. If you fail to pay, the bank will seize their salary. Once those things are documented, then they will give you the loan".
- "The guarantor has to work in a good company. He would put

IN-DEPTH INTERVIEWS

- It was expected that MFBs should follow proper due diligence before giving a loan to a customer.
- Normally, a micro-finance bank should, among other things, investigate the customer's business properly and consider: (1) the character of the person requesting for a loan, (2) his ability to repay, and (3) the conditions prevailing in his line of business to determine how risky a loan might be.
- But most Nigerian micro-finance banks hardly follow this procedure because they are always in a hurry to either increase their customer base or (in most cases), meet a set official target.
- Such shoddy evaluation of customers creates an easy opportunity for many Nigerian micro-finance bank customers to collect a loan and disappear without being traced.
- The study also revealed that lack of zeal (on the part of micro-finance staff) for proper customer monitoring after a loan has been disbursed played a crucial role in most bank failures. This, according the findings, is because too much of such unrecovered loans shrinks a MFB's liquidity and raises its "Portfolio at Risk" to such a dangerous level that might cause its death.

it in writing that if the customer does not pay, that he will pay it".

- Integrated, Ojokoro and some other failed MFBs adopted individual model in customer service and credit administration . There were high NPLs due to default in repayment of credits

Appendix 23: **BUSINESS/LENDING MODEL AND PROCESSES**

COMMENTS

The findings show that two alternative MFB business models namely joint/Group methodology (JM/GM) leading to joint lending groups (JLG) and individual method leading to individual lending (IL) are operational in Nigeria and that most of the failed Nigerian MFBs implemented IL methodology or business model with substantial part of their loans to men

Appendix 24: **MANAGERIAL SKILLS**

SECONDARY RESEARCH-INTERNAL COMPANY DATA	**SECONDARY RESEARCH-INDUSTRY**
• Bad management or poor managerial skills are contributory causes of the death of most Nigerian MFBs. • Akute, IMFB, Ojokoro and others failed because most of their managers had no micro-finance banking experience and so were giving out loans indiscriminately to satisfy their customers without proper investigation. • The marketers of the failed MFBs also collected money from customers	• From the analysis of the data of the reviewed strong and resilient MFBs (LAPO, SEAP, Grooming Centre, Fortis and ACCION) a common thread of cost leadership was demonstrated in their financial revenues which outweighed their operating expenses for most of the ten-year span. • These were indicative of a good revenue base and reduced financial and operating expense to weather the storm of non-performing loan that was battering the micro finance banks in Nigeria. It is also clearly indicates the level of commitment, honesty and integrity of the banks' management team. • Their gross loan portfolio of the reviewed thriving MFBs was always consistently lower than their asset while their active borrowers were also lower than their depositors. This no doubt gave the thriving banks much needed liquidity and cash flow to run their operations while they waited for funds from donors and inflow from loans. These strong MFBs also engaged their active borrowers well to ensure that losses due to non-performing loans were reduced drastically to a bearable minimum. These practices of resilient and leading MFBs were indicative of effective asset management, good management capability, appropriate internal control measures, good customer knowledge (KYC) and excellent customer service. • All the reviewed thriving MFBs (LAPO, SEAP and ACCION) showed above average (1.5) Financial Self-Sufficiency (FSS). This implies that they were able to generate enough revenue to handle all their operational and administrative expenses in addition to all lost loans during the turbulent period. • The data also shows that the Portfolio at Risk (PAR) of some strong MFBs such as LAPO, SEAP and

without remitting it in their MFBs while their unskilled management was unable to detect and curb such fraudulent practices

SEMI-STRUCTURED INTERVIEWS

- LAPO and some other strong MFBs have their training schools in addition to structured on the job training. Key executives are sent to top business schools like Harvard, INSEAD etc.
- LAPO had crèches for nursing mothers to put their children, hedged their foreign loans and identified staff at risk every year and

ACCION have consistently been declining since 2005 and were already within the comfortable zone of less than 5% in 2004 when our ten year review stopped.

- These performances were associated with strong managerial and executive capacities in dealing with issues and reinventing themselves and their companies
- This was not the same with dead MFBs which had PAR above 20% and 50% in some cases because of high NPLs

IN-DEPTH INTERVIEWS

- The CEOs of the resilient Nigerian micro-finance banks such as AB, LAPO, ACCION Emerald, Asset Matrix, Grooming Centre, Fortis and Seap are core micro-finance bank professionals while their counterparts in IMFB, IC, Alliance, Ascend and other failed micro-finance banks had no micro-finance banking experience.
- They also have experienced qualified and committed staff that they train regularly and also remunerate well.
- In addition, they investigate their customers' business before giving them loans and offered them business advice.
- LAPO CEO is a very experienced man and has a worldview of what a micro-finance bank is supposed to be because of his training in Bangladesh and the United States of America and also based on his previous experience as a government cooperative officer.
- He also has experienced board members who were helping him at such very difficult times in terms of developing strategic plans, monitoring and having a good oversight of the plans.

sacked them

- They also practise job rotation to give not only depth but also breadth to managerial skills. They give scholarship to and encourage staff to develop their decision and managerial

- All top LAPO employees are core micro-finance professionals without any commercial bank background. They grow within the industry, have the experience or training and are very skilled.
- Emerald MFB MD regularly maintains a minimum 35% liquidity above the CBN's 20% benchmark.
- Some thriving MFBs such as AB have foreign technical experts that manage the banks and their management acumen helps to steer them off any financial danger.
- Also, some micro-finance banks are national in their orientation and they have seasoned and tested bankers in the key sections of their operations. This helps them any to weather any storm that may pose a threat to their operations.

COMMENTS

According to the findings, the personnel of the thriving MFBs tended to be more professional, competent and skilled vis-à-vis those of the failed ones. Some of those resilient MFBs have training schools to impart knowledge and skills in their staff whereas most of the failed ones did not.

This is reflected in the failed MFBs consistent low gross loan portfolio vis-à-vis their high asset ratio; low active borrowers in relation to high depositors with resilient ones low Portfolio at Risk versus high liquidity ratio, above average (1.5) Financial Self-Sufficiency and a comparatively low default rate which the failed MFBs could not achieve.

Appendix 25: **CAPITAL**

SECONDARY RESEARCH- INTERNAL COMPANY DATA

It was the considered opinion of the four group participants that:

- Low capital base was the major challenge of the failed Nigerian micro-finance banks especially those that were owned by single individuals. This, they believed, made it difficult for the banks to meet customers' financial demands.
- Most of the banks were not buoyant enough to continue on their own, went contrary to the CBN rules and regulations and suffered the consequence.
- Virtually all the failed Nigerian micro-finance banks had low capital base and did not have other tangible sources of income like commercial banks. To compound that they had high NPLs impairing their capital
- AB, FBN, LAPO, Olive and Susu survived the stormy period due their perceived strong capital base and numerous operational branches.

SECONDARY RESEARCH-INDUSTRY

The secondary data revealed that:

- All the failed micro-finance banks did not have sufficient income to cover their obligations and that 4 out of the 5 failed banks reviewed never exceeded $700,000 in revenue. The only one that exceeded such revenue base was Integrated Micro-finance Bank which as a result of poor asset management, misuse of funds by managers and poor internal control measures was liquidated in 2010.
- EC (2010), attributed other factors to:

a) High level of non-performing loans (NPLs), resulting in high Portfolio at Risk (PAR), which had impaired their capital and

b) Gross under-capitalisation in relation to the level of operations.

- On the other hand, besides their initial capital base, most of the strong banks have access to international funding from Dutch Development bank (which gave 5m euro to Fortis in 2013 and 7.5m euro to LAPO MFB in 2013); International Finance corporation (which gave US$5m to AB micro-finance bank in 2014); African Development Bank and CBN MSME (which gave $12m and N100m respectively to LAPO MFB in 2014) (Agusto and Co., 2015).

- The long term Operational Self-Sufficiency of all the reviewed thriving banks (Grooming Centre, 251.45%; LAPO, 147.37%; SEAP, 145.80%; Fortis, 117.57% and ACCION, 114.32%) were sufficiently over 100%. This is indicative of their ability to have enough revenue to pay for loan losses, potential losses and provide funds for administrative costs to remain operational.

SEMI-STRUCTURED INTERVIEWS

An overwhelming majority of the respondents felt:

- Some of the banks failed because of their low initial capital base, lean liquidity reserves, low returns and excessive expenditure vis-à-vis the substantial quantity of funds that was being pulled out of the banks by fraudulent bank directors and officials.

- The distressed Nigerian micro-finance banks did not meet the CBN's recapitalisation requirements and were therefore forced to close down.

- The resilient MFBs had solid initial capital base. So, they were able to withstand the storm.

IN-DEPTH INTERVIEWS

All the directors polled admitted that:

- Inadequate capital is major challenge of the Nigerian micro-finance bank industry. Integrity and fraudulence among managers and customers
- Whereas commercial banks source a pool of cash from the general public, micro-finance banks are neither public limited liability enterprises nor go to the stock market to raise funds.
- Low capital base and liquidity were the main cause of the exit of many banks in the Nigerian micro-finance industry because during the mass rush for cash withdrawal by customers, those banks were still incurring huge financial overheads that constituted a huge burden for them to bear.
- Some micro-finance banks failed and could not get up because their liquidity and Portfolio at Risk respectively dipped and soared beyond the CBN benchmark.
- Some banks kept their liquidity level close to 35%, 36% and even 40%

- Their shareholders of some MFBs injected more money into the banks to enable them continue their operations.

above and almost doubling the CBN's 20% level so that even when people were trying to run on them, they were able to pay.

- Asset Matrix MFB has a contingent plan for cash liquidity by borrowing some money from its correspondent commercial banks to back up its deposit and in order to meet customers' cash demands.
- Some micro-finance banks such as ACCION, AB and the Nigerian police MFBs have free funds and enough capital to operate with because of their partnership with foreign consortia.

COMMENTS

The problem of low capital and liquidity in most Nigerian micro-finance banks featured prominently in all the studies we conducted.

The studies indicate that besides a few of the Nigerian micro-finance banks that are either affiliated to major commercial banks or have access to international funding, others are not adequately funded. That is why they are easily engulfed in deep liquidity crises whenever their cash reserve is depleted.

They also show that sometimes where a Nigerian micro-finance bank has enough capital base, its inability to maintain a minimum 20% liquidity and maximum 5% Portfolio at Risk in their daily banking operations (as directed by the CBN) can cause its failure. The cause being mainly high NPLs that impaired their capital

Although some of the leading vibrant MFBs have solid initial capital base, they additionally benefit from international funding that further enhances their financial strength. The issues of honesty and fraudulence also featured in the answers

Some of those that do not have access to international funding get financial assistance from their shareholders.

The financial assistance together with the integrity, commitment and proficiency they demonstrate in the management of the funds were identified as their key survival factors.

Appendix 26: **LAPO Microfinance Bank Limited Final Rating Report**

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2017 Non-Bank Financial Institution Rating: LAPO Microfinance Bank Limited

LAPO Microfinance Bank Limited
Rating:
A-
Outlook: Stable
Issue Date: 2 February 2018
Expiry Date: 30 June 2018
Previous Rating: A-
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RATING RATIONALE

LAPO Microfinance Bank's ("LAPO" or "the Bank") rating reflects the Bank's strong market position, good capitalisation and profitability as well as a stable & experienced management team. Agusto & Co. also considers the Bank's good business strategy, which has enabled significant growth through branch expansion and product diversification. The rating assigned to LAPO is constrained by the rising level of impaired loans and the macroeconomic climate, which continues to adversely affect small businesses.

With total assets of ₦62.7 billion as at 31 December 2016, LAPO Microfinance Bank is the largest microfinance bank operating in Nigeria. The Bank's loan portfolio has grown by over 50% in the last three years. However, asset quality deteriorated in 2016, with portfolio-at-risk (PAR) to total loans of 5.8%

as at FYE 2016 – higher than the regulatory threshold of 5%. The increase reflects the heightened credit risks in key sectors such as trade, commerce and agriculture. Loan loss provision coverage remained adequate at 82% as FYE2016 (2015: 72%). Based on the unaudited financials for the nine months ended 30 September 2017, PAR to gross loans spiked to 7.9%. We believe this may rise further in the near term, given increasing pressures from the aforementioned sectors. We believe that better risk management processes will be required to forestall additional increases in impaired loans.

During FY 2016, net earnings increased by 24% to ₦23.1 billion, largely on account of the 15% growth in LAPO's loan portfolio. Successively, profitability indicators inched up, with pre-tax return on average assets (ROA) and pre-tax return on average equity (ROE) at 11.7% and 56.3% respectively, from 10.6% and 53.5% in the prior year. The Bank's cost-to-income ratio (CIR) improved marginally to 71.5% (2015: 72.5%) - which compares favourably with industry standards and our benchmarks. The Bank's CIR worsened to 74.8% during the nine months ended 30 September 2017. Subsequently, profitability declined, with annualised pre-tax ROA and ROE of 9.8% and 43.1% respectively. We believe this will dip further in the near term, on account of rising costs emanating from business expansion and the increasing level of

impaired loans. Nonetheless, we believe profitability will remain good by industry standards.