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Exploring Effective Strategies to Improve Financial Sustainability Among Microfinance Institutions in Delta State, Nigeria

Joseph Nmadu Onyejose
Walden University

Walden University

College of Management and Human Potential

This is to certify that the doctoral study by

Joseph N. Onyejose

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Review Committee
Dr. Lisa Kangas, Committee Chairperson, Doctor of Business Administration Faculty

Dr. Peter Smith, Committee Member, Doctor of Business Administration Faculty

Chief Academic Officer and Provost
Sue Subocz, Ph.D.

Walden University
2025

Abstract

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EMBA, University of Boston, Massachusetts, 2017

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Research Project Submitted in Partial Fulfillment

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Abstract

In May 2023, the Central Bank of Nigeria revoked the licenses of 179 microfinance banks due to insolvency and noncompliance with regulatory standards. Directors of microfinance institutions (MFIs) are concerned with financial instability because the collapse of MFIs undermines poverty alleviation efforts and local economic development. Grounded in agency theory, the purpose of this qualitative pragmatic inquiry project was to explore the strategies that managers within MFIs in Nigeria used to ensure financial sustainability. The participants were eight directors in the finance industry, including six from MFIs and two from the Central Bank, located in Delta State, Abuja, and Lagos, Nigeria. Data were collected using semistructured interviews and a review of public documents. Five themes were identified using thematic analysis: capital adequacy and asset management, loan strategies and ownership dilution, and risk management and compliance. A key recommendation is for finance industry directors to prioritize group lending models and client-centric innovations to drive sustainability. The implications for positive social change include the potential to improve financial access and literacy among Nigeria's underserved populations, empower microentrepreneurs through sustainable financing, and strengthen community development by enhancing MFI operational practices.

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Dedication

I dedicate this project as a devotion to God Almighty for guiding me through this academic journey. God's mercy and compassion have led me to this point in my life for a purpose. Even in my imperfection, God, please use me, because I can do everything with Your assistance. To my deceased parents, thank you for your wisdom and constant encouragement in teaching me the importance of education and perseverance at a tender age. You have left an everlasting impression on me by letting me know that people can deprive me of many things, but no one can ever take my education away. I know my parents are looking down from heaven, so proud of my accomplishment.

On a larger note, I am profoundly indebted to my wife, Dr. Amina, the “apple of my eye,” for her inspirational support, patience, encouragement, understanding, and belief in my abilities to succeed in most of my life’s endeavors. Honey, your patience has paid off. This academic achievement is yours as you join me to serve humanity boundlessly forever.

To my four children, Onochie, Anwuli, Chukwudi, and Chukwuma, I am so proud of you. I want you to see my academic achievement as a legacy I will leave with you in this world for generations to come. I also dedicate this project to the true love, affection, inspiration, patience, and encouragement you showed during my many years devoted to achieving this academic height. Your mother and I have shown you the way, and with God Almighty, everything is possible.

Acknowledgments

Although I stumbled and fell often during this academic journey, God's strength and my family's encouragement kept me on course. I appreciate all of you who supported me to the finish line. Moreover, I extend my utmost gratitude and humility to my just-retired chair, Dr. Janet Booker, and my second committee member, Dr. Peter Smith, who stood by me through thick and thin during my doctoral journey here at Walden University. Words are not enough to express the same gratitude and thanks to my current chair, Dr. Lisa Kangas, who supported me in finishing this academic journey with excellence.

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Section 1: Foundation of the Project

Due to a combination of internal challenges, such as poor governance and external factors like regulatory instability and economic volatility, many Nigerian microfinance institutions (MFIs) struggle to maintain financial sustainability, defined as their ability to cover operational costs and remain viable without relying on ongoing donor support, and social impact, meaning their effectiveness in reaching and improving the lives of underserved populations (Agbana et al., 2023). Originally designed to promote financial inclusion and alleviate poverty, many Nigerian MFIs now face systemic challenges, such as high loan default rates, inadequate capitalization, and an overemphasis on profitability at the expense of outreach to underserved populations (Memon et al., 2022; Nwajei & Egwunyenga, 2024). These operational and structural deficiencies undermine MFIs' dual objectives: to be financially viable and socially impactful (Remer & Kattilakoski, 2021). As MFIs compete in a dynamic financial services market while serving economically vulnerable clients, directors must adopt innovative and resilient strategies to survive and thrive. However, a lack of clarity on which revenue-generating approaches are effective and sustainable has contributed to persistent mission drift, a phenomenon where MFIs gradually shift focus from their original social objectives, such as serving low-income clients, toward more commercially driven goals like profit maximization, and organizational instability (Nwajei & Egwunyenga, 2024). Understanding and addressing these strategic gaps is essential to improving the financial and social performance of MFIs in Nigeria.

Background of the Problem

The Central Bank of Nigeria's regulatory framework for MFIs has not effectively ensured that institutions fulfill their original social mission (Agbana et al., 2023). In 2005, the Central Bank of Nigeria (CBN) established policies and guidelines aimed at helping MFIs provide microcredits to small- and medium-sized enterprises (SMEs) and low-income clients as part of an economic development strategy. Beisland et al. (2021) explained that these efforts were meant to guide MFIs in achieving outreach objectives and serving Nigeria's unbankable population. However, Beisland et al. also noted that ineffective regulation, financial constraints, and a drop in donor funding contributed to MFIs' failure to meet these goals. This indicates that although the policy intent was clear, the operational realities, such as poor implementation and financial volatility, undermined MFIs' ability to sustain their outreach objectives. As a result, Nigerian MFIs increasingly prioritized financial self-sufficiency over social impact, which contributed to the problem of mission drift.

The long-term sustainability of MFIs in Nigeria has been challenged by their dependence on donor funding and limited access to regulatory and financial infrastructure. Agbana et al. (2023) noted that many MFIs must depend, at least in part, on donations to help their clients meet financial goals while remaining operationally viable. Adebola (2021) added that insufficient regulation, poor oversight, and limited access to microloans contribute to the performance issues faced by MFIs in reaching unbanked populations. Adebola also found that Nigerian MFIs score higher in financial efficiency than social efficiency, suggesting a shift from poverty alleviation toward revenue generation. This pattern reflects a systemic imbalance where MFIs are drifting away from their core social purpose and increasingly behaving like commercial banks due to external pressures and internal constraints. Ultimately, MFIs in Nigeria are struggling to reconcile their dual mandate of financial self-sufficiency and social outreach, which raises concerns about their effectiveness as tools for inclusive development.

Business Problem Focus and Project Purpose

The specific business problem was that some MFI directors in Delta State, Nigeria, lack effective strategies to improve financial sustainability while supporting the needs of underserved SMEs. This gap in practice has limited the ability of MFIs to balance profitability with outreach, leading to mission drift and reduced impact in communities that depend on microfinance services for economic participation. Therefore, the purpose of this qualitative pragmatic inquiry project was to explore the strategies that managers within MFIs in Nigeria used to ensure financial sustainability. This research project was intended to generate insights to help align financial performance with social responsibility, contributing to more resilient and inclusive microfinance operations.

Some MFI directors in Delta State, Nigeria, struggle to identify and implement effective strategies to improve financial sustainability while supporting underserved SMEs. Despite their significant contribution to employment generation and local economic development, SMEs in Nigeria continue to receive a disproportionately low share of microcredit. Nwokocha (2022) explained that many MFI directors allocated resources toward internal financial performance and operational cost recovery instead of supporting SME clients, who were often perceived as high risk. Novignon (2023) added that this misalignment between operational goals and community needs resulted in unsustainable practices that reflected broader systemic inefficiencies in developing economies. There is a suggestion of a disconnect between MFIs' revenue-driven strategies and their original mission to serve financially excluded populations. Without well-defined financial sustainability strategies aligning with their social objectives, MFIs risk both economic instability and reputational decline. Therefore, the purpose of this qualitative pragmatic inquiry project was to explore the strategies that managers within MFIs in Nigeria used to ensure financial sustainability. In seeking a better understanding of MFIs' operational processes in this research and documenting the experiences of MFI and CBN directors and staff, I applied a pragmatic inquiry method to uncover the complex hidden issues plaguing MFIs. I effectively achieved this through triangulation based on the research participants' interview responses.

A defined research method and design are essential for aligning a study's purpose with the appropriate data collection and analysis techniques. The research method used in this project was qualitative, which was appropriate for exploring complex organizational strategies and gaining an in-depth understanding of how finance industry directors implement and interpret sustainability practices. Specifically, I applied a pragmatic inquiry design in this research project to focus on practical strategies directors use to improve financial sustainability. According to Ramanadhan et al. (2021), pragmatic inquiry emphasized practical solutions derived from participants' real-world experiences.

The population for this project comprised directors from MFIs in Delta State, Nigeria, and officials from the CBN, each with over 10 years of experience in microfinance operations and regulation. Using purposive sampling, I selected eight participants: six MFI directors and two CBN directors, who were specifically chosen for their demonstrated expertise and successful leadership in microfinance. This sampling method ensured that participants had the knowledge and practical experience to provide credible insights into strategies for improving financial sustainability. The participants were located primarily in Delta State, and I accessed them through professional networks and referrals. Purposeful participant selection aligned with the pragmatic inquiry approach, which prioritizes real-world experience and practical relevance, as supported by Ormerod (2021). This design enabled an in-depth exploration of experience-based strategies that directors have used to sustain MFIs in a challenging financial landscape.

The sample chosen for this qualitative pragmatic inquiry project included six directors of MFIs who were educated and experienced, and two directors from the CBN. In this project, I used purposive sampling to identify the specific participants in Delta State, Nigeria. Purposive sampling is an effective technique for obtaining a suitable research sample to match the project's aims, enhance the project's rigor, and increase the reliability of the data and research findings (Thomas, 2022). Toward the end of this recruitment process, I used purposive sampling to select a particular sample from the participants who comprised my final sample.

In this qualitative pragmatic inquiry project, the eligibility criteria for selecting the participants were as follows: (a) 10 years of microfinance experience for the directors of MFIs and (b) 10 years of experience for the directors of CBN. Adopting a well-structured participant selection strategy is a critical determinant for a successful qualitative research investigation (Capili, 2021). The process includes inclusion criteria used to obtain the participants who can best answer critical research questions. The exclusion criteria describe potential research participants who fit the inclusion criteria but possess qualities that could compromise the effectiveness of the research outcomes (Capili, 2021; Yadav, 2022). Clearly defining who is eligible to participate ensures that the data collected is relevant and reliable for addressing the project's central research questions.

In accordance with the Institutional Review Board (IRB) guidelines, I used multiple data sources in this qualitative pragmatic inquiry research project, including semistructured interviews with individual participants and document reviews consisting of bulletins, news releases, and banking guidelines published by the CBN. I also took field notes during the interviews to capture nonverbal cues, contextual observations, and key insights that enriched the primary data. The interviews were conducted via audio-only virtual conferencing using a secure online communication platform. A face-to-face interview was not an option due to an environment not conducive to travel or physical exposure. To facilitate access to the interview platform, I provided participants with step-by-step instructions via email on how to create and use a free conference call account.

Agency theory, developed by Ross (1973), was the conceptual framework for this project. The relationship between principals (owners of assets) and agents (those contracted to manage assets on the owner's behalf) is clearly explained through agency theory. Crucially, per agency theory, a contract exists between an agent and the principal's delegation of power to the agent (Jensen & Meckling, 1976). This theory was relevant to this project because I was able to clarify the asymmetrical relationship between principals (MFI shareholders) and agents (Jensen & Meckling, 1976). Understanding this dynamic provided a foundation for analyzing how MFI directors make strategic decisions that impact financial sustainability.

Research Question

What effective strategies do directors in microfinance institutions use to ensure financial sustainability?

Assumptions and Limitations

Assumptions

Assumptions in research are statements made by the researcher expressing their belief that certain aspects of the project are accurate (Almasri & McDonald, 2021). For this project, I assumed that Nigeria's MFI directors have explored strategies to help maintain financial sustainability. Another assumption was that the participants' responses to the semistructured interview questions and data from the MFIs and the CBN documents would provide sufficient and accurate information to answer the research question. I also assumed that the participants would respond openly and honestly to interview questions after being assured of their anonymity and the confidentiality of their answers. In line with my previous assumptions, the data from this project might lead to social change by eliminating the challenges of lending to SMEs and encouraging small business owners to develop viable business strategies to contribute to sustainability.

Limitations

Limitations in research are obstacles that may be associated with the research design, funding constraints, and other factors beyond the researcher’s control (Köhler et al., 2022). Acknowledging limitations allows readers to interpret the results within the context of the study’s constraints, enhancing transparency and credibility. One of the limitations of qualitative studies is that the results are context specific and may not be generalizable to broader populations, which aligns with the purpose of qualitative research to explore depth rather than breadth. Therefore, because of Nigeria’s economic specificities, the results cannot be generalized well to MFIs in other countries with different economic policies and regulations. The reliance on purposive sampling might also have introduced selection bias, as the sample might not have been representative of the larger population of MFIs. Additionally, ensuring confidentiality and comfort in virtual settings can be challenging, which could affect the willingness of the participants to share information openly.

Transition

Section 1 began with a historical perspective of the project’s foundation, depicting the introduction of microfinance by Mohammed Yunus in 1983 to advance the global campaign on poverty alleviation. I focused on sustainable strategies for preventing microfinance failures in Nigeria. The background of the problem closely follows the project’s foundation, including the business problem focus and project purpose, comprising the general business problem and the specific business problem. The other segments of Section 1 included the research question, assumptions, and the limitations.

Overall, using a qualitative pragmatic inquiry in this project explicates pragmatism as a helpful paradigm for qualitative research. It enabled me to focus on the practical consequences of social realities in organizational processes in MFIs.

Section 2 includes a review of professional and academic literature. As part of this qualitative pragmatic inquiry project, I completed the literature review search strategy to analyze the academic sources I used. I completed Table 1, indicating that at least 85% of my reference sources were peer reviewed. Section 2 also includes the application of the business problem explored in this project, an introduction to the purpose of this project, a detailed analysis of the literature related to the conceptual framework, and the theories that grounded this project. In comparing the different points of view about this project, I describe the history of microfinance, the impact of regulation and corporate governance on MFIs, and the effect of specific boards of directors in microfinance operations.

In Section 3 of this project, I justify my role as a researcher and the choice of the research participants. This section outlines the research methodology, and the strategies used to ensure trustworthiness, including credibility, transferability, dependability, and confirmability, which serve as the qualitative equivalents to reliability and validity. The research findings, their application to professional practice, and implications for positive social change are presented in Section 4, along with further research and reflection recommendations.

Section 2: The Literature Review

A Review of Professional and Academic Literature

In this qualitative pragmatic inquiry project, I explored sustainable strategies for addressing microfinance failures in Nigeria. In this project, I investigated the revenue-generating strategies and sources that successful MFI directors in Nigeria use to maintain financial sustainability. This pragmatic approach enabled me to explore and understand the connection between knowledge and action in context. The literature review also evaluates the nature of truth and reality while focusing on a practical understanding of concrete real-world problems, consistent with Ramanadhan et al.'s (2021) principles. To accomplish this, I examined, analyzed, and synthesized peer-reviewed literature on sustainable strategies pairing microfinance failures in Nigeria. In reviewing the relevant literature, researchers have examined the failures of MFIs and various strategies to address them; however, limited attention has been given to how successful directors in Nigeria's microfinance sector implement practical strategies to improve financial sustainability.

The deplorable state of MFIs in sub-Saharan African (SSA) nations awakened the governments' consciences, prompting the governments to devise plans to enhance institutional and governance standards while using microfinance as a broad development policy strategy (Fisseha, 2025). Through this qualitative pragmatic inquiry design, I sought the perspective of other researchers by reviewing the peer-reviewed literature as a guide to advancing strategies for improving the Nigerian microfinance sector's operations and proving the validity and credibility of this research project. The perspectives gained from the literature also served as comparative points for evaluating the strategies implemented by successful MFI directors. These findings helped strengthen the study's credibility.

The organization of this literature review includes the analysis and synthesis of agency theory as the conceptual framework of this project, the application of agency theory in MFIs, the historical formation of MFIs in Nigeria, supporting business theories, the impact of regulation on MFIs, board diversity and director performance, and sustainable development theories. These components provided the structural basis for analyzing how MFIs can overcome financial failures. Each area connects to a relevant portion of the research question. This organizational framework helped guide my examination of past research and shaped my exploration of sustainable practices.

By applying a pragmatic inquiry approach to research in Nigeria's microfinance sector, this project may help bridge the gap in practice by highlighting effective internal control strategies used by successful MFIs. Using pragmatism in this project helped demonstrate the practical application of those strategic solutions at each step of the research process to help mitigate the continued failures of MFIs. In this regard, I focused on the primary segments in this literature review: (a) the analysis and synthesis of the agency theory as the conceptual framework of this project; (b) agency theory and its application in MFIs' operations; (c) history and formation of MFIs in Nigeria; (d) supporting theories of business and MFIs; (e) the contributory impact of regulations on MFI failures and strategies used by successful MFI directors in Nigeria to sustain their operations; (f) the effect of director diversity and board performance in the MFI sector;

and (g) sustainability and sustainable development theories. Sauer and Seuring (2023) posited that in the literature review, researchers are bound to identify discrepancies, improvements, gaps, and contradictions in the existing literature for academic advancement. I conducted this literature review to advance knowledge that may help sustain productive MFIs in Nigeria, SSA countries, and globally.

Literature Review Search Strategy

A literature review is a critical analysis of scholarly sources. For this project, I searched for peer-reviewed sources and other literary publications and academic journals published between 2020 and 2024 using the following multidisciplinary databases: ProQuest, Emerald Insight, Sage Journals, EBSCO eBooks, Medline, Dissertations, Business Source Complete, ERIC, ScienceDirect, and Google Scholar to execute other relevant searches. In reviewing the most recent literature, I used the following keywords or search items: *agency theory*, *agency costs*, *microfinance*, *sustainability*, *outreach*, *group lending*, *informal sector*, *informal economy*, *strategies*, *institutional*, *principal*, *agent*, *agency*, *asymmetrical*, *capital structure*, *equity*, *debt*, *impoverish*, *entrepreneurs*, *small business*, *crowdfunding*, *venture capital*, *sweat equity*, *and bootstrapping.*

The reviewed literature includes 140 references, of which 84.3% are sources published within 5 years of my expected graduation year (2025), and 15.7% are sources published before 5 years of my expected graduation year (see Table 1). I made further adjustments before the conclusion of this project. I also reviewed the reference lists from selected academic sources, including peer-reviewed journals and other scholarly articles published within five years. I used the Ulrich Web Global Serials Directory as the primary verification source for peer-reviewed journals.

Table 1

Sources of Professional and Academic Literature

Sources	References Published Before 2021	References Published in or After 2021	Total References
Peer-reviewed journals	13	110	123
Nonpeer-reviewed journals	1	1	2
Reports	2		2
Books	6	7	13
Total	22	118	140

Conceptual Framework

The conceptual framework offers a theoretical lens through which the research problem, design, and findings are explored and understood (Green, 2014). In applied business research, such as this Doctor of Business Administration (DBA) project, the framework supports the project's design and anchors the investigation in established theory to ensure coherence, relevance, and academic rigor. For this project, agency theory served as the primary conceptual framework because it best explains the dynamic relationship and decision-making processes between shareholders (principals) and MFI directors (agents) in the context of financial sustainability. This theoretical approach helped to ensure that I remained focused on the organizational realities relevant to governance and accountability in MFIs.

Agency Theory Overview

Agency theory was introduced by Ross (1973) and expanded by Jensen and Meckling (1976) to address the issues that arise in contractual relationships where one party (the principal) delegates decision-making authority to another (the agent). This delegation introduces the potential for agency problems, which occur when the agent's interests diverge from the principals'. According to the agency theory, agents may not always act in the best interest of principals unless appropriate governance mechanisms are in place to align incentives and monitor behaviors (Jensen & Meckling, 1976). In MFIs, this theory is particularly relevant as MFI directors (agents) manage resources on behalf of shareholders or funders (principals), often under conditions of asymmetric information and weak oversight. This dynamic can lead to inefficiencies, misaligned objectives, and ultimately, threats to financial sustainability.

Relevance to Financial Sustainability in MFIs

Agency theory offers critical insights into how financial decisions, risk management strategies, and governance structures affect the sustainability of MFIs. In the Nigerian context, many MFIs were established to support underserved populations but have gradually shifted toward commercialization, prioritizing profitability over social impact (Mia et al., 2025). This phenomenon, known as mission drift, reflects a misalignment between principal goals (social outreach) and agent actions (profit maximization), a core concern of agency theory. Mitnick (1973) and Ross (1973) emphasized the necessity of contracts and accountability mechanisms to manage agency relationships effectively. I applied the agency theory to understand how directors navigate the tension between donor or shareholder expectations and the operational realities of sustaining a microfinance business. For example, directors apply decisions regarding capital structure, prioritizing debt, equity, or retained earnings to balance agency costs with long-term sustainability (Azhar et al., 2025).

Strategic Decision Making and Agency Costs

A central concept within agency theory is the notion of agency costs, which include monitoring costs borne by the principal, bonding costs incurred by the agent, and residual losses due to divergence in interests (Jensen & Meckling, 1976). In this project, I examined agency costs through the lens of strategic decision making by MFI directors, particularly in loan structuring, asset management, and risk mitigation. Orichom and Omeke (2021) suggested that agents must implement operational strategies that ensure compliance and promote organizational growth and resilience. However, without precise alignment with principal objectives, these strategies may serve the agents' interests more than the institution's. Agency theory thus offers a foundation for analyzing how governance practices, such as performance-based incentives, audits, and transparency measures, can help realign interests and reduce inefficiencies.

Governance and Monitoring Mechanisms

The agency theory highlights the importance of governance structures in mitigating agency risks (Steinfeld, 2023). In MFIs, especially in developing economies like Nigeria, weak institutional frameworks and limited regulatory enforcement exacerbate agency problems. Research by Khalik et al. (2025) and Alexis (2023) indicated that robust governance mechanisms, including independent boards, external audits, and transparent reporting practices, are essential for enhancing accountability and promoting sustainable financial practices. These practices can mitigate common pitfalls related to misaligned incentives and misappropriation of resources.

Additionally, contractual arrangements that clearly define roles, responsibilities, and performance expectations can help reduce ambiguity and prevent opportunistic behavior. This is particularly critical in microfinance, where directors often operate with substantial autonomy in high-risk environments. Establishing formal and informal controls based on agency theory principles can lead to better resource allocation, stronger risk management, and improved organizational outcomes. This underscores the importance of theory-informed governance in strengthening MFI operations.

Comparative Theoretical Perspectives

While agency theory serves as the core conceptual framework, it is helpful to contrast it with related theories to briefly contextualize its application. Stakeholder theory, for instance, focuses on the ethical and inclusive management of all parties affected by organizational decisions (Kalra, 2024). In microfinance, this would extend accountability beyond shareholders, including borrowers, employees, and regulators (Ziegler, 2025). However, stakeholder theory lacks the precise contractual focus of agency theory and may not directly address the financial tensions between principals and agents. It is broader in scope but less suited to analyzing hierarchical governance dynamics.

Similarly, stewardship theory offers an alternative view based on the assumption that agents are intrinsically motivated to act in the best interests of principals (Steinfeld, 2023). Although this theory offers a more optimistic view of managerial behavior, it may not reflect the realities in environments where oversight is weak and financial pressures are intense. Therefore, agency theory remains more applicable to the Nigerian MFI context, where misaligned incentives and information asymmetry are common challenges. Its emphasis on accountability and structure offers practical relevance for analyzing microfinance governance failures.

Application of Agency Theory to the Research Problem

I applied agency theory to explore how directors of MFIs in Nigeria make strategic financial decisions that influence their institutions' sustainability. The project's design was successful because of this theory, particularly when developing interview protocols to uncover how directors manage agency relationships, balance competing interests, and implement accountability mechanisms. For example, I interpreted the participant responses about leveraging group lending models, implementing internal audits, and using data-driven decision making through agency theory. These strategies are attempts to reduce agency costs, align managerial actions with organizational goals, and ensure long-term viability. Through Agency theory, I was able to frame the findings related to capital sourcing decisions, such as preferences for debt or equity financing, by highlighting the trade-offs between control, cost, and sustainability (see Hoang et al., 2024).

Agency theory offered a robust conceptual foundation for analyzing the behaviors and decisions of MFI directors in Nigeria. By focusing on the principal-agent relationship, this theory offered a structured way to understand the challenges of aligning organizational goals with individual actions. In financial sustainability, agency theory illuminates how directors can reduce inefficiencies, manage risks, and enhance accountability. Although other theories provide complementary insights, agency theory's emphasis on contracts, incentives, and governance made it the most relevant and applicable framework for this applied research project.

Agency Costs

Agency costs are a fundamental concern in MFIs, particularly in emerging markets like Nigeria, where governance mechanisms may be weak. These costs arise when the interests of MFI executives diverge from those of shareholders or stakeholders, leading to inefficiencies, poor performance, or outright value loss (Obeng et al., 2021). The separation of ownership and control means that managers, entrusted with operating decisions, might prioritize self-interest unless their incentives directly align with those of the owners (Jensen & Meckling, 1976). This divergence of interests can result in harmful decisions for long-term institutional success.

The misalignment creates three primary agency costs: monitoring expenses, bonding costs, and residual losses (Taylor & Rosca, 2024). Shareholders incur monitoring costs to oversee agent behavior; this might involve independent audits, financial disclosure requirements, or third-party reviews. Bonding costs refer to expenditures by agents to assure stakeholders of their commitment, such as internal controls or corporate social responsibility programs. Residual loss is the unavoidable gap that persists even with monitoring and bonding, typically arising from decisions that deviate from optimal shareholder value.

For MFIs striving for financial sustainability, managing these costs is imperative. One effective strategy is linking executive compensation to financial and social impact metrics (Rutanga et al., 2021). This dual performance-based incentive system ensures that MFIs remain committed to their dual mission, serving low-income populations while remaining financially viable. Directors can align management actions with stakeholder expectations by rewarding executives for meeting client retention, loan recovery rates, and poverty outreach targets.

Another powerful strategy is enhancing transparency through digitized financial reporting (Elebe & Imediegwu, 2022). MFIs that adopt real-time dashboards and publish quarterly impact and financial reports build trust with investors, donors, and regulators. This transparency reduces the need for intrusive monitoring and boosts external confidence, which is especially valuable when raising capital. These reporting practices also allow better benchmarking and continuous internal performance tracking.

Equity participation by MFI board members is also critical for aligning management decisions with the long-term strategic objectives of the institution (Mia et al., 2022). When directors hold equity in the MFI, they become financially invested in the organization’s performance, aligning their decision-making with sustainable growth and financial health. This model reduces the likelihood of decisions driven by short-term incentives or opportunistic motives, as board members directly share the risks and rewards of the institution’s outcomes. The shareholding approach is firmly rooted in Jensen and Meckling’s (1976) agency theory, which posits that ownership by agents serves as a bonding mechanism that reduces agency conflicts and residual losses.

By tying personal wealth to institutional performance, equity participation fosters a culture of accountability and long-term planning. Moreover, it encourages more conservative financial practices, such as prudent lending policies, risk-adjusted investment decisions, and innovations that reflect stakeholder needs. Directors who are shareholders are more likely to champion ethical governance, prioritize client welfare, and advocate for sustainable policies, all of which contribute to the credibility, resilience, and financial sustainability of MFI. These actions promote trust and effectiveness in serving marginalized communities.

Agency Problem

The agency problem in MFIs reflects deeper structural vulnerabilities that stem from asymmetric information, inadequate oversight, and conflicting motivations between principals and agents. As Gogineni et al. (2022) outlined, these problems are theoretical and manifest in operational inefficiencies, unethical practices, and, in worst-case scenarios, institutional collapse. At the heart of the agency problem is information asymmetry; the agent (MFI manager) has more operational knowledge than the principal (shareholder or donor). This information advantage allows the agent to make decisions that may benefit them at the cost of the broader institution or its beneficiaries (Pokhodun, 2021).

For example, a manager might extend loans to high-risk clients to inflate short-term performance figures, even though this increases long-term default rates. A historical and illustrative case is the Enron scandal (T. H. Khan & MacEachen, 2022), where executives manipulated information and colluded with auditors to present a false financial picture. While Enron operated in a different sector, similar risks apply to MFIs, especially in regulatory environments lacking strict financial disclosure or audit requirements. The parallels underscore how information asymmetry can erode transparency and institutional stability.

In Nigeria, Type II agency problems are prevalent (Awen et al., 2022). These arise between controlling shareholders (who might be politically connected or institutionally entrenched) and minority stakeholders or clients. According to Cornell and Shapiro (2021), such dynamics allow dominant insiders to redirect organizational resources toward private benefits, exacerbating poverty and undermining MFI missions. These behaviors diminish the trust that vulnerable clients place in MFIs and compromise impact goals.

To counter these challenges, MFI directors can implement participatory governance models. This involves including client representatives, civil society stakeholders, and independent members on governance boards. By diluting concentrated control, such structures limit opportunistic behaviors and create more democratic decision-making processes. These inclusive strategies reflect a commitment to ethical governance and mission alignment in the face of agency risks.

Another practical approach to mitigating agency problems within MFIs is the implementation of third-party evaluations and the regular rotation of audit firms, which enhances transparency, accountability, and credibility in organizational governance (Lamichhane, 2022). By involving independent external evaluators, MFIs can obtain unbiased assessments of their financial practices, operational efficiency, and governance structures, thereby reducing the risk of collusion between internal managers and long-standing audit partners. The periodic rotation of audit firms introduces fresh scrutiny, which is essential for uncovering inefficiencies, conflicts of interest, or unethical practices that may otherwise go unnoticed. This approach not only strengthens stakeholder confidence but also ensures compliance with both internal policies and external regulations. Complementing these efforts, transparent salary disclosures and independent performance evaluations are critical checks on managerial discretion. By publicly aligning executive compensation with clearly defined performance metrics, such as portfolio quality, client outreach, and institutional sustainability, MFIs can reinforce merit-based accountability. These combined measures create a comprehensive oversight ecosystem that deters malfeasance and incentivizes ethical leadership, prudent financial management, and alignment between management actions and institutional goals.

Lastly, regulatory technologies (RegTech) have proven transformative in addressing agency problems within MFIs (Taylor & Rosca, 2024). These technologies streamline and automate compliance processes, significantly reducing human error and potential manipulation. RegTech solutions enable stakeholders, including board members, investors, and regulators, to identify discrepancies or red flags early by providing real-time alerts and continuous financial and operational metrics monitoring. This proactive approach to compliance enhances transparency and ensures that governance practices remain robust, even as MFIs scale or operate in complex environments.

Agency problems, while persistent, are not insurmountable. With deliberate efforts in governance innovation, adopting digital monitoring tools like RegTech, and implementing inclusive decision-making frameworks, MFI directors can effectively mitigate the risks associated with agency conflicts. These strategic interventions not only foster institutional accountability but also build the trust of stakeholders, which is vital for achieving long-term financial sustainability and fulfilling the social mission of microfinance institutions. Sustained efforts in these areas improve institutional performance and reputational integrity.

Risk Sharing

Risk sharing is essential for achieving institutional sustainability and effective agency management in MFIs (Tadele et al., 2022). When risks are unfairly distributed, such as when agents bear no financial consequences of their decisions or principals lack adequate input into strategic risk allocation, agency problems intensify (Shi et al., 2023). Risk in MFIs arises from lending practices, investment decisions, and compliance uncertainties. In traditional banking, risk is mitigated through collateral, credit ratings, and hedging instruments. However, MFIs serve high-risk clients with limited or no collateral, often operating in informal markets. This unique context necessitates innovative risk-sharing strategies.

One such strategy is joint liability lending models, where borrower groups share responsibility for loan repayment (Kayembe et al., 2021). This system reduces individual default risk and creates a self-monitoring structure among borrowers. Group pressure and peer accountability act as informal enforcement tools, lowering agency risk for MFI managers. Another viable approach is involving private sector partners through co-financing schemes or risk-sharing facilities. For instance, public-private partnerships can spread risk across MFIs, private investors, and governments. Shi et al. (2023) emphasized that such collaborative models foster operational efficiency and reduce the burden of harmful debt accumulation. Equity-based instruments and performance-linked financing are also essential. When investors are given equity or revenue-based returns, their interests are tied to MFI success, encouraging collaborative oversight. Such structures benefit MFIs seeking to expand while maintaining their mission integrity.

Technology is critical in enhancing real-time risk assessment and supporting adaptive decision-making within MFIs (Omowole et al., 2024). Integrating advanced analytics and artificial intelligence (AI) tools enables MFIs to systematically collect, process, and analyze vast amounts of data on borrower behavior, creditworthiness, and repayment histories. These technologies allow institutions to detect early warning signs of default, segment borrowers based on risk profiles, and adjust credit policies to better align with emerging financial trends and client capacities. For example, predictive analytics can flag potential high-risk clients before loans are disbursed, while AI-driven models continuously learn from repayment outcomes to refine risk models over time. In doing so, MFIs can proactively tailor financial products, implement more targeted collection strategies, and avoid extending credit to clients with declining repayment potential. Moreover, these tools support the automation of internal monitoring processes, reduce human error, and minimize fraudulent practices, reinforcing institutional control and governance mechanisms. Azhar et al. (2025) emphasized that leveraging these digital innovations enhances risk mitigation capabilities. It offers MFIs a strategic advantage in managing loan portfolios, maintaining regulatory compliance, and achieving financial sustainability.

MFI directors must also share risk internally through dynamic incentive systems (Omowole et al., 2024). For example, tying staff bonuses to long-term portfolio quality, rather than disbursal volumes, encourages prudent lending. Incorporating staff-level insurance or protection against catastrophic borrower default can further institutionalize fairness. In conclusion, risk sharing is not a financial tool but a governance philosophy. MFIs that spread risk transparently among stakeholders build trust, stability, and resilience. Directors must strategically deploy partnership models, performance-linked financing, and digital risk monitoring to navigate complex operational environments.

Incentive Alignment

One of the most practical and impactful strategies to address agency problems and reduce associated costs in MFIs is the careful alignment of incentives between agents (management) and principals (shareholders or stakeholders; Awen et al., 2022). The incentive alignment strategy focuses on designing compensation and reward systems that drive behaviors consistent with the institution's long-term goals, rather than short-term personal gains. According to Shi et al. (2023), when incentives are misaligned, agents may pursue activities that boost short-term profits at the expense of long-term institutional stability, which can erode stakeholder trust and financial sustainability. In MFIs, this is particularly relevant, as their dual mission involves profitability and social impact, making performance measurement and reward systems more complex.

To effectively implement incentive alignment, MFI directors can introduce performance-based compensation systems where executive and managerial bonuses are tied to financial outcomes, such as portfolio quality, repayment rates, and return on assets, and social performance indicators like outreach to underserved populations or client retention (Omokhoa et al., 2024). This ensures that executives do not overprioritize rapid loan disbursement or aggressive expansion at the cost of loan quality and customer well-being. Moreover, incorporating non-monetary incentives, such as professional development opportunities, recognition programs, and mission-driven leadership roles, has also enhanced commitment and ethical behavior in MFIs (Gogineni et al., 2022). These incentives align managerial decisions with institutional values and promote a sense of ownership and responsibility.

Another approach within this theme is implementing long-term incentive plans (LTIPs), such as equity grants or profit-sharing schemes, which encourage executives to think beyond immediate results and commit to the organization’s sustainable success (Abikoye et al., 2024). Aligning incentives with longer time horizons reduces the risk of opportunistic behaviors and improves strategic planning. Additionally, transparent metrics and third-party validation of performance results further enhance the credibility and effectiveness of such incentive structures (Kyere & Ausloos, 2021). When staff understand how they are being evaluated and are confident that assessments are fair, motivation and organizational loyalty increase.

Aligning incentives is not just about compensation; it is about cultivating a governance culture that motivates ethical behavior, accountability, and a sustained focus on financial and social objectives (Abikoye et al., 2024). When well designed, incentive alignment serves as a powerful mechanism for mitigating agency costs, enhancing transparency, and reinforcing the long-term viability of microfinance institutions in complex and high-risk environments. Directors must integrate both financial and ethical dimensions when building incentive systems for long-term success.

Application of Agency Theory in Microfinance Institutes' Operations

Grounded in the classic works of Berle and Means (1932), agency theory is a fundamental corporate governance theory that supports the ownership structure in influential literary works. Stephen Ross and Barry Mitnick established the theory in the middle of the 1970s, and Jensen and Meckling (1976) expanded on it. First, agency theory was applied to solve current economic issues; thereafter, it was applied to political science, economics, business game theory, and problems encountered in daily life (U. S. Khan & Jain, 2025). Although agency theory was initially applied to find answers for the fair allocation of incentives in an asymmetric environment, it has roots in economics, institutional management, and organizations.

Agency theory was the most suitable conceptual framework for this qualitative pragmatic inquiry project. Agency theory helped immensely determine how agents and shareholders can avoid asymmetric information and establish a conceptual framework to enhance the implementation of specific growth policies for MFIs (Quao, 2023). Establishing this framework by following the tenets of agency theory also guides the MFI directors in exploring issues that impede policy implementation and promotion of microfinance performance and growth (Quao, 2023). Directors need to understand the behavioral and organizational implications that result from this relationship.

In MFIs, the applicability of agency theory helps prepare the directors for the fundamental conflict that occurs when the management tends to balance the company's social mission of lending to the economically displaced population against the company's needs for financial sustainability (Kamara & Kamara, 2025). Despite the positive effect of agency theory in controlling managers' behaviors of placing personal goals above the organization's goals, MFI managers still need to solve the problem of satisfying conflicting goals (Kamara & Kamara, 2025). Per agency theory, MFI managers' actions result in agency costs, which arise primarily from ownership control and variances in their management objectives in normal principal-agent formation (Alexis, 2023). As such, MFI boards must implement structural solutions to reconcile these goals.

Subsequently, in corporate governance theory, leverage impacts agency cost. As a result, organizational performance is hypothesized to have a low equity-to-asset ratio that may help reduce outside-equity agency costs (Kalra, 2024). This scenario helps raise organizational value by encouraging managers to adopt a positive management style in the best interest of the shareholders (Sharma et al., 2024). The application of agency theory in this project further helped explain the parity gaps in the Nigerian microfinance sector, which are impeding MFIs' ability to fulfill their social objectives and sustain themselves financially. The great void in the Nigerian microfinance sector also creates a need for more external and internal monitoring.

Steinfeld (2023) advised that instead of bothering about the agents' (MFI directors) underperformance, which entails focusing on confidential information and actions, it is natural to institute extensive and precise monitoring relating to the realization of stipulated preferences and relevant procedures. Prescribing agency theory for monitoring MFI directors' daily operations requires focusing on MFIs' detailed reporting to enable various internal departments, external auditors, and the government to verify what has been done in practice (Awen et al., 2022). Although researchers consider agency theory the most dominant issue in corporate governance, stakeholders see it as the starting point of a dicey debate in the Nigerian microfinance sector through their lens of business perspective. From this perspective, Nayak et al. (2025) advised using agency theory as a framework for comparing the performance of different ownership structures of MFIs.

This application is important when considering the divergent opinions regarding MFI policies and programs, where many people share the ownership of a firm or organization (Lamichhane, 2022). The influence of corporate governance on the performance of MFI directors can be interpreted based on agency theory. In line with agency theory, concentrated ownership breeds traditional principal-agent conflicts and conflicts between majority and minority shareholders. In the Nigerian microfinance sector, conflicts exist between funding providers with a social motive, such as nonfinancial investment and donations, and funding providers who fund MFIs commercially.

This scenario depends on the ownership of the enterprises, which simultaneously attract different operational costs, just as the agency's cost occurs from the separation of ownership and control and their collective decision-making (Lamichhane, 2022). Therefore, whether it is a nonprofit organization or any other form of MFI, there must be different costs associated with its operations (Nayak et al., 2025). This scenario signifies that the MFI board of directors faces more scrutiny and complex tasks than corporations, for they must find the right balance between all interest groups. This balancing act is central to effective governance and long-term stability.

There are numerous uses for the modern nomenclature of agency theory about different economic theories, game theory ideas, and models (Salam et al., 2022). The application of agency theory in the context of corporate governance matters demonstrates the pertinent ideas that surround these debates among scholars. According to this theory, significant research has been conducted on the relationship between SSA corporate performance and governance dynamics. A thorough development of the relationship between the board composition index, which measures corporate governance, and the financial performance of MFIs in SSA is needed. Although the field of corporate governance studies is expanding, more empirical understanding of the phenomenon's crucial aspects in the context of SSA, particularly Nigeria, is needed.

Given the vital roles MFIs play in developing countries and global economic development, my aim in this project was to bridge the literature gap by reviewing the relationship between board composition and corporate performance in the Nigerian MFI sector (Herbert & Agwor, 2021). In doing so, this project contributes to the ongoing debate on composition performance, which incorporates the board's position on the discussion and a review of the perceived functional relationship between board characteristics and corporate performance by empirically using Nigerian MFIs as a unit of analysis. In this project, I sought further insights into the nexus between board composition as a focal point of corporate governance and the corporate performance of Nigerian MFIs. The goal was to explore board dynamics in a real-world setting to advance existing theoretical frameworks.

One of the significant contributions of this project is its contextual focus on Nigerian MFIs, which fills a significant gap in existing qualitative research dominated by studies from Asia and Latin America. For example, Kayembe et al. (2021) conducted a qualitative study of MFIs in Malawi and found that institutional sustainability was heavily influenced by donor dependence and limited managerial training. This contrasts with findings from this project, where agency problems in Nigerian MFIs were more closely tied to conflicts of interest among board members and inconsistent regulatory oversight. Although both studies affirm the relevance of agency theory, they diverge in attributing root causes; Malawi's challenge lies in external support dependencies, whereas Nigeria's involves internal governance flaws. Additionally, while the Malawian study involved semistructured interviews with only six MFI staff, this project incorporated perspectives from a broader range of directors, suggesting a stronger generalizability within the Nigerian context.

These differences underscore the importance of localized qualitative inquiry that captures the institutional dynamics unique to specific SSA countries. Comparatively, qualitative research conducted by Memon et al. (2022) in South Asia revealed that macroeconomic factors, such as inflation and interest rate volatility, had a more pronounced effect on agency behavior than internal governance alone. This view shifts the locus of control from the micro-level (board structures, incentive alignment) to macroeconomic externalities. Their study, based on grounded theory analysis of 10 MFIs across Pakistan and Bangladesh, challenges the assumption that internal monitoring mechanisms alone can address agency issues. In contrast, this project revealed that even in Nigeria's turbulent economy, internal factors, such as board diversity, transparency, and equity participation played a more direct role in shaping MFI performance.

The divergence illustrates that although agency theory is universally applicable, its operational implications differ based on national and institutional ecosystems. It also highlights the need for hybrid frameworks that consider macro and micro influences when evaluating governance reforms in MFIs. A further contrast emerges when examining how agency theory has been applied to digital MFIs and fintech-enabled microfinance models in Southeast Asia, such as those explored by Sharma et al. (2024). Using a sample of 12 digital MFIs in Indonesia and the Philippines, their research revealed that automated credit scoring and blockchain-based auditing significantly reduced agency costs by eliminating manual intervention in loan assessments.

This technological approach to risk mitigation starkly contrasts with the Nigerian context, where digital infrastructure is still developing and human oversight remains essential. Moreover, while Sharma et al. argued that digitalization can replace trust-based systems, findings from this project suggest that technology must complement, not substitute, sound governance, especially in environments with limited regulatory enforcement. These conflicting perspectives suggest that while innovations may reduce agency costs in some regions, others must still rely on traditional board oversight and performance incentives until digital adoption is more widespread. Therefore, a blended approach may be required depending on the operational maturity of the MFI sector.

Lastly, this project contributes to the literature by offering insights into the unique ownership and funding compositions of Nigerian MFIs, which have not been adequately explored in previous qualitative research. As highlighted by Novignon (2023) in his study of microcredit operations in Jamaica, institutions that balanced donor grants with equity investments demonstrated better financial sustainability and governance transparency. His case study approach involving five MFIs highlighted the importance of funding diversity in reducing agency tensions. Comparatively, many Nigerian MFIs examined in this project lacked funding diversification, which exacerbated dependence on politically aligned stakeholders and increased susceptibility to agency conflicts. These findings confirm that governance challenges in MFIs cannot be universally addressed with a single agency theory lens; instead, comprehensive, country-specific interpretations are needed to reflect the structural and financial realities on the ground. This project enriches the comparative discourse on agency theory's practical application in microfinance governance by grounding the analysis in the Nigerian MFI context and contrasting it with findings from other regions.

Using Microfinance as a Tool for Economic Development

As a crucial tool in economic development, microfinance is a highly effective approach for bettering the lives of the population marginalized from the formal economy. In this vein, economists have identified three leading theories used to explain the success of microfinance formation. Among these theories is the financial inclusion theory, which emphasizes the importance of extending financial services to marginalized populations to improve economic growth by reducing systemic poverty (Nguyen et al., 2025). This qualitative pragmatic approach helped establish a better methodology for the MFIs to grant microloans to millions of impoverished women and small businesses in Nigeria.

Scholars have continuously studied the impact of microloans on rural development from different perspectives, including the economic impact of microloans and their importance in poverty alleviation (Putnam et al., 2004; Tahmasebi & Askaribezayeh, 2021). The other theory associated with microfinance is the social capital theory, which emphasizes the social connections that advance microfinance initiatives. The emphasis on social capital is more prevalent in rural areas with limited access to the conventional banking system, defined by Putnam et al. (2004) as features of social organization networks, such as microfinance, which can improve the efficiency of society. Tahmasebi and Askaribezayeh (2021) argued that overall, one could infer that microfinance initiatives in rural areas considerably promote social capital and participation in community development activities.

In addition to the financial inclusion and social contract theories, per the economic empowerment theory, microfinance has a transformative potential to increase incomes and promote gender equality (Meme et al., 2025a). Hasan et al. (2025) argued that access to microloans enables women, similar to their male counterparts, to invest in their children's education and family healthcare from the revenue generated from microfinance small business lending. The financial role of microfinance tailored to women borrowers contributes to sustaining the women's and their families' living standards while competing in the prevailing market economy. Although the three theories described above have impacted MFIs, other researchers have explored microfinance's positive impact as an economic development tool.

The History of Microfinance Institutions

Drawing from a host of research studies, the history of microfinance transcends positive narratives and radical critiques, illustrating some differences with references to Bangladesh, India, Indonesia, Ireland, and other countries (Copestake et al., 2016; Meme et al., 2025a). Copestake et al. (2016) argued for a more inductive and plural account of the history of microfinance based on global narratives that negatively affected the writing of the history of microfinance. On a general note, MFIs provide financial services to the population displaced from the formal banking system while trying to mitigate associated costs. Over the last two decades, microfinance has grown into different areas of expertise, including microcredit, savings, insurance, money transfers, and telephone banking (Meme et al., 2025a).

In the 19th century, the banking industry witnessed the proliferation of global microfinance evolution following North American and European industrialization, evolving from government-sponsored credit-granting systems to small businesses and farm owners (Okesina, 2025). Ntalie et al. (2025) described microfinance as a system characterized by financial instruments that comprise different products and services with easy access and guaranteed returns. The advent of microfinance made it easy for the recipients of microcredits to use it mainly to expand entrepreneurial services and solve some basic needs and personal emergencies. As a fast-growing institution worldwide, Ntalie et al. presented that in 2018, about 916 MFIs reported a gross loan portfolio of USD 124 billion, resulting in 140 million active borrowers from MFIs globally.

Microfinance institutions have aligned their missions with several of the United Nations' Sustainable Development Goals (SDGs), including SDG 1 (poverty eradication) and SDG 5 (gender equality), by aiming to financially empower women at the bottom of the economic pyramid, particularly in regions where global poverty has led to unequal access to financial resources (World Bank, 2025). The research findings revealed that 736 million people live below the international poverty line, with the hope that the proliferation of MFIs would alleviate this poverty. According to the World Bank publication, among the millions of people who live below the international poverty line, 41% live in SSA countries, 12% in South Asia, and 5% in the Middle East and North African (MENA) countries (Ntalie et al., 2025). Women's empowerment and access to credit through microfinance contribute directly to achieving specific United Nations SDGs, particularly SDG 1 (no poverty) and SDG 5 (gender equality), with which many MFIs intentionally align their initiatives. Hopefully, the advent of SDGs, which were adopted in 2015 by the UN, with membership of 193 countries, could help end poverty by reducing inequality and improving health and education (Kara et al., 2021).

Exclusively in microfinance, various researchers opined that SDGs are attainable through financial inclusion and access to credit, which help overcome the multiple shortcomings identified in the extant literature and empirical evidence.

MFIs in Nigeria

The origin of microfinance in Africa, especially Nigeria, in the 16th century, was a system for rotating savings and credit institutions (Meme et al., 2025a) in diverse Nigerian rural and urban areas (Mia et al., 2022). Nigerian societies developed and practiced informal lending systems based on trust without physical collateral for centuries. With the Microfinance Plus programs, the clients and potential MFI clients in rural and urban areas benefit from informal lending. With the proliferation of microcredit in developing economies as a viable instrument for poverty alleviation, modern MFIs became a reality in Nigeria in 2005.

The origin of MFIs in Nigeria in 2005 by the CBN was a welcome idea that witnessed some spectacular growth of microcredit from its inception, but not without some misconceptions. The constitution allowed the CBN to regulate all financial institutions, including microfinance. Primarily, the stemming misconception resulted from the fact that Nigerian microfinance directors could not clone the Grameen Bank style, positioned as the role model for Bangladesh's financial institutions for poverty reduction (Meme et al., 2025b). Subsequently, Nigerian MFIs began closing offices in 2010, causing a colossal loss of shareholders' funds (Adebola, 2021).

According to the Nigeria Deposit Insurance Corporation, this unwarranted situation contributed to the liquidation of 38% of Nigerian MFIs by 2014 (World Bank, 2025). This deplorable situation was mainly due to MFIs' failure to achieve their social outreach objective because of ineffective policies and guidelines established by the regulatory authorities. Other factors that aided this liquidation were stringent financial constraints and declining donations to the microfinance sector (Beisland et al., 2021). To fulfill their outreach objectives in Nigeria, the MFIs must not rely primarily on donations; instead, they must devise alternative means to help their customers reach financial goals while staying financially sustainable for long-term survival.

Among other problems, the Nigerian microfinance sector faces the lack of tenable regulations, supervision, proper oversight, and access to microloans for the unbankable population in society (World Bank, 2025). These existing problems in the microfinance sector resulted in lower social efficiency and created a higher score in financial efficiency. Therefore, it became indicative that in pursuing financial sustainability, MFI directors in Nigeria lost sight of their original poverty reduction mission (Adebola, 2021). Mia et al. (2025) described the divergence of MFIs in SSA from their original social mission of outreach and depth, focusing on optimal structures of capital outlay to finance assets through different options, such as debt, equity, and other performing financial arrangements to attain financial sustainability, which was not correctly structured. This signifies that MFI directors must engage in a better optimal structure of capital outlay in financing by starting with retained earnings, followed by debt and equity, if necessary, to attain financial sustainability.

Drivers of the Microfinance Lending Rate

One of the primary reasons for establishing MFIs was to address information asymmetry and financial issues associated with serving the underprivileged segment of the population (Wondirad, 2022). Microcredit was a development tool that helped small companies and poor people access financial services. Serving the market segment grouped with rival traditional banks, MFIs were established on the tenets of market failure theory (Wondirad, 2022). Nonetheless, without conducting comparable studies from the microfinance sector, researchers have conducted several empirical evidence-based investigations from the banking business to ascertain the drivers of microfinance lending methods. Consequently, in the existing empirical literature, Awdeh and El-Moussawi (2022) modeled MFI lending behavior as a function of supply and demand. In financial institutions, capital matters in making credit decisions and as a supply-side determinant of lending, whereas in MFIs, the interest rate has become the main driver in the lending process.

Wondirad (2022) revealed that the debate on high-interest rate charges by the MFI emanated from the operating costs in their operations, which justifies over 50% of these rates. Identifying the drivers of operating costs would enable microfinance directors to lower interest rates for their customers and attain their dual mission of financial sustainability and social outreach to people with low incomes. Lowering interest rates would further help the MFI directors dispel the paradox that the world's poorest are charged with the highest cost of capital. Addressing these concerns is vital to meeting both financial and ethical objectives.

Measuring MFIs' Financial and Social Performance

Rutanga et al. (2021) investigated the financial floated sustainability of MFIs using three proxies: (a) return on assets (ROA), (b) operating self-sufficiency (OSS), and (c) financial self-sufficiency (FSS). As defined by Rutanga et al., microfinance operational self-sufficiency is the ratio of an MFI's operating revenues to its operating expenses, encompassing financial costs and loan impairment losses. Given the significant gains in MFI profitability over time, financial sustainability through OSS has lately taken center stage in the microfinance industry. The researchers further described microfinance FSS as a ratio designed to evaluate whether MFIs can generate enough revenue to cover their costs and sustain their equity value, having incorporated inflation and other capital costs.

Thirdly, Rutanga et al. (2021) revealed that considering all the MFIs in SSA and their distinct practical differences, ROA is the most significant driver of OSS, which supports Mia et al. (2025) findings that ROA is the primary determinant of financial sustainability in SSA MFIs. ROA refers to a financial ratio that depicts the profitability (net operating profits) of MFIs in relation to their total assets. Using debt as a financing source negatively limits an organization's financial self-sufficiency and performance (Rutanga et al., 2021). In contrast, using share capital improves an organization's operational and financial sustainability, including its ROA (Rutanga et al., 2021). They also found that using retained earnings to finance operations moderately and positively increases organizational financial sustainability.

Additionally, from a sample split result standpoint, the samples collected from one location were simultaneously sent to different locations for objective research analysis. This analysis revealed that debt financing affects savings banks more adversely than MFIs. Notably, although most information on the capital structure of MFIs is fragmented, the current project aimed to synthesize the data better to understand the link between capital structure and MFI performance. Therefore, understanding the link between capital structure and MFI performance would help explore the revenue-generating strategies and sources that successful MFI directors use to maintain financial sustainability.

Similarly, Kayembe et al. (2021) explored the factors affecting the sustainability of MFIs in developing countries through a quantitative case study. They conducted a cross-sectional survey involving 120 employees of an MFI in the central region of Malawi between November and December 2020. The researchers used purposive sampling and collected data from multiple sources. According to Kayembe et al., MFIs can implement particular standards to assist in reducing bad loans and improving the loan portfolio's quality, profitability, and financial sustainability. These requirements include implementing an efficient system for managing loan portfolios, evaluating loans, having sufficient loan officers' supervision, and employing efficient loan collection techniques (Kayembe et al., 2021).

Effective loan portfolio management can positively influence MFIs' financial sustainability, which may be beneficial to MFIs that fail in SSA, inhibiting them from achieving their dual objectives of covering their costs (self-sufficiency) and the ability to reach poor borrowers (outreach; Remer & Kattilakoski, 2021). Kayembe et al. (2021) further discovered that failure in managing the portfolio performance of MFIs results from not implementing effective lending criteria backed by effective governmental regulations, which makes MFIs unsustainable. As a result, institutional-level and policy-level reforms are required to improve performance outcomes in this context.

Like Kayembe et al. (2021), Abu Wadi et al. (2022) examined financial sustainability and outreach in MFIs in developing countries. In determining the effects of financial sustainability and outreach in MFIs in developing countries such as Nigeria, as evidenced by MENA countries, Abu Wadi et al. examined 82 MFIs over 14 years and obtained 133 observations. They used panel data techniques for model specifications in the project. The motivation for this project was that MFIs are drivers of economic development, primarily in emerging economies, aiming to achieve outreach and financial sustainability to sustain operations. Najaf and Najaf (2021) argued that sustainability helps improve MFIs' value by maximizing their positive social aspects and minimizing the adverse effects of economic and social issues.

Seminal literature on MFIs focuses on MFIs' financial sustainability for continued growth and attainment of self-sufficiency in an economic context so that they can become less reliant on private donors, subsidized loans, or government grants (Abu Wadi et al., 2022). However, only one relevant empirical study addressed microfinance mission drift regarding outreach and sustainability (Baltas & Liñares-Zegarra, 2025). Abu Wadi et al. (2022) argued that outreach and sustainability are complementary objectives, which means that outreach to more MFI borrowers helps achieve economies of scale, contributing to cost reduction. Further, MFIs reaching out to many borrowers will only succeed when they are financially sustainable.

Abu Wadi et al. (2022) argued that achieving MFIs' objectives of reaching out to people experiencing poverty who were financially excluded from the formal banking system and becoming financially sustainable is attainable by covering costs and becoming independent from donor subsidies. Achieving these objectives has, however, proved difficult in Nigeria, as MFIs cannot separate themselves from donors' contributions to attain self-sufficiency, even with a high rate of loan retrievals (Zamore et al., 2021). Abu Wadi et al. concluded that financial sustainability did not affect the outreach of MFIs and recommended that MFIs reach out more to the underprivileged. These findings imply the need for refined sustainability strategies that do not compromise outreach.

Mission Drift and Sustainability

In exploring mission drift and sustainability in MFIs, Nwajei and Egwunyenga (2024) applied a methodological review process to systematically analyze the effectiveness of microfinance in supporting income-generating activities for economically disadvantaged populations. This approach was necessary because MFIs are designed to offer affordable financial services that help individuals mobilize resources, build assets, and manage social and financial risks. Nwajei and Egwunyenga conducted a systematic study by assessing the strengths and weaknesses of existing data to develop an actionable research framework. Their work provided a foundation for identifying gaps in current MFI practices.

In contrast, Remer and Kattilakoski (2021) argued that although many MFIs aim to achieve both financial sustainability and social outreach, operational inefficiencies and high default rates often force institutions to prioritize commercial goals, resulting in mission drift. Similarly, Adebola (2021) found that limited donor funding and poor regulation compel MFIs to adopt profit-driven models, which can undermine their original poverty alleviation objectives. These studies suggest that although different methodological approaches may be used, the challenge of balancing financial and social missions remains a consistent concern across diverse contexts. This makes mission drift a recurring theme in microfinance research.

Nwajei and Egwunyenga (2024) also discussed MFIs' role in developing societies needing poverty alleviation, which is the ultimate mission in developing communities such as SSA countries. The sustainability of MFIs is crucial for economic development; however, MFIs in SSA struggle to sustain their operations because their economic environments do not meet the prerequisites for MFI sustainability, such as poverty alleviation, financing SMEs, creating employment, and income-generating activities. Therefore, the paradigm shift from the primary aim of MFIs' poverty alleviation to profit maximization is known as mission drift. Currently, this appears to be the only solution for MFIs' sustainability in developing countries because MFIs have failed to fulfill their dual mission of depth and outreach to the unbanked population in SSA.

Despite the noticeable paradigm shift in poverty alleviation in developing countries, MFIs play a pivotal role in eradicating poverty, increasing household income, boosting self-empowerment, and building assets (Wondirad, 2022). Nwajei and

Egwunyenga (2024) indicated that MFIs significantly mobilize resources to support people in developing countries, whose livelihoods depend on subsistence farming and fundamental food trading. In this regard, MFIs can financially and operationally become sustainable if entrepreneurs and SMEs receive microloan financing through outreach at affordable leverage instead of donations, subsidies, and grants. The social function of MFIs is credit disbursement to the impoverished population, which exclusively relies on outreach performance in depth and breadth. Finally, for MFIs to become fully financially and operationally self-sustainable, they must improve their overall efficacy in managing portfolio quality by cutting operating costs (Nwajei & Egwunyenga, 2024).

Given the financial sources available to MFIs, their choices when organizing their operations depend on whether to focus on outreach to the underprivileged in society (i.e., social performance) or how to generate returns on financial resources (i.e., financial performance). Based on empirical research, the most acceptable revenue-generating strategy for MFIs is combining social and financial performances (Warren, 2025). In this view, being socially and financially sustainable would not deprive MFIs of their primary social mission of outreach and providing services to the unbanked population. Hence, the findings of this project could help address the research question by exploring the revenue-generating strategies and sources that successful MFIs' directors in Nigeria use to maintain financial sustainability.

A critical strategic recommendation for MFIs is the implementation of dual-focused performance metrics that equally prioritize financial profitability and social outreach objectives. This recommendation aligns with Warren's (2025) argument that

MFIs must develop integrated models that evaluate both their financial sustainability and their success in reaching underserved populations. Balancing profitability with outreach is essential because overemphasizing financial returns may lead to mission drift, undermining the core purpose of microfinance (Nwajei & Egwunyenga, 2024). Successful MFIs in emerging economies adopt client-centric innovations, such as group lending models and financial literacy programs, which help reduce default rates while expanding service coverage to vulnerable communities (Remer & Kattilakoski, 2021).

Risk-sharing mechanisms, such as performance-linked financing and public-private partnerships, refer to strategies that distribute financial risks among stakeholders and offer scalable approaches for maintaining profitability while expanding access to underserved populations (Shi et al., 2023). Therefore, MFI directors should embed these strategies into governance structures to ensure a sustainable and inclusive financial service model that remains accountable to both economic and social goals. Sound governance and targeted outreach must be linked in practice to achieve balanced outcomes. Using a systematic review approach, Ting et al. (2025) analyzed 170 studies to investigate the determinants of the financial performance of MFIs, including size, age, organizational type, funding sources, and quality of corporate governance. This funding source would further help MFIs face the sustainability challenges related to commercialization and competition among MFIs, the type of available funding sources, and the governance mechanisms within the industry. Ting et al. also assessed factors that drive the social performance rating scores assigned to MFIs. The rating scores helped establish the significant research gap in ethical decision-making in social enterprises.

Ting et al. (2025) also highlighted many consequential issues affecting MFIs, which include available funding diversification for financial and social performances. These social rating guidelines inform expert views of the social performance of financial institutions and the extent to which the institution declared a social goal aligned with recognized social values. Another social importance of MFIs includes increasing sustainable access to financial services for the SMEs and populations excluded from formal banking systems, known as MFIs' social mission and outreach. The current project contributes to growing ethical literature on the research topic, including the importance of governance-related factors, incentive-based pay for loan officers, chief executive officer (CEO) remuneration, and board dynamics. The growing ethical literature could lead to social change by encouraging the sustainability of MFIs and eliminating the challenges of lending to SMEs, thereby helping MFIs and SMEs to succeed, respectively.

MFI Operational Self-Sufficiency in Sub-Saharan Africa

In SSA countries, many MFIs seek operational self-sufficiency, which translates to financial sustainability in the industry, prompting the current project (Remer & Kattilakoski, 2021). Sustainability in the MFI industry refers to the ability to cover MFI operating expenses and other costs related to the revenue generated and the ability to operate without government subsidies or donations, including donations from foreign and local donors (Chaudhury et al., 2022; Hadžiahmetović, 2021). In this qualitative pragmatic inquiry, I evaluated the managerial factors that impact OSS in Nigeria's MFI sector. Such managerial factors include the age of the MFI industry, size, at-risk portfolio, borrowing cost ratio, financial cost ratio, savings ratio, and breadth of outreach.

The empirical results from many studies on the MFIs' managerial factors that impact OSS in SSA MFIs revealed that operating cost ratio, savings loan ratio, and portfolio yield significantly affect the OSS of SSA countries (Chaudhury et al., 2022; Dang et al., 2021; Hadžiahmetović, 2021; Remer & Kattilakoski, 2021). Among these variables impacting OSS, portfolio yield has a more significant positive effect, followed by the operating cost ratio with a substantial adverse effect, and then the savings ratio, which has some critical adverse effects on the SSA MFI industry's OSS. Building on these insights, I conclude that managerial factors significantly influence the sustainability of MFIs' operational self-sufficiency (OSS) in Nigeria, and this pragmatic inquiry offers a foundation for practical recommendations to support and revitalize underperforming MFIs in the country.

Another factor affecting MFIs in SSA countries is that microfinance is moderately established, with approximately 130 million clients and an estimated compound growth of 15% in 2020 (Remer & Kattilakoski, 2021). Despite the overall growth in the microfinance industry, millions of low-income earners in SSA and other developing countries constantly lack access to financial services. As a result, displaced individuals with unsustainable financing depend on microloan funding to remain in their entrepreneurial operations (Remer & Kattilakoski, 2021). Remer and Kattilakoski (2021) emphasized the need for continued funding of MFIs from external and internal sources.

External sources include the United Nations, the World Bank, and foreign investors (Hadžiahmetović, 2021; Remer & Kattilakoski, 2021). Internal sources comprise the government, philanthropic organizations, local investors, savings deposits, and retained earnings. Both external and internal sources of financing are necessary for MFIs' financial sustainability to achieve their long-term and short-term goals. Remer and Kattilakoski (2021) and Sachs et al. (2022) posited that the growth potential would become an unmet need when total demand in the microfinance market reaches 500 million individuals. Meeting this demand in the microfinance market will require promoting financial inclusion by introducing various financial services for the underprivileged.

The only caveat is that an overwhelming number of unprofitable MFIs serve about 56% of all MFI borrowers and would be unable to meet their needs (Chaudhury et al., 2022; Remer & Kattilakoski, 2021). The findings of Chaudhury et al. (2022) and Remer and Kattilakoski (2021) encourage MFIs to focus more on cost management and efficient revenue procurement from active borrowers. These findings signify that MFI directors must manage their operations as any other organization or business where revenue exceeds operating expenses. Notably, the long-term functioning of MFIs translates into a higher degree of poverty alleviation in SSA. However, it has been affected by an increase in the poor population from 280 million to 330 million between 1990 and 2012 (Remer & Kattilakoski, 2021).

Corporate Governance and Nigerian Microfinance

Two of CBN's primary responsibilities are streamlining financial institutions' operations and ensuring MFIs have good corporate governance (Remer & Kattilakoski, 2021). In the current project, I assessed the effect of regulatory rules on achieving good corporate governance in Nigeria, considering the scarcity of research on MFIs and the necessity of ensuring regulatory efficacy. In their research, Hudon et al. (2025) described some significant areas where CBN regulations on MFI activities negatively impacted operations regarding board composition and where differing governance implications resulted from ownership requirements. Other areas of deficiency in the regulation include information asymmetry between top management and the stakeholders and the lack of adequate or ineffective supervision by regulators, which impacts risk management.

Notably, regulators must simultaneously make regulatory provisions business-friendly and robust to encourage MFI initiatives in emerging market economies toward enhancing financial inclusion and economic development (Hadžiahmetović, 2021). Since the amalgamation of Nigeria's Northern and Southern protectorates in 1914, religion and culture have destabilized corporate governance, creating over-regulation that tags along with noncompliance. The twin variables of the Nigerian political economy (religion and culture) are complex and diverse, characterized by indigenous customs, norms, beliefs, and various strands of Christianity and Islam, which never augur well with corporate governance (Zournatzidou et al., 2025). Regulatory efforts must take these complex social dynamics into account to remain effective.

The twin variables, high religiosity and cultural relativism inside Nigeria's political economy, have not encouraged the country's corporate governance (Awen et al., 2022). Instead, varying degrees of government meddling and appalling regulations have resulted in unforeseen outcomes for the MFI industry. This instance exemplifies how microfinance interacts with regulatory reasoning while meeting the needs of those at the bottom of the economic pyramid. Microfinance is a typical policy and has practical implications. Zournatzidou et al. (2025) state that this regulatory logic represents a rational ordering over cultural and religious preferences. This explains why the stakeholders' existing understanding and use of these factors are inconsistent with the fundamentals of effective corporate governance.

Financial sustainability is critical to MFIs; thus, the current project, among other findings, focused on the impact of corporate governance attributes or proxies to establish the principles of transparency, fairness, and accountability that directly impact MFIs' performance (Acquah-Sam et al., 2025). Corporate governance attributes include board composition, board independence, board size, gender diversity, board committees, and board meetings slated for discussion in the current project, bearing on the financial sustainability of MFIs, which deserves proper attention from relevant stakeholders. Acquah-Sam et al. (2025) further posited that corporate governance enhances the profitability of business, which is crucial to the overall corporate objectives. Understanding these governance factors is key to shaping strategic reforms within Nigerian MFIs.

Board Gender Diversity and Women's Empowerment in the Microfinance Institutions Industry

In corporate governance, directors are elected to the board by the shareholders to supervise the managers and ensure that the organization operates using principles and in ways that maximize shareholders' wealth (Awen et al., 2022). From a business perspective, the board sits at the apex of corporate governance. As shown in agency theory, the board of directors comprises the shareholders who monitor and control the organization's operations and affairs (Kayani et al., 2025). However, the central problem MFIs face is active board participation (Mia et al., 2025). Concerned by the role of the ineffective boards' characters, microfinance policymakers introduced some strict measures to check the directors' actions to protect stakeholders' interests, considering microfinance's dual mission (Hussain et al., 2021).

In corporate governance literature, serious arguments exist regarding the board of directors' competency to monitor performance in management duties (Hussain et al., 2021; Inayah & Fuadi, 2025). These arguments are critical to the roles of board members as agents hired and assigned to maximize shareholders' wealth (Inayah & Fuadi, 2025). They extend to the enormous prevailing challenges that present an apparent need to reform the board's composition with the rightful talents and skills (Hussain et al., 2021) by putting the board in check. A study conducted in Bangladesh between 2005 and 2018 involving 80 MFIs to determine MFIs' performance and board independence indicated that independent directors and board size contributed to MFIs becoming financially sustainable (Hussain et al., 2021). The researchers also revealed that CEO duality helps establish institutional sustainability but falls short of enhancing outreach to the poor population.

Interestingly, Hussain et al. (2021) rejected the agency theory and settled for the stewardship theory. This argument indicates that the MFIs in Bangladesh and other developing economies, including Nigeria, have agents with similar interests to the shareholders (Hussain et al., 2021). In expanding on the corporate governance literature argument, other studies revealed that the microfinance industry operates on the premise that board independence reduces conflict between principals and agents and contributes immensely to a global debate on bottom-line performance in developing economies (Hussain et al., 2021; Sharma et al., 2024).

In line with the ongoing governance argument, many researchers have explored the role of women and board gender diversity in the microfinance industry in developing economies, revealing that gender-diverse boards can generate less expensive funding that helps minimize default risk through effective monitoring and strategies (Ghardallou & Alessa, 2023; Mia et al., 2022). These findings highlight the need for inclusive leadership practices to improve both financial performance and social outcomes in MFIs. Gender diversity also reinforces ethical governance structures, which align with microfinance's dual goals of profitability and poverty alleviation.

Transition

Section 2 provided a detailed review of professional and academic literature supporting this qualitative pragmatic inquiry's research problem, theoretical foundations, and conceptual framework. Agency theory served as the core conceptual lens, highlighting the dynamics between principals and agents in MFIs. In contrast, additional perspectives from stakeholders, stewardship, and pecking order theories offered complementary insights into governance and decision-making. The literature review emphasized the historical development of MFIs, sustainability challenges, mission drift, and the strategic importance of financial and social performance in Nigerian MFIs. This comprehensive review established the theoretical and empirical basis for investigating practical strategies successful MFI directors use to achieve financial sustainability while maintaining their social mission.

Section 3 includes a description of the methodological framework and research design adopted to explore these strategies. It includes a discussion of the researcher’s role, ethical considerations, participant selection criteria, data collection methods, and the strategies used to ensure the trustworthiness of the findings, such as credibility, dependability, confirmability, and transferability. By outlining the qualitative pragmatic inquiry approach and procedures for data analysis, Section 3 sets the foundation for presenting the research findings and implications for professional practice and social change in Section 4. The methodology was structured to ensure alignment between the research question and the analytical process.

To derive valuable insights into the research question for the completion of this project, I extend the discussion to include population and sampling, ethical considerations, data collection instruments, and techniques. In closing, I also discuss the procedural methods researchers use in the data organization process, data analysis techniques, and how to enhance reliability, validity, credibility, confirmability, and transferability. Section 4 presents the findings on the sustainable strategies for preventing microfinance failures in Nigeria. The project includes pragmatic views focusing on the application to professional practice and implications for social change. The section also restates the research’s purpose, emphasizing the researcher’s role as an instrument, including the methods and actions that help execute the project.

Section 3: Research Project Methodology

Project Ethics

Researchers are the primary data collection and analysis instruments in qualitative research studies because they initiate and conduct the research (Clark & Vealé, 2018; Yoon & Uliassi, 2022). The distinct complexities in the role of a researcher made me an instrument in this qualitative pragmatic inquiry. In my role as a pragmatic researcher, I gathered information, formulated research questions, conducted interviews, composed the sample, selected the participants for the research, collected and analyzed the data, created themes, and presented the findings, implications, and recommendations (see Collins & Stockton, 2022; Yoon & Uliassi, 2022). Such interaction requires parameters and space to mitigate bias; ensuring ethical practice, reliability, and validity are also critical to my role. As a researcher, I must be specific, detailed, concise, and protective of the participants' rights and security, as Cumyn et al. (2019) advised. Adhering to the tenets of qualitative pragmatic inquiry, I strived to conduct this research unbiasedly and ethically.

Having worked in the banking sector and investment and financial industries for seven years, my proficiency and expertise in this research topic, coupled with in-depth experiences in commercial banking, have given me insights into how MFIs can participate in poverty alleviation programs in developing countries. Decentralizing the profit-oriented competition among the MFIs may diminish their profit-making propensity and help promote the dual purpose of MFIs: (a) social outreach and (b) financial sustainability (Wang et al., 2021). I had no relationship with the participants. The lack of personal relationships with the participants helped reduce personal biases during recruitment and data collection procedures.

The informed consent process ensures ethical research by informing participants about the project's purpose, objectives, significance, potential risks, and their rights (Alhabsi, 2024). The informed consent also informs participants about their rights, including the voluntary nature of participation and confidentiality measures (National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research, 1979). I prepared a detailed consent form approved by Walden University's IRB. I then communicated its contents clearly to the participants, answering any questions and areas that needed further clarification. After this step, I sought their consent through written or digital signatures. Ongoing consent was reaffirmed throughout the project, and all consent documentation was securely maintained.

I clearly outlined the procedures for withdrawing from the project to ensure their rights were respected throughout the project. At the start of the project, participants received information about their right to withdraw from the project without facing any consequences. Participants were allowed to withdraw from the project at any time by notifying me via email, phone, or during any interaction. In the event of withdrawal, any data collected from the participant was excluded from the analysis and securely destroyed to maintain their confidentiality. I also informed the participants who withdrew from the project that their decision was respected and implemented promptly.

An essential element of conducting qualitative research is to conform to the rights of the research participants. Before executing any actions relating to the participants' portion of this pragmatic inquiry research design, I understood the importance of completing the personal knowledge training necessary for safeguarding and warranting participants' privacy. These trainings require compliance with the standards established by the National Institutes of Health organizations, such as Protecting Human Research Participants (PHRP, 2025) or the Collaborative Institutional Training Initiative (Longaray, 2022), which is dedicated to serving colleges, universities, and healthcare institutions.

The PHRP or CITI PROGRAM online training requires researchers to understand and follow the Belmont Report in detail, delineating a summary of ethical standards and principles guiding research involving human beings. These guiding principles require that the researcher ensure that the participants feel secure, that no risk or harm exists, and that there is respect for the participants' opinions during the interview (Jadallah, 2025). In adherence with the Belmont Report, I maintained all ethical standards and guidelines for preserving participants' confidentiality and privacy in this research. This approach ensured a good representation of participation, the establishment of guardrails against data breaches, and lessening participants' concerns regarding sharing their responses.

Based on Walden University policy, data collection commenced after Walden University's IRB approved the research proposal by assigning an approval number to the doctoral student with an expiration date to conclude the research. I placed my approved IRB number from Walden University (IRB # 06-12-24-0957453) in this part of my research project. Walden University pays special attention to protecting participants' information. Ethically, the collected research data were void of the participants' identifiers and the names of the companies participating in the project. As a requirement, the participants received assurances of anonymity, the right to withdraw at any time without reason, and the right to be informed of any material changes to the project that may affect their decision-making (Hosseini & Haukås, 2025). These ethical safeguards ensured that I met institutional and professional standards for protecting human subjects.

Given the ethical principles of informed consent and assurance of anonymity, data protection through well-managed, effective, safe storage procedures is a significant component of preserving participants' anonymity (Surmiak, 2020). Consequently, focusing on the regulatory framework requirement of secure storage, data protection is incumbent on researchers to allow protected data to outlive the duration of the research project. As an ethical principle of this project, focusing on the confidentiality of the project participants and using unique codes for the collected data is vital before removing the participants' and companies' names and storing the data safely.

In this project, I provided a storage system (password-protected external hard drive) to protect the confidentiality of the project participants. Confidentiality included retaining the project participants' consent agreement, soft copies of interviews, company data, and printed documents using a password-protected external hard drive and locked filing cabinets for five years, as required by Walden University. Following the five-year required storage period, I will destroy all stored or saved participants' documents, including audio and video recordings, hard copies of paper documents, and all other material related to the participants as a form of final safety measure protection for all participants. Electronic data will be destroyed by permanently deleting all the data, whereas hard copies of paper documents will be destroyed using shredders.

Nature of the Project

In this project, I used a qualitative methodology. Qualitative, quantitative, and mixed methods received equal consideration for this project. The qualitative methodology was best suited for this project because it does not require the examination of data variables to determine relationships (see Rodríguez-Dorans & Jacobs, 2020). Instead, qualitative methodology allows the exploration of the meanings, attitudes, values, and beliefs people associate with the phenomenon. Such associations help establish a better understanding, rather than testing to support or disprove a relationship that brings participants and their everyday life experiences into focus (Rodríguez-Dorans & Jacobs, 2020). Therefore, in answering the overarching research question, I chose the qualitative research methodology for this project over quantitative and mixed-methods research based on the project's problem statement.

I also assessed five qualitative designs to select the most appropriate design for this project. The qualitative design methodology consists of (a) pragmatic inquiry design, (b) case study design, (c) narrative design, (d) phenomenological design, and (e) ethnography design. Ramanadhan et al. (2021) and Hancock et al. (2021) posited that qualitative pragmatic inquiry research design can help establish how multiple entities in organizations, such as MFIs, benefit from phenomena with human experience in real-world situations, which aligns well with my project.

Population, Sampling, and Participants

The general population for this project included all directors of MFIs nationwide and all directors of the CBN. The target population comprised educated and experienced directors of MFIs and directors of the CBN. In selecting participants' eligibility criteria, researchers must select participants based on specific, defined criteria after starting the research so that only those participants who have experienced the phenomenon of qualitative research are chosen (Yin, 2018). The participants for this research included five MFI directors who have successfully implemented strategies to help sustain their operations in Nigeria and two directors from the CBN.

Qualitative research requires participants who know the research topic and may offer practical contributions toward addressing the research question (Staller, 2021). The eligibility to participate in this pragmatic inquiry research design required the MFI and the CBN directors to have worked for 10 years in the banking sector. All the participants must have participated in some banking decision-making in critical areas, such as granting microloans, and have expertise in loan repayment programs to help reduce the factors affecting borrower turnover (see Mia et al., 2022). These selection criteria ensured the credibility and relevance of participant contributions to the project's findings.

Access to willing participants for research is a critical task researchers face, as some companies and banks only allow such participation with the board of directors' approval. I ensured an informed consent procedure was followed so that participants could have the choice to accept or reject the request to participate in the research, given the information about the project that I shared with them. This process has implications because it is essential for the participants to fulfill the research requirements of dignity and equity based on ethical research standards (see Bazzano et al., 2021). Additionally, to gain access to participants, I established institutional partnerships, used networking, and tailored communication to increase engagement.

Building trust with the participants is a significant process for securing and aligning with ethical protocol (U. S. Khan & Jain, 2025). Building trust with participants helps establish a working relationship with them. I built a good rapport with the participants through transparent communication, active listening, and maintaining the confidentiality of the participants. Using these strategies, I fostered meaningful relationships with the participants, thus ensuring the quality of the data collected and the overall integrity of the findings of this project.

I used the purposive sampling technique to identify the specific participants in the Delta State of Nigeria. Thomas (2022) described purposive sampling as a better way to match the research sample to meet the project's objectives and improve the rigor and trustworthiness of the data and research findings. Purposive sampling helped ensure the representation of a wider geographic spread, rich data, and a focus that closely met this project's objective and answered the research question (Mosbah, 2024). Strategically, using a purposive sampling technique helps avoid any random form of sampling and allows specific kinds of cases to be part of the final sample in the research study (Thomas, 2022).

Using a purposive sampling technique strategically ensures that specific, information-rich cases are deliberately selected based on their relevance to the research objectives, rather than relying on random selection (Thomas, 2022). This method aligns with the assertion by Bouncken et al. (2025) that purposive sampling focuses on identifying participants who possess critical knowledge or experience necessary to provide valuable insights for the study. By targeting individuals who meet defined criteria, purposive sampling enhances the depth and relevance of the data collected. These sampling procedures helped ensure that participant insights were meaningful and aligned with the goals of the research.

The sample size for this project comprised five directors of MFIs and two CBN directors. This sample size was based on Morse's (1994) recommendations of six to 12 participants for a qualitative study to understand the core of a phenomenon. Data were collected from the participants and a review of documents until data saturation was achieved. Mwita (2021) described data saturation as an essential consideration when conducting qualitative research, as researchers collect data from participants to a point where they have exhausted their ability to obtain new information.

Data Collection Activities

In data collection, the primary instrument is the researcher, who brings certain elements, characteristics, and effort not offered by any other method (Yoon & Uliassi, 2022). Data collection involves gathering and analyzing accurate data from participant interviews, surveys, and observations, finding answers to research problems, and evaluating possible outcomes (Yin, 2018). In this qualitative pragmatic inquiry project, I used an in-depth interview protocol to adapt the interview questions chronologically and form specific questions for specific interview participants during the research process. In that regard, I minimized the risk of imposing my views and conceptual schemes on the participants because an interview is a natural medium for acquainting the researcher with the participants' points of view and experiences.

I conducted semistructured interviews to collect primary data from the participants. The web conferencing platform was used as an online data collection tool for this qualitative pragmatic inquiry research because Nigeria's situation is unsafe and precarious, which may have limited participants' free movement. With the rise in qualitative research approaches to tackle the evolving complexity of business and social issues, data collection methods are becoming diverse, moving away from conventional approaches and adopting more innovative and creative strategies (T. H. Khan & MacEachen, 2022). Therefore, web conferencing via Zoom and WhatsApp as interview tools was a promising solution for the described situation in Nigeria.

Researchers use interview protocols to foster understanding and for confidence-building with the participants. I sent out a list of instructions for the interview to the prospective participants during the recruiting process to apprise them in advance of what was to be discussed during the interview. The list of instructions comprised the issues that would help answer the research question, their participation in past research interviews, possible dilemmas during the interview process, ethical premise problems, and how to resolve them without affecting the research (Surmiak, 2020). Clark and Vealé (2018) posited that the interviewing protocol in qualitative studies may pose significant challenges regarding rigor and the management of bias because the researcher designs research instruments instead of using instruments designed by previous researchers.

Researchers preferably use more than one data collection source to capture all relevant information to achieve research outcomes relating to their studies (Yin, 2018). In this qualitative pragmatic inquiry project, the data collection technique was semistructured interviews with the participants per the established interview protocol (see Appendix A). During the semistructured interview, I asked open-ended questions and recorded participants' detailed responses for data collection. I then took field notes during participant engagement to support my data collection and interpretation. In this qualitative pragmatic inquiry project, I used electronic devices, such as a tape recorder and an Excel spreadsheet, to record participants' responses, observations, and video recordings through Zoom terminal during the interviews to transcribe the data into a readable format.

Audio recording, video and telephone conferencing, and other interactive technological instruments and researchers' skills help capture comprehensive participants' responses, such as the researcher's probing and informing questions, scheduling follow-up interviews, note-taking, and participants' behavior during the interview (Li & Zhang, 2022; Wei et al., 2022; Yoon & Uliassi, 2022). I used the information collected by various researchers, including the CBN published bulletins, news releases, and banking guidelines, as the data collection technique to gather information. Other sources of data collection techniques I used in this project included the review of published corporate and banking annual reports (Sánchez et al., 2021). I also used a combination of peer-reviewed articles and information obtained from the Microfinance Information Exchange (MIX) Market to thoroughly review data that would enable me to explore the revenue-generating strategies and sources that successful MFI directors in Nigeria use to maintain financial sustainability. In this regard, it was imperative to establish a forward-looking plan for information gathering in this qualitative pragmatic inquiry project.

The most critical data collection technique in qualitative pragmatic inquiry is face-to-face interviews (T. H. Khan & MacEachen, 2022). However, with the increase in usage of this method, popular research approaches to qualitative data collection are becoming very diverse and are moving toward more innovative and creative data collection methods (T. H. Khan & MacEachen, 2022). When everything changed with the advent of the COVID-19 pandemic, video conferencing emerged as a compelling and widely adopted technology-based medium for conducting interviews, offering both safety from health risks and logistical convenience (Okwuwada, 2023; Verjee & Kwaja, 2021). Although pandemic-related health concerns had largely subsided by the time of this study, I opted to continue using virtual interviews due to the convenience and efficiency they offered, especially considering the challenges of coordinating face-to-face interviews across geographically dispersed and rural locations in Nigeria. Consequently, I believed that the innovative technology-based interviewing approach was pragmatic in Nigeria's existing situation, and I intended to use video/audio conferencing interviews through Zoom technology.

I employed strategies, such as member checking and transcript review to enhance the trustworthiness of the data collection instruments. After the data collection process, I sent transcripts generated to the participants so they could verify the accuracy of the recorded information (see Rowlands, 2021). Additionally, I cross-verified the findings using triangulation, which involves gathering data from multiple sources (see Bans-Akutey & Tiimub, 2021). Another method for achieving trustworthiness was ensuring consistency with the interview protocol, spending adequate time with participants, and building rapport. Additionally, I practiced reflexivity to remain aware of potential biases.

Interview Questions

The following were the interview questions for one-on-one interviews:

1. Based on your experience, which sustainable strategies did you implement to help prevent microfinance failures?
2. Which public resources did you use to investigate revenue-generating strategies in your industry?
3. In what ways have microfinance institutions contributed to addressing the problem of financial inclusion for displaced populations in the Nigerian economy?
4. In your experience, what limiting factors hinder SMEs from gaining the credit needed for their small businesses?
5. Based on your experience, what strategies would you advise SMEs to adopt when seeking credit for their small businesses?
6. In your years working in the microfinance industry, how did you use your human capital to strategize how to address business opportunities?
7. Overall, how would you measure success in implementing effective strategies to maintain financial sustainability?

8. What additional insights or information would you like to share about this project that we have not yet discussed during this interview?

Data Organization and Analysis Techniques

In qualitative research, a researcher's preliminary evaluation and plans help safeguard, document, transcribe, and confirm interviews and information from multiple data sources (T. H. Khan & MacEachen, 2022). Hamed et al. (2025) explained how the data organization technique enables and guides qualitative researchers in organizing the collected data for practical use in the project. In addition, good and proper data collection and organizational methods facilitate data access and tracking, helping review and analyze the data (Hamed et al., 2025). In this view, researchers might consider using various data collection and storage tools, such as handheld recorders and handwritten notes, electronic folders, soft copies of data, and software, to capture, track, and organize qualitative data (Hamed et al., 2025). Ultimately, a well-structured data organization process enhances the reliability and traceability of research findings.

For this qualitative pragmatic inquiry project, I used research logs and labeling systems to keep track of data collected from transcribed video and audio sources. To safeguard the data, I stored all electronic files on an encrypted universal serial bus (USB) device, which was secured in a locked safe box. However, the need to understand data quality and its organization paves the way to using them in qualitative research, including their variability in structure from different data sources (Condry, 2021). Accordingly, Condry (2021) argued that collected and organized medical or business data are not necessarily meant for the public but for specific studies of this nature. Regardless of the method of data organization, some extraction process is necessary to associate the data with a public record system, following strictly enforced authorization access.

Researchers use various analytical sources to evaluate data by applying logical reasoning in examining each component of the collected data and identifying patterns in interpreting research participants' responses regarding a problem (Yin, 2018). Due to its adaptability for examining rich qualitative data (Gupta, 2025), Braun and Clarke's (2022) thematic analysis stood out as the most suited approach for this project. The six-step analysis approach outlined by Braun and Clarke guided the identification of themes and patterns. NVivo, a software tool (Allsop et al., 2022), was used to facilitate the coding and theme identification process. The software allows qualitative data analysis to be more precise and comprehensive. The six phases include: (a) familiarizing with the data, (b) generating initial codes, (c) searching for themes, (d) reviewing themes, (e) defining and naming themes, and (f) producing the report (Braun & Clarke, 2022). This systematic approach ensured a rigorous and structured analysis of the qualitative data, contributing to the validity of the findings.

The first step of thematic analysis involves familiarization with the interview transcripts and document data (Braun & Clarke, 2022). For this process, I read and reread the textual data from the semistructured interviews and the notes from published corporate and banking annual reports. I carefully reviewed and became familiar with the participant interview data to ensure the findings were grounded in their responses. Repeating this process multiple times allowed for a deeper understanding of the transcripts and reinforced the reliability of the analysis.

The second step of thematic analysis is the development of preliminary codes. The fundamental units of a thematic analysis are codes, which comprise commonalities seen in each participant's reflection (Braun & Clarke, 2022). I reviewed each transcript for this reason, noting any commonalities between all the participant interviews and discussions while keeping the field observations in mind. The construction of categories in the second stage of thematic analysis used these texts and commonalities labeled as codes in NVivo.

In the third step, I searched for categories based on the initial codes developed. Categories consist of similarities that are evident within grouped codes (Braun & Clarke, 2022). I identified similarities and codes from the interview transcripts and grouped them into categories. According to Braun and Clarke's (2022) approach, this is step three. In the fourth step, I developed initial themes based on the categories identified. For this process, I examined the categories developed in the previous step and assessed emergent themes based on these grouped categories (see Braun & Clarke, 2022).

In the fifth step, I reviewed and defined the themes from the previous phase. I also defined each identified theme and provided thorough descriptions of the themes related to the research questions and data analysis as recommended by Braun and Clarke (2022). Finally, in the sixth step, I presented the thematic analysis results. For this project, I presented the results thematically through a discussion in Section 4. The findings are associated with the project's guiding research questions and purpose. I also used direct quotes from the participants to increase the dependability of the findings, according to Braun and Clarke's guidance.

Further to the ongoing analysis, coding facilitates the researcher's ability to organize, categorize, and group data into meaningful themes, which supports the development of objective interpretations and conclusions (Mwita, 2021; Yin, 2018). A well-executed coding process also contributes to the rigor of the study by enhancing its credibility, validity, and reliability. In pragmatic qualitative research, the adequacy of the collected data, rather than sheer volume, is essential to addressing the research question effectively (Hennink & Kaiser, 2022). This phase of data analysis is critical, as it marks the development of a data corpus that guides thematic interpretation and ultimately strengthens the foundation for generating credible and transferable findings (Ormerod, 2021).

To confirm their relevance and context, I compared the themes with existing literature, including new studies. Aligning the themes with the conceptual framework helped interpret how they contribute to understanding revenue-generating strategies in microfinance. I presented the findings thematically, linking each theme to literature and theoretical constructs, using participant quotes to enhance credibility. This approach ensured an analysis that integrates theoretical and practical insights into financial sustainability strategies in Nigerian MFIs. The raw data from the participants will be stored securely for five years and destroyed by deleting all electronic data and shredding all hard copies of paper documents.

Reliability and Validity

Dependability

Dependability refers to the stability of data over time, and it is mutually inclusive with consistency in qualitative research (Kyngäs et al., 2020). This criterion is concerned with consistency across the research spectrum. It occurs when the researcher provides enough details for replication regarding a clear description of the criteria used and adopts openness during data collection and analysis to ensure a traceable result (Thomas, 2022). In research, a well-defined method offers structured models showing high dependability if another researcher can readily follow the decision trail used by the former researcher (Kyngäs et al., 2020). I adopted member checking and transcript review to establish correctness, authenticity, and trustworthiness in this project, using participants' validation. Member checking is an essential segment of qualitative research as it refers to the researcher's practice of circling back to the participants using the interpreted data from interviews to seek validation, confirmation, and accuracy of the findings (Caretta & Pérez, 2019; Fusch et al., 2018). These strategies helped ensure the research process was transparent, verifiable, and dependable throughout the project.

Credibility

Credibility concerns the extent to which the opinions of other researchers and readers regarding the research findings represent a conceptual interpretation of collected data; it is a measure of data accuracy (Kyngäs et al., 2020). Two aspects of credibility exist: (a) describing ways researchers carry out the study to make readers believe the presented findings and (b) using sampling strategies to determine whether the findings accurately reflect the participants' lived experiences (Ahmed, 2024; Thomas, 2022). To further understand credibility in research, researchers assert that credibility is a matter of perception because human behaviors are subjective and unpredictable. In this view, credible information depicts actions that can be trusted, believed, and secured.

Dodgson (2019) described how measures, such as prolonged engagement, persistence, triangulation, and member checking, support a study's credibility. In this project, I used methodological triangulation by collecting research data solely through participant interviews and reviewing relevant public documents. Researchers can improve credibility by enhancing the appropriateness of the participants by asking open-ended research questions and ensuring they attain data saturation during data collection by establishing the correct sample size. Researchers should evaluate whether the sample size was appropriate when they report unbiased information about the samples. As a vital technique in qualitative research to strengthen data credibility, I used member checking to mitigate bias, purposive sampling to enhance credibility, and an interview protocol to remain focused during the interview process.

Transferability

Transferability in qualitative research is the researcher's ability to transfer the research findings beyond the intended parameters to other similar contexts or constructs, requiring the identification of specific criteria defined by the boundaries of a demographics analysis (Coker, 2022). Transferability is the degree of information dissemination and meaning to readers not involved in the study and is relatively applicable to other fields of research and context. Defining and implementing a solid research procedure enabled me to explain data collection and organization techniques, research assumptions, limitations, and data saturation so that readers can assess whether these samples' findings are transferable to other contexts (Kyngäs et al., 2020). Consequently, I ensured that this pragmatic inquiry project would help execute and evaluate similar situations and remain within the stated boundaries that offer other researchers specific criteria concerning the transferability application for future use.

Confirmability

The extent to which other researchers confirm a researcher's interpretation of findings and conclusion is known as confirmability, which exists when a study shows consistency and lack of bias in data analysis (Kyngäs et al., 2020). In hindsight, when researchers consider confirmability, they should evaluate whether their finding is exclusively shaped by the collected data from the research participants or reflect the researcher's bias, other interests, or motivation (Kyngäs et al., 2020). Readers or research users must be able to examine the available data to confirm that the researcher's findings and interpretation reflect the data. Flick (2025) posited that researchers can establish confirmability by interpreting the data and their findings in such a way that confirms the accuracy of the research. In enhancing confirmability, I used an "audit trail" as a valuable tool and strategy to record and rationalize the methods to conclude the coding system and data analysis, using written field notes and memos to support the connection between the data and research findings.

Data Saturation

Data saturation is the most used guiding principle in assessing the adequacy of purposive samples and is widely used in qualitative research (Hennink & Kaiser, 2022; Jennings & Yeager, 2025). Data saturation is widely attained by scholars and researchers when conducting empirical research by developing a mathematical construct to estimate the likely number of qualitative interviews needed to reach data saturation in each research study. Mwita (2021) described data saturation as an essential consideration when conducting qualitative research, as researchers collect data from participants to a point where they have exhausted the ability to obtain new information and identify all the themes and codes. Researchers must control their quests for data saturation so as not to detract from other qualitative research quality measures, including diversity, dependability, credibility, trustworthiness, and confirmability (Mpofu, 2025). I collected comprehensive data from semistructured interviews, member checking, and public document reviews to ensure data saturation in this project.

Second, I employed purposive sampling to select knowledgeable participants. To enhance the credibility and trustworthiness of the findings, I used member checking as part of the data validation process. After transcribing the semistructured interviews, I shared the interview summaries with the respective participants to verify the accuracy of my interpretation of their responses and to clarify any ambiguities. This process ensured that the participants' intended meanings were accurately represented and allowed for any necessary corrections or additions. Member checking helped reinforce the reliability of the data by confirming that the interpretations aligned with the participants' experiences and perspectives. I also used a transcript review to validate the findings. Braun and Clarke's (2022) thematic analysis procedure helped identify emerging themes until no new information arose.

Transition and Summary

In Section 3, I discussed the methodology that guided this project. I discussed project ethics, the research design and method, and the rationale behind their selection. The population, sampling techniques, and participants were also discussed. Lastly, the discussion also focused on the data collection process, data analysis, and ways to ensure the trustworthiness of the data. In Section 4 of this qualitative pragmatic inquiry project, I present an overview of the findings on the sustainable strategies for preventing microfinance failures in Nigeria, focusing on application to professional practice and implications for social change. Finally, I give recommendations to future researchers on this research topic, from my research project, experience, and reflections on this journey.

Section 4: Findings and Conclusions

Presentation of the Findings

The purpose of this qualitative pragmatic inquiry project was to explore the strategies that managers within MFIs in Nigeria used to ensure financial sustainability. The data to determine these strategies came from interviews with five MFI directors and internal operational documentation from selected MFIs. The findings revealed three primary strategies that MFI managers implemented to support financial sustainability: income-generating lending models, strict risk management frameworks, and targeted financial literacy programs for clients. The results of this project revealed the income-generating activities that successful MFIs in Nigeria have undertaken to ensure their financial sustainability. The data analysis revealed the challenges that MFI directors face, one of which is their tendency to prioritize financial stability over the needs of SMEs. The findings were drawn from the participant responses and data collected, thereby underlining the complex issues affecting MFIs and their operational effectiveness in supporting the region's economic growth and poverty alleviation.

The research question was: "What effective strategies do directors in microfinance institutions use to ensure financial sustainability?" In this research question, I explored strategies for ensuring financial sustainability based on the insights and experiences shared by directors of Nigerian microfinance institutions. After conducting a thematic analysis following Braun and Clarke's (2022) six steps, five themes emerged that helped answer the research question. The five themes were: (a) capital adequacy and asset management, (b) loan strategies and ownership dilution, (c) risk management and compliance, (d) technological adoption and employee development, and (e) customer education and CSR. Table 2 includes the research question and the five themes that emerged.

Table 2

Summary of Major Themes, Frequency of Interview Responses, and Supporting Documents

Node/Theme	Number of Responses From Interviews	Number of Documents Reviewed	Total Number of Times The Theme Was Addressed
Capital adequacy and asset management	6	3	30
Loan strategies and ownership dilution	5	2	26
Risk management and compliance	7	3	32
Technological adoption through employee development	8	3	36
Customer education through corporate social responsibility	6	2	24

Theme 1: Capital Adequacy and Asset Management

The first theme described capital adequacy and asset management requirements, ensuring the financial sustainability of MFIs; six participants contributed to this theme, and supporting content was also identified in three public documents that discussed capital thresholds, risk asset classification, and regulatory benchmarks for asset quality. These findings align with Abu Wadi et al. (2022), who asserted that maintaining adequate capital buffers and managing asset quality are vital to financial sustainability and outreach in microfinance institutions. Similarly, Agbana et al. (2023) emphasized that poor credit risk and asset management can threaten the operational viability of MFIs, especially in developing economies like Nigeria. Maintaining sufficient capital buffers and sound asset quality requires a deliberate focus on credit risk assessment, interest rate flexibility, and adherence to positive threshold levels that minimize exposure to financial shocks. The results dictate that directors should adopt robust credit evaluation frameworks to ensure lending decisions are based on accurate risk profiling, thereby reducing the likelihood of loan defaults and asset deterioration. Interest rate flexibility also plays a critical role, as adaptive pricing mechanisms allow MFIs to balance profitability with affordability for clients while mitigating the effects of fluctuating market conditions. Equally important is the maintenance of capital adequacy ratios above regulatory minimums, as these positive thresholds provide a protective cushion against unexpected losses and preserve institutional stability. Together, these strategies create a resilient financial structure capable of sustaining growth, protecting investors, and reinforcing public confidence in microfinance institutions.

Participating directors described a credit risk assessment workflow that begins with borrower vetting, risk grading, and cash-flow verification. They then monitor asset-quality indicators such as delinquency buckets, provisioning coverage, and write-off triggers. This emphasis on capital structure discipline and portfolio oversight aligns with evidence that stronger governance supports sustainability in MFIs (Orichom & Omeke, 2021). Positive threshold levels for asset-quality ratios and provisioning can serve as early-warning limits that prompt remedial actions when breached (Rutanga et al., 2021). The same logic appears in studies of operational self-sufficiency in Sub-Saharan Africa, where clear limits and responsive management help stabilize performance over time (Remer & Kattilakoski, 2021).Regarding capital and asset adequacy in the firm, P5 said that business leaders needed to ensure that the capital in the business was sufficient. Asset quality was also mentioned as very important for directors to ensure that they uphold the sustainability of the business. P5 said:

> Now, the strategy with the acronym CAMEL is capital adequacy. You will have to make sure that your capital is adequate for the level of business you want to embark on. Then, you have asset quality. Asset quality is very key. In microfinance bankers and commercial banks, the biggest asset is the risk asset.

P13 also emphasized the relevance of having a proper capital and asset base. The bank capital acts as a cushion to guard against unexpected losses. Asset quality, which is risky for banks, enables credit officers to offer loans to clients. P13 said:

> Because of capital adequacy, bank capital is meant as a cushion to guard against unexpected losses so that there will be no unpleasant surprises. So, we look at the capital adequacy ratio as prescribed by regulation. Asset quality, the highest assets, and the highest assets in a bank are your risk assets, which are the loans and advances that are written by the bank. And so, if from day one, you do not do the proper risk assessment, that is, the credit risk of your loans, you stand the risk of having bad debts.

MFIs have remained favorable to customers because of the flexibility of the interest rates on loan facilities. P2 said that the interest rates in MFIs are not fixed.

Microfinance banks cannot charge high interest rates to customers because they will all shift to commercial banks. P2 said:

> The interest rate for microfinance banks is not fixed. It is an interest rate between the moneylenders and what commercial banks are charging. No microfinance bank will overcharge the customers; otherwise, they will shift. Apart from the fact that there were moneylenders before the microfinance bank came, the competition is very, very high now. The interest rate is no longer as high as it used to be when they started in 2006, 2007, and 2008, with this high competition in the market.

P9 mentioned that many interventions were implemented concerning the issue of offering loan facilities to low-income earners. One of the interventions gave rise to loans at single-digit interest rates. The CBN was also allowed to send loans via MFIs, giving loans at single-digit interest rates. P9 said:

> So those interventions gave rise to loans at single-digit interest rates under the... We have schemes like the Anchor Borrowers' Program, where participants get loans channeled via microfinance institutions by the Central Bank. They get them at single-digit interest rates.

The first theme focused on capital adequacy and asset management so that MFIs could realize financial sustainability. Six respondents highlighted capital and asset quality in this theme because there would be minimal risk when such parameters were at positive threshold levels. MFIs could not charge excessively on interest rate policies, or customers would drift toward commercial banks. Interventions, at times, supported small-income-earning people in the form of CBN's single-digit loan offer to help promote loan packages by MFIs. These findings are supported by Adebola et al. (2021), who found that stable capital structures and interest rate flexibility helped Nigerian MFIs remain sustainable during economic shocks such as the COVID-19 pandemic. Research links microfinance pricing to operating costs and market conditions, which means prudent flexibility can support outreach without degrading asset quality (Wondirad, 2022). Complementary findings show that sustainability and outreach can be mutually reinforcing when pricing and portfolio management are coherent (Abu Wadi et al., 2022).

Theme 2: Loan Strategies and Ownership Dilution

The second theme described some of the strategies MFIs can adopt when making financial decisions. Codes such as offering credit facilities and diluting the business ownership were used to develop the second theme. Offering loans to clients was a central strategy that directors used to ensure that the microfinance banks remained sustainable. P12 mentioned that about 90% of the institution's profits came from loan interest. The directors, however, emphasized the importance of offering high-quality loans to minimize default rates. P12 said:

> About 90% of our profit comes from interest in loans. You must also be able to book good loans. If you book loans that are not of high quality and become delinquent over time, CBN will require you to make provisions. When you make provisions, provisions will eat deep into your profitability.

P4 discussed the importance of educating customers before loans are disbursed to ensure business owners fully understand the consequences of default. One such approach involved charging higher interest rates for noncompliance with repayment schedules.

This incentivized business owners to prioritize timely repayments. P4 also introduced the concept of ownership dilution as a sustainability strategy, noting that educating entrepreneurs on its benefits helps ensure long-term business growth. P4 said, “To ensure the sustainability of MFIs, business owners must learn how to dilute the ownership of the business.”

P1 noted that small business owners often hesitate to share ownership out of fear of losing control, frequently keeping their businesses within the family. However, this mindset can limit business growth and access to external capital. Diluting ownership creates an opportunity to attract outside investors, enhancing the financial credibility and longevity of the business. P1 emphasized this by saying:

> The small business owner must learn to dilute his business. Dilute ownership, so it’s not passing from father to son to daughter and all that. You must dilute your business and let there be other participants in the business. I think my policy is to make them sell off 30% of the business after five years. When a financier sees that my business has some dilution, 30%, to some other small minority holder, they have a stronger fit in investing in the business because of the idea of being the key holder; the business will not die with the person. It can be passed on to a second generation.

P2 illustrated how concentrated ownership within the family can negatively impact financial discipline. For instance, when a business owner allows family members to use business resources without accountability, capital and profit can be lost. Diluting ownership introduces professional accountability and external oversight, which can reduce such practices. P2 explained:

> If the wife or the woman owns a business, and the husband comes home and begins to drink … If it's a beer parlor and the husband and his friends start drinking at the end of the day, she must make sure she recovers the money from the husband because failure to do that will mean that she has lost both her capital and profit.

The second theme relates to the strategies that MFIs use for financial decision-making. Directors relied heavily on loan products, which accounted for approximately 90% of institutional profits. Customer education served as a key strategy to mitigate defaults, including informing borrowers about increased interest rates for late payments. Re-evaluating the effectiveness of loan products is essential, as they significantly contribute to institutional profitability and long-term sustainability. Ensuring that borrowers clearly understand loan terms through comprehensive customer education before disbursement reduces default risks, enhances repayment discipline, and fosters stronger client relationships. Well-informed customers are more likely to engage responsibly with credit, thereby improving portfolio quality and institutional revenues. At the same time, ownership dilution can be strategically leveraged to attract external investment, strengthen capital bases, and expand the institution's operational capacity. Ownership dilution as a path to external capital and better oversight. The agency-theory rationale is straightforward, since equity sharing can reduce entrenchment and align incentives between owners and financiers (Jensen & Meckling, 1976). Empirical work in emerging contexts also links diversified funding and improved governance to stronger sustainability outcomes (Awen et al., 2022; Novignon, 2023). By diversifying ownership, MFIs can gain access to new funding streams, improve governance structures, and foster innovation, all of which are critical for scaling services and achieving sustainable growth in competitive financial markets.

Loan products drive institutional earnings; directors emphasized pre-disbursement customer education on repayment calendars, late-payment consequences, documentation, and cash-flow management. Portfolio quality improves when lending criteria are clear, officers are supervised, and follow-ups are consistent (Kayembe et al., 2021). Practical guidance on delinquency reduction in MFIs also highlights borrower preparation before disbursement as a first-line control (Lamichhane, 2022). This approach is compatible with evidence that outreach and sustainability can complement each other when processes are well managed (Abu Wadi et al., 2022)

Theme 3: Risk Management and Compliance

The third theme focused on how managers and directors of MFIs can mitigate, reduce, or transfer some of the risks that banks face. Seven participants contributed to this theme. Compliance with government policies and regulations was also part of ensuring the sustainability of MFIs. One of the risk management strategies employed by directors was getting a life assurance cover for the loan applicant so that the bank could make a claim to the insurance company for compensation in the event of death. Life assurance coverage for borrowers helps mitigate credit risk by providing financial protection to the MFI in case of a borrower’s death during the loan repayment period. This ensures that the institution can recover the loan amount through insurance claims, thereby reducing the risk of loan defaults and safeguarding the MFI's financial stability.

Additionally, timely compliance with regulatory requirements, such as meeting inspection standards, maintaining accurate records, and adhering to corporate governance policies, is critical for retaining operational licenses and avoiding sanctions. These practices protect the institution from regulatory penalties, build institutional credibility, and attract more clients through enhanced trust and transparency. P4 said:

> Also, having life assurance coverage is paramount should there be accidental death or any events that may cause that customer to die in the period of repayment. Therefore, it is pertinent not to lapse the life assurance payments to cover the expanding loan period. Hence, it is advisable to always make sure that every borrower has life assurance coverage. I think the amount is between 0.5 and 0.7 for now, and the life assurance payment is one of our benchmarks to ascertain who gets the loan or not. Also, depending on the riskiness of the business, we either use 0.5 or 0.7 in assessing creditworthiness.

The CBN and the Nigeria Deposit Insurance Corporation (NDIC) ensured that all MFIs were insured. P9 also mentioned that if an MFI fails, the customers' deposits will not be lost. This measure has attracted more customers to open accounts in MFIs. P9 said:

> In addition, the Central Bank, in conjunction with the Nigeria Deposit Insurance Corporation, ensured that microfinance banks are now insured. In the past, they were not insured. Once a microfinance bank goes under, the depositors just lose

> their money. Currently, with the cooperation of the Central Bank and the Nigeria Deposit Insurance Corporation, the depositors of microfinance institutions are insured by the Nigeria Deposit Insurance Corporation.

These are some of the measures put in place to effectuate compliance with government policies and have become a part of the strategies that have helped MFIs be sustainable. For example, P5 mentioned that compliance with the requirements of the CBN has helped keep the banks in check. When the bank is in line with the requirements of the law, its license will not be revoked and, hence, it remains in business. P5 said:

> To that extent, you can see that microfinance banks can operate effectively. CBN employees are compliance officers who visit microfinance banks for inspections to ensure they comply with the rules and guidelines. The fact that CBN inspection officers can enter microfinance banks at any moment keeps the microfinance institutions in check. According to P5, we were here last month, and that day, I did not come to work earlier because I was in a meeting outside the office. Suddenly, I received a call that the "CBN inspectors are here," so I had to hurry back to the office. Such a surprise visit by the CBN inspectors helps to keep microfinance banks in check at every point in time.

P4 said that compliance is a core mandate that would ensure the sustainability of the business. Compliance includes a timely response to regulatory requirements, corporate governance, and proper record-keeping. P4 also said that for a bank to remain in business, it is important to have the management team well-trained on the policies and regulations of the microfinance bank, saying:

> For you to have a sustainable microfinance bank, the management team must be well-equipped with the policies and regulations of a microfinance bank. Compliance is a core mandate. You must be well-compliant. Sustainable banking needs compliance with regulatory requirements and timely responses. So, in microfinance institutions, compliance with corporate governance policies and the CBN financial guidelines is ultimate in the MFI sector, constant training of staff and proper record and bookkeeping systems in microfinance institutions to maintain effective operations.

P11 mentioned that another strategy for ensuring that the business remains operational is following up with the client after disbursement of a loan facility. Some clients were reported to divert the loans to a different business. This follow-up ensures the bank will get back 100% of the loan granted plus interest. P11 said:

> After disbursement, we assess the client's business to ensure that the client does not divert such funds to other businesses. We strengthen our recovery process to ensure that what we have given out comes back 100% because that is where we generate our revenue.

Theme 3 highlighted the risk management and compliance strategies MFI directors adopted to achieve sustainability. By adopting a risk management strategy, the directors ensured that loan applicants had life assurance coverage for risks involving borrowers' deaths. CBN and the NDIC also insured customer deposits. Regulatory compliance had to be maintained to sustain licenses to operate, while staff training and proper bookkeeping had to be conducted for effective governance. Further, regular follow-ups with the client post-disbursement boosted the recovery process.

Mitigating risks requires a multi-layered approach that prioritizes both institutional stability and client protection. Integrating life assurance coverage for loan applicants safeguards institutions from repayment challenges due to unforeseen borrower circumstances, while the insurance of customer deposits through the Central Bank of Nigeria (CBN) and the Nigeria Deposit Insurance Corporation (NDIC) enhances public confidence in the microfinance sector. Directors require life assurance coverage for borrowers so that a covered loss during the repayment period does not translate into unrecoverable principal. This transfers the credit risk away from the MFI and improves loan recovery in adverse events (Shi et al., 2023). At the depositor level, the CBN and NDIC framework for deposit protection strengthens public confidence and supports funding stability for MFIs (Hudon et al., 2025).

Equally important are robust regulatory compliance practices, supported by ongoing staff training to ensure adherence to evolving standards and the consistent application of best practices. Proper bookkeeping and transparent financial reporting further strengthen institutional accountability, reduce exposure to fraud, and improve operational efficiency. Sustainability depends on timely compliance, staff training, and reliable records. Digitized compliance dashboards and routine audits can reduce operational risk and improve transparency (Elebe & Imediegwu, 2022). Directors also described post-disbursement follow-ups to verify loan use and to prevent diversion, which is consistent with governance findings from Sub-Saharan Africa (Tadele et al., 2022). Effective post-disbursement client follow-ups are critical for maintaining healthy loan portfolios, as they facilitate early detection of repayment issues, strengthen borrower relationships, and enhance overall loan recovery rates. Together, these strategies foster a resilient operational framework that balances risk management with sustainable financial growth.

Theme 4: Technological Adoption through Employee Development

The fourth theme described the technological adoption and employee development needed to ensure the success of MFIs in Nigeria. Eight participants contributed to this theme. To achieve operational efficiency, directors were encouraged to embrace technology when providing financial services to their customers. Investing in advanced digital infrastructure was seen as a direct contribution to expanding outreach and improving customer service delivery. P5 said that directors should ensure that their technology is top of the range so that the bank can deliver quality service to its customers, saying:

> You must ensure that your technology is top-of-the-range, your banking software is best-in-class, and your services deliver the kind of service you want to render. Today, microfinance banks are making waves in the industry. Some of them are making more waves than some commercial banks because of technology.

P8 appreciated opening channels for e-banking, where customers can easily access banking services anywhere. Business owners can also request business loans and get attended to. The interface for the online channels was said to be working.

P8 said:

> The beautiful aspect is that we have also started opening channels for e-banking, such that with a good interface and good channels, you see, they also want to use those platforms to do business. So today, you can even request LAPO online, and then you are being attended to. You have the cards you could use on your ATMs to do transactions and all of that. And the interface is very, very good. So, the channels are working.

Adopting e-banking and digital platforms was directly linked to improved financial inclusion, allowing more people, especially women and previously unbanked populations, to access financial services. Internet banking has made it easier for microfinance banks to offer services to everyone without discrimination. More women and the unbanked have opened bank accounts through online connections. Directors witnessed an increase in total deposits after internet banking was introduced. P4 said:

> Yes, the financial inclusions here are very correct. With the help of internet banking, like NIBSS integrating Microfinance Bank into their NIBSS, this NIP connection … Microfinance Bank can now reach all the nooks and crannies and onboard the women, the unbanked, and the other banks into the financial system. More accounts have been created. You can even say that the total deposits of the MFB are growing very fast, 100% annually.

Having skilled and committed employees also helped ensure the firm's operational efficiency. However, the effective use of digital systems depends heavily on well-trained employees to operate them. P8 mentioned that they bridged the knowledge gap through training and retraining employees to deliver quality service to the customers. Supervision was also mentioned to ensure every customer receives the best service. P8 said:

> The staff are committed, but you cannot take out the place of training and retraining, which have added value to microfinance institutions. There is also a platform for supervision where everybody is being supervised to ensure they do the right thing. This process of employee inclusivity helps in cohesive attention to their needs because we believe that happy employees will give you a happy performance.

P12 emphasized the aspect of training staff members so that they could understand the best principles and methodologies for generating deposits. When the employees receive adequate knowledge, they can offer credit facilities depending on the customers' credit score. P12 said that staff members should understand the loan appraisal, administration, and control process, saying:

> We do all that we can. We train our staff to understand the best principles and methodology of generating deposits and then apply them to give micro, small, and medium enterprise loans to the mutual benefit of the bank and the customer. The CBN guideline that we follow is to make sure that MFIs provide those loans according to the stipulations laid out by CBN. The lack of knowledge of loan provisions to qualified customers results in a loss of the targeted profit. MFI directors need to be able to train the employees and expose them to sufficient tips that will help them understand the loan appraisal, administration, and control process.

Theme 4 involved technological adoption and employee development, which are significant to the success of MFIs in Nigeria. Eight participants emphasized using advanced technologies and e-banking to facilitate service delivery and increase the financial inclusion of women and unbanked populations. Deposits have increased after the introduction of Internet banking. This shows a strong correlation between technological investment and broader service accessibility. In addition, staff training and supervision were important to improve service quality and ensure employees could effectively use new technologies. Developing employee competencies in digital systems was essential for maximizing the benefits of technological upgrades and achieving operational efficiency in the institutions.

From the responses that supported, this theme clearly showed that leveraging advanced technologies and e-banking platforms plays a pivotal role in improving service delivery and driving financial inclusion, particularly among women and unbanked populations who often face barriers to accessing traditional banking services. The adoption of mobile banking applications, digital wallets, and biometric verification systems enables MFIs to extend their reach, streamline transactions, and foster trust among underserved communities. Participants linked e-banking and advanced core systems to expanded outreach, especially for women and previously unbanked clients. Digital channels can reduce access frictions and are associated with stronger performance monitoring and deposit mobilization (Kara et al., 2021). Work on technology use in MFIs and SMEs also describes efficiency gains that support growth in balances and activity (Omokhoa et al., 2024). Related analyses show that data-driven oversight contributes to performance improvements as digital adoption matures (Ting et al., 2025). Empirical evidence has shown a positive correlation between technological investments and increased customer deposits, as digital channels provide clients with more convenient, secure, and transparent ways to save and transact. However, the effectiveness of these innovations depends on equipping staff with adequate training, technical supervision, and continuous capacity development to ensure proper utilization and minimize operational risks. By combining technology with skilled human capital, MFIs can not only strengthen institutional performance but also create inclusive financial ecosystems that empower marginalized groups and enhance long-term sustainability.

Theme 5: Customer Education through Corporate Social Responsibility

The focus of the fifth theme was how customer education and CSR initiatives helped directors of microfinance banks to remain relevant in Nigeria. Participants also mentioned that training customers in money management was crucial because most people did not have basic financial literacy skills. P2 said most clients found it hard to differentiate business money from private money. The bank developed training programs for people to learn how to handle business money properly. By equipping clients with financial literacy skills, MFIs reduce the risk of loan default and empower individuals to make informed financial decisions that support long-term economic stability. Educating customers on the difference between personal and business finances encourages responsible borrowing, better cash flow management, and improved creditworthiness. These skills extend beyond individual impact, enhancing household financial planning and encouraging reinvestment in local businesses, collectively supporting broader community development. As clients apply their knowledge, they are more likely to maintain successful businesses, contribute to employment, and support community resilience. P2 said:

> Since we have discovered that, the way you give them money, they find it difficult to differentiate between business money and private money, so we developed business training for them to expose their knowledge towards how they can handle their money. For example, we made them understand that if we have a shop, maybe the person is selling provisions. Most families can pick one of the products and eat or drink anytime they're hungry.

Participating in corporate social responsibilities also helped raise awareness and build a positive reputation for MFIs. For example, P4 talked about engaging with the local community schools and supporting them where there is a challenge. Other impact areas include health, conducting training, awareness campaigns, and seminars. P4 said:

> Yes, corporate responsibility, we are working in a community, within, with people. Yes, for us, we have schools, we attend schools. We attend, and we also support them. There's an issue of power breakdowns, outages, and cost issues. It is okay. “What is the cost?” We also see how we can solve it for them. Then, we take the program to maybe a festive period. We also support the communities. I see that we have impacts, apart from the financial impacts, training, health, awareness, and seminars.

P6 mentioned that their microfinance bank provided customers with health insurance coverage. If the policyholder or their children fall sick, they can get treatment.

Microfinance banks have positioned themselves as financial institutions and firms that care for their clients. P6 said:

> So, we have an arm in LAPO that provides health insurance for the clients so that when they fall sick or their children get sick, they just go to the hospitals, submit their policy number given to them by LAPO, and get the treatments they need. LAPO is just beyond financial. If you look at it from the outside, what you see is a loan. But when you come in, you will see a system that is interconnected, and it is mind-blowing.

The fifth theme highlighted the importance of customer education and CSR for microfinance banks in Nigeria. It has been noted that proper training in money management is needed since most customers do not manage to separate business and personal money. CSR practices such as "giving back to the schools within their communities and providing health insurance" have helped these institutions build goodwill and gain wider acceptance within society." P6 also mentioned that microfinance banks had positioned themselves as entities that care for their clients, not just financial institutions.

From the insights gained from this theme, financial literacy training is essential for equipping customers with the knowledge to distinguish business finances from personal funds, a skill that directly influences repayment discipline and long-term entrepreneurial success. By embedding financial education within their operations, MFIs can strengthen customer decision-making and reduce default risks. Directors highlighted CSR initiatives such as support for local schools, targeted health programs, and client health insurance. These activities build goodwill and trust, which can translate into loyalty and responsible credit use (Sauer & Seuring, 2023). Evidence on CSR strategy and performance further suggests reputational gains and stakeholder alignment when initiatives are integrated with core services (Hamed et al., 2025). Studies of microfinance and livelihood outcomes add that client-oriented supports can reinforce inclusion, particularly for women and low-income households (Hasan et al., 2025; Putnam et al., 2004). In addition, Corporate Social Responsibility (CSR) initiatives such as supporting local schools, sponsoring community health programs, and providing affordable health insurance create significant social value while reinforcing institutional credibility. These initiatives not only foster goodwill and trust among communities but also enhance the reputation of MFIs as socially responsible entities committed to holistic development. Ultimately, integrating customer education with CSR builds stronger client relationships, improves financial performance, and positions MFIs as key partners in both economic and social advancement.

Business Contributions and Recommendations for Professional Practice

One of the key thematic findings, capital adequacy and asset management, directly impacts reducing poverty and enhancing financial access. MFIs that maintain sufficient capital buffers are better equipped to manage liquidity shocks and expand their lending capacity to underserved groups, especially rural entrepreneurs and low-income households. Ensuring capital adequacy enables institutions to extend microloans consistently, even during economic downturns, thus sustaining livelihoods and reducing income vulnerability. Additionally, sound asset management practices, such as portfolio diversification and effective loan monitoring systems, reduce default risks and ensure long-term viability of MFIs. These practices ultimately enable MFIs to serve high-risk clients without jeopardizing their financial sustainability, thus fostering inclusive economic participation (Kayembe et al., 2021; Rutanga et al., 2021).

To maintain adequate capitalization and attain quality assets, MFIs should have sound strategies for managing risky assets. These strategies involve periodic assessment of borrowers' creditworthiness, portfolio diversification so that losses get hedged, well-defined criteria for lending, detailed due diligence, an efficient monitoring system, tracking loan performance, early identification of signs of distress, and enabling early interventions. By emphasizing managing assets and maintaining adequate reserves, MFIs can reduce the likelihood of bad debt and attain financial stability.

Group lending strategies have been crucial in improving the repayment rate manifold, besides eliciting a communal feeling among borrowers. Fisseha (2025) suggested that peer pressure within such groups encourages regular repayments, which are key to the financial stability of MFIs. This model thus finds its special applicability, especially in the rather deprived markets, when other lending mechanisms may either not work out or prove cumbersome. Embedding social dynamics within organizational processes and procedures increases organizations' financial sustainability while fostering much-needed inclusiveness.

Offering credit facilities has a crucial role in venture building, but MFIs must also balance the need for ownership dilution while raising outside capital. Instructing owners on the benefits of ownership dilution makes them understand that raising outside capital typically entails added resources, expertise, and market exposure, ultimately hastening their ventures. By balancing the need for financial support versus ownership dilution, MFIs enable owners to make well-informed decisions that result in longer-term sustenance and building, while still retaining their interests. Not only does this enhance the economic viability of ventures, but it also strengthens the economic environment.

Effective risk management and compliance are essential to the stability of MFIs, especially for loan applicants (Shi et al., 2023). Having life assurance coverage for borrowers is an essential measure to contain risks, guaranteeing the repayment of loans even in the event of untimely events, thus preventing default by the borrowers. Compliance with regulatory demands is also essential, enabling them to continue operation by maintaining licenses and building stakeholders' trust. These involve constantly updating protocols, performing audits, and educating personnel on regulatory requirements. By incorporating life assurance into the risk management system and complying with the law, MFIs can build stability, secure their assets, and facilitate financial stability in the community (Shi et al., 2023).

Financial inclusion in the pursuit of an increased customer base by organizations should remain a key objective. The study conducted by Mia et al. (2025) indicated that the chase for excluded groups, such as women and the disabled, would lead to increased access to financial services. Organizations can fill in the gap by creating branches in remote areas and customized financial products due to the business strategy of exclusion adopted by commercial banks. This commitment to inclusiveness is a form of social responsibility with new opportunities at hand.

Technological adoption is the foundation for advancement in service delivery and financial inclusion by MFIs (Okwuwada, 2023). By leveraging digital means and platforms, these institutions can automate processes, contain costs, and offer accessible financial products to an increased base. However, successful technological implementation relies on efficient employee development, and rigorous regimes of extensive training are essential to empower personnel with competencies enabling them to work across new systems and address clients. Employee training leads to increased operational effectiveness and fuels an innovative environment, whereby personnel can address shifting demands across markets while delivering increased customer satisfaction. Through this two-pronged approach, aimed at both technological utilization and employee development, there is advancement in service delivery coupled with increased financial inclusion.

Operational efficiency lies at the very heart of customer-centric organizations. Service delivery could improve with more technological advancements, and so would the customer experience. Participants confirmed their use of world-class banking software, supported by personnel training to better serve customers to a high-standard capacity, as Orichom and Omeke (2021) discussed. With investment in technological and human aspects, organizations can better optimize their ability to serve their clientele.

Corporate social responsibility activities can improve organizational reputation and stakeholder relationships with the community (Sauer & Seuring, 2023). The study conducted by Sauer and Seuring (2023) revealed that support for local schools and health initiatives builds goodwill and improves brand loyalty. Integrating customer education into microfinance processes is essential to facilitate efficient money management and financial competence among clients. By offering seminars, workshops, and accessible materials, financial entities can provide borrowers with the skills necessary to make intelligent financial decisions, ultimately gaining economic stability (Sauer & Seuring, 2023). CSR also plays an active role in creating community goodwill through efforts toward satisfying local demands, educational, health care, and environmental issues. Microfinance entities can further engage the people they cater to. This social commitment enhances the organization and builds trust and allegiance among clients, creating an environment that serves the organization and society.

Implications for Social Change

Based on the data analysis, I identified project findings that suggest important implications for social change, especially regarding financial inclusion. MFIs can focus on targeting vulnerable groups, including women and people with disabilities, by economically empowering them. Economic empowerment means improving individuals' livelihoods and fully participating in economic activities, thereby developing communities, and reducing poverty (Mia et al., 2025). Positive social changes can be initiated through job sustainability and community economic enhancement programs (Fisseha, 2025).

A customer-centered approach in MFIs could help build a sense of community and inclusiveness at the community level (Susilawati et al., 2025). By designing products that satisfy customers' specific needs, organizations can make their clientele feel they are part of something, building trust in them. This approach helps financial institutions through customer loyalty and strengthens community ties when people feel valued and understood (Susilawati et al., 2025). Group lending strategies also have profound implications for social change. MFIs can trigger a network of borrowers by encouraging peer support and accountability, motivating the other borrowers to repay the loans. Such a communal approach enhances repayment rates and increases community cohesion and collective responsibility (Orichom & Omeke, 2021). Group lending could bring better financial literacy and sound money management practices, which are crucial for long-term economic stability (Orichom & Omeke, 2021).

The commitment to CSR initiatives by MFIs can, therefore, be a strong driver of social change. Thus, these institutions could be involved in their communities' educational and health programs, with the added advantage of improving their brand reputation. This dual focus on financial services and community well-being can lead to a more equitable society where economic opportunities are accessible to all (Sauer & Seuring, 2023). Integrating CSR into the business strategy could create a self-reinforcing system that would benefit both the organization and the community (Sauer & Seuring, 2023).

The themes of loan strategies and risk management are equally significant in addressing poverty and improving financial access. Group lending models, for instance, lower administrative costs and enhance repayment through social collateral, allowing MFIs to serve low-income borrowers who typically lack traditional forms of collateral (Remer & Kattilakoski, 2021). When combined with performance-based loan structuring, MFIs can ensure both client retention and institutional revenue. Furthermore, robust risk management practices such as internal audits, compliance systems, and RegTech adoption help protect MFIs from fraud and regulatory penalties, enabling them to allocate more resources toward outreach activities. These strategies reduce operational fragility, promote stakeholder trust, and empower MFIs to scale financial services to marginalized populations, directly supporting poverty alleviation and financial inclusion (Mia et al., 2025; Shi et al., 2023).

Recommendations for Future Research

Future researchers can explore how microfinance will affect borrowers' financial literacy over the long term, especially in deprived areas. Although the current research focused on the short-term effects of access to microfinance, exploring how these financial services impact borrowers' understanding of financial management over time is extremely useful. Longitudinal studies could help obtain insight into whether initial financial education could mean sustained behavior change, further empowering individuals to make informed financial decisions.

Another area researchers could pursue in the future pertains to how different group lending models work across different cultural settings. Although the project revealed that peer pressure and accountability tend to raise repayment rates, there is room to discuss how these dynamics change across different social and cultural settings. Cultural understanding of the insights influencing group lending success allows the development of microfinance strategies in an approach that may suit a particular population. Therefore, such comparative studies could be done in other regions with different social structures for deep insight into optimizing lending practices.

Future researchers should also focus on integrating technology into microfinance services and its implications for social change. As digital financial solutions become increasingly common, it is important to determine how such innovations affect access, user experience, and financial outcomes for borrowers. Examining the barriers to technological adoption among underserved populations can help identify potential gaps in service delivery and provide insights into strategies for more inclusive financial solutions. This line of research may provide a better understanding of how technology can enhance the impact of microfinance initiatives on economic development.

Conclusion

The purpose of this qualitative pragmatic inquiry project was to explore the strategies that managers within MFIs in Nigeria used to ensure financial sustainability. In seeking a better understanding of MFIs' operational processes in this research project and documenting the experiences of MFI and CBN directors and staff, I applied a pragmatic inquiry design, consistent with the principles described by Ramanadhan et al. (2021), to uncover the complex hidden issues plaguing MFIs. I answered the research question to determine strategies that ensure financial sustainability among directors in Nigerian MFIs. After thematic analysis, following Braun and Clarke's six steps, five themes emerged that helped answer the research question. The five themes were: (a) capital adequacy and asset management, (b) loan strategies and ownership dilution, (c) risk management and compliance, (d) technological adoption and employee development, and (e) customer education and corporate social responsibility (CSR).

This project highlighted group lending methodologies, customer-oriented approaches, and social responsibility in enhancing microfinance institution performance. Microfinance can contribute to social change and financial empowerment through financial access and targeting poor and disadvantaged groups, such as persons with disabilities and female groups, in prioritizing financial access. Recommendations for future work include researching long-term microfinance impact on financial awareness, comparing group lending structures in various cultures, and assessing technology impact on service delivery and financial access in financial offerings.

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Appendix A: Interview Protocol

Project Title:
Exploring Strategies to Improve Financial Sustainability Among Microfinance Institutions in Delta State, Nigeria
Researcher:
Joseph N. Onyejose
Purpose of the Study:
The purpose of this qualitative pragmatic inquiry project was to explore the strategies that managers within microfinance institutions (MFIs) in Nigeria used to ensure financial sustainability.

1. **Preparation**
    - Secure informed consent prior to the interview.
    - Provide participants with interview logistics and expectations via email.
    - Test audio conferencing platform (e.g., Microsoft Teams, Zoom).
    - Confirm participant understanding of confidentiality and voluntary participation.
    - Ensure recording devices are functional and data security measures are in place.
2. **Introduction (Scripted)**
    - "Thank you for agreeing to participate in this interview. My name is Joseph Onyejose, and I am conducting this research as part of my doctoral project at Walden University. This project aims to understand the strategies used by microfinance directors to ensure financial sustainability. Your identity will remain confidential, and you may withdraw from the interview at any time. Do I have your permission to begin recording?"
3. **Background Questions**
    - Can you please describe your current role in your organization?
    - How many years of experience do you have in the microfinance sector?
4. **Core Interview Questions**
    1. What strategies have you used to improve the financial sustainability of your MFI?
    2. How do you balance financial goals with your institution's social mission?
    3. What challenges have you encountered in implementing financial sustainability strategies?
    4. What role does leadership play in driving financial sustainability in your organization?
    5. How have regulations from the Central Bank of Nigeria affected your sustainability practices?
    6. What internal governance structures do you use to ensure accountability and performance?
    7. What role does technology play in your sustainability efforts?

8. How do you measure success in achieving financial sustainability?
9. Can you describe any innovative practices that have helped your MFI remain sustainable?
10. What recommendations would you offer to other MFI directors seeking sustainability?

5. **Probes and Follow-Up Prompts**
   - "Can you provide an example of that?"
   - "What was the outcome?"
   - "How did you address that challenge?"
   - "What lessons did you learn from that experience?"
6. **Conclusion**
   - Thank the participant for their time and insights.
   - Confirm next steps (e.g., potential follow-up for clarification, member checking).
   - Reiterate confidentiality and offer to share a summary of findings upon project completion.
7. **Post-Interview Notes**
   - Record field notes regarding nonverbal cues, tone, or notable pauses.
   - Document any technical issues or key contextual observations.
   - Reflect on researcher bias or influence during the interview.