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Do social enterprises walk the talk? Assessing microfinance performances with mission statements

Roy Mersland [a,*], Samuel Anokye Nyarko [b], Ariane Szafarz [c]

[a] University of Agder, School of Business and Law, Universitetsveien 19, 4604, Kristiansand, Norway
[b] University of Agder, School of Business and Law and Université Libre de Bruxelles (ULB), SBS-EM, CEB, and CERMi, Avenue F. D. Roosevelt 50, 1050, Brussels, Belgium
[c] Université Libre de Bruxelles (ULB), SBS-EM, CEB, and CERMi, Avenue F. D. Roosevelt 50, 1050, Brussels, Belgium

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ABSTRACT

We study mission drift in social enterprises by examining whether these organizations stick to the *actual* mission enshrined in their mission statements. We use data from microfinance organizations (MFOs), a homogeneous group of social enterprises which have been scrutinized—and sometimes criticized—for mission drift. We focus on three publicly recognized and non-mutually-exclusive microfinance social missions identified by previous studies: poverty alleviation, women's empowerment, and rural financial inclusion. Based on hand-collected data from 199 MFOs worldwide, our results suggest strong coherence between social missions and actual practices. Hence, we argue that, with respect to MFOs' own stated social missions, mission drift is no serious concern. The trustworthiness of social mission statements makes them suitable evaluation tools for social enterprises.

1. Introduction

Social enterprises (or hybrid organizations) couple logics from conventional business and social welfare (Pache and Santos, 2013; Stevens et al., 2015; Zahra et al., 2009). Recently, scholars have raised concerns that social enterprises can experience "mission drift" by losing sight of their social mission in pursuit of financial sustainability or profit (Cetindamar and Ozkazanc-Pan, 2017; Ramus and Vaccaro, 2017). Mission drift poses a severe risk to the fulfillment of social enterprises' raison d'être of creating social value (Ebrahim et al., 2014). In this paper, we focus on a unique and relatively homogeneous set of social enterprises: microfinance organizations (MFOs) (Battilana and Dorado, 2010). MFOs seek to pursue developmental goals by providing financial services to poor and marginalized populations (Armendáriz and Morduch, 2010; Morduch, 1999). The microfinance industry provides an interesting setting for

* Corresponding author.
E-mail addresses: roy.mersland@uia.no (R. Mersland), samuel.nyarko@ulb.ac.be (S.A. Nyarko), aszafarz@ulb.ac.be (A. Szafarz).

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examining mission drift in social enterprises.

The topic of microfinance mission drift is still controversial. It can be understood in two ways. The first is when MFOs diverge from desired social outcomes over time. They become increasingly commercial and serve less-poor clients (Augsburg and Fouillet, 2010; Hermes et al., 2011).[1] Previous studies tackle microfinance mission drift from this standpoint (Mersland and Strøm, 2010; Cull et al., 2007; Copestake, 2007; D'Espallier et al., 2017a; Beisland et al., 2018). The second interpretation of mission drift is when MFOs deviate from their own stated mission(s). This bottom-up approach is new to the microfinance literature and has the merit of being aligned with the literature on mission drift in social enterprises (Cetindamar and Ozkazanc-Pan, 2017). Thus, contrary to the frequent assumption that all MFOs pursue the same mission(s), we argue that inquiry into mission drift starts with an examination of what MFOs themselves advertise as their main mission and continues with an examination of whether MFOs "walk the talk." Accordingly, we test for the occurrence of microfinance mission drift by comparing the content of the mission statements of MFOs with their actual social performances. Evidence abounds on the diversity of MFO characteristics, including size, location, clientele, products, and legal status. This paper argues that the one-mission-fits-all approach to mission drift is unsuitable for MFOs. Like other social enterprises (Bagnoli and Megali, 2011; Kaplan, 2001), MFOs should be judged by their accomplishments of their mission(s) as mentioned in their mission statements. This approach to mission drift acknowledges that MFOs pursue social objectives for which they have the resources and strategic competence (Roberts, 2013; Bart and Baetz, 1998).

A mission statement defines the purpose of an organization. It represents the most symbolic enunciation of organizations' raison d'être, as it "distinguishes one organization from other similar enterprises" (David, 1989, p. 90). As such, it is an important tool for targeting a market, planning, setting financial priorities, and assigning tasks (Moss et al., 2011; Palmer and Short, 2008). Mission statements drive organizational processes and outcomes, including strategy (Bart, 1997), performance (Bartkus et al., 2006; Bart and Baetz, 1998), stakeholder management (Bartkus and Glassman, 2008), and corporate ethos and identity (Williams, 2008). Although Armendariz and Szafarz (2011) provide some examples of missions claimed by MFOs, microfinance mission statements are still largely uncharted both in the social-enterprise literature and in the microfinance literature. To address the topic, we rely on the assumption that, like other organizations, MFOs craft their mission statements to reflect what they consider important principles to guide their actions (Peyrefitte and David, 2006). Thus, we assert that an MFO is at risk of mission drift if it significantly deviates from its stated social purpose in its mission statement. On the other hand, we assert that if an MFO remains loyal to its stated social mission(s) it cannot be justifiably accused of mission drift. By the same token, we refrain from criticizing MFOs for not doing something they did not set out to do.

We use a cross-country dataset comprised of 199 MFOs from 59 developing countries. Based on standard procedures, the content analysis of the mission statements focuses on the three social missions most commonly reported in the microfinance literature (Armendáriz and Morduch, 2010; D'Espallier et al., 2013b; Gutierrez-Nieto and Serrano-Cinca, 2018): poverty alleviation, women's empowerment, and rural financial inclusion. We gain statistical robustness by matching—when feasible—a single mission to multiple outcome variables, which leads us to estimate six models. The results show a significant coherence between what MFOs say in their mission statements and what they do in practice, suggesting that the social missions of MFOs are trustworthy. This is good news for donors and subsidy providers. Our findings dispel existing fears of mission drift in MFOs. From a methodological perspective, this study broadens the existing theoretical framework on microfinance mission drift.

The paper is organized as follows. Section 2 presents the data, methodology, and hypotheses. Section 3 discusses the empirical findings and Section 4 concludes.

2. Data, methods, and hypotheses

We benefited from access to original data on MFO social ratings supplied by specialized rating agencies: MicroRate, Microfinanza, and Planet Rating. These independent agencies offer MFOs an opportunity to undergo an assessment of their social performance management. While data from rating agencies may not perfectly represent the whole microfinance industry, they do provide a fairly representative picture of the larger players in the field (D'Espallier et al., 2013a; Mersland and Strøm, 2009). In contrast to other sources of self-reported microfinance data (e.g., MIX Market), rating agencies release data audited by third parties (Mersland et al., 2011; Hudon and Traca, 2011).

Our unique dataset covers 199 MFOs from 59 countries. The mission statements were taken from 2007 to 2014 rating reports with about 84% of them relating to 2008–2011. All performance and control variables relate to this eight-year period. We focus on the fulfillment of the three most commonly claimed microfinance missions: poverty alleviation, women's empowerment, and rural financial inclusion (Armendáriz and Morduch, 2010; Gutierrez-Nieto and Serrano-Cinca, 2018). Fig. 1 shows the standard proxies used in the literature to test the fulfillment of these missions, and so provides the hypothesized relationship between the missions contained in the mission statements and the actual practices of MFOs.

The first column of Fig. 1 lists the social missions: poverty alleviation, women's empowerment, and rural financial inclusion. The second column of Fig. 1 shows the associated proxies, and the third column cites previous studies that use these proxies. Poverty

[1] It is commonly argued that commercialization infuses market logics and projects' economic rationales and subsequently break down the social ethos by which MFOs operate (Kent and Dacin, 2013). This argument is tied to the conflicting relationship between social enterprises' social and financial objectives (Gamble, 2018; Peredo and McLean, 2006; Wry and Zhao, 2018). Other studies, however, contend that commercialization is compatible with the social mandate of MFOs (Mersland and Strøm, 2010). This standpoint supposes that the objective of reaching financially excluded people is constant over time (Schreiner, 2002).

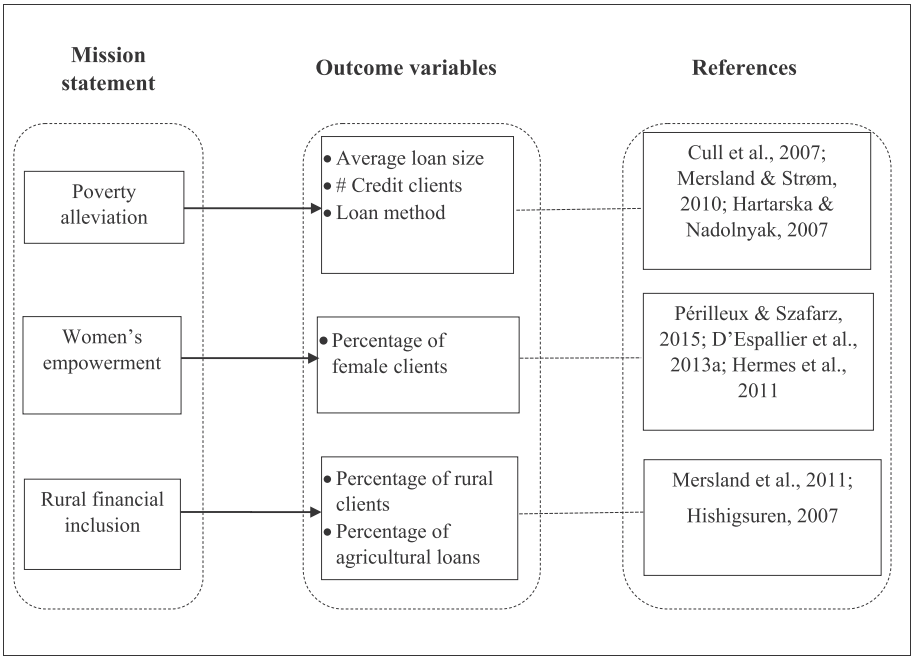

Fig. 1. Mission statement and outcome variables.

alleviation is typically assessed by average loan size (scaled by GNI per capita), number of credit clients, and group-based lending methods. Average loan size is commonly used by scholars and donors to approximate clients' poverty levels, also known as the depth of outreach (Xu et al., 2016; D'Espallier et al., 2017b).[2] The number of active credit clients is a proxy for the *breadth* of outreach of MFOs (Schreiner, 2002; Hartarska and Nadolnyak, 2007). The last proxy for poverty alleviation is the use of group-based lending methods (Cull et al., 2007; Mersland and Strøm, 2010). Using these variables, we hypothesize that:

Hypothesis 1. MFOs do not deviate from their mission statement claiming to alleviate poverty if they give out smaller average loans, have a higher number of credit clients, and are more likely to adopt group-based lending methods, compared to their counterparts without this mission.

The next social mission of interest is women's empowerment, which is accomplished by giving priority to female borrowers. The percentage of females in the MFO's clientele is the corresponding proxy (Périlleux and Szafarz, 2015; Hermes et al., 2011). We therefore hypothesize that:

Hypothesis 2. MFOs do not deviate from their mission statement claiming to empower women if they serve a higher percentage of females, compared to their counterparts without this mission.

The third social mission is rural financial inclusion. The literature supplies two measurable proxies for this orientation: the percentage of rural clients and the supply of agricultural loans (Mersland et al., 2011; Hishigsuren, 2007). Since most rural people rely on agricultural activities for livelihood (Berhane and Gardebroek, 2011), agricultural loans are more likely targeted at rural people (Hishigsuren, 2007). We therefore hypothesize that:

Hypothesis 3. MFOs do not deviate from their mission statement claiming to foster rural financial inclusion if they have a higher percentage of rural clients and are more likely to offer agricultural loans, compared to their counterparts without this mission.

To analyze the MFOs' mission statements, we followed the standard content analysis procedures used in previous studies (Williams, 2008; David, 1989; Pearce and David, 1987). Content analysis involves the use of systematic qualitative procedures for making inferences from a given text by identifying specific characteristics. Extant studies apply content analysis to mission statements to draw inferences on corporate identity (Moss et al., 2011; Williams, 2008; Leuthesser and Kohli, 1997), stakeholder management (Bartkus and Glassman, 2008), and strategy (Bart, 1997). Other studies such as David (1989), Pearce and David (1987), and Williams (2008) rely on content analysis methods to determine whether mission statements exhibit characteristics of certain key components (e.g., products and services). Their coding technique involves assigning a value of "1" if the mission statement demonstrates a given component and a value of "0" otherwise. We followed a similar methodology. Each mission statement was independently read and classified by two human

[2] Even though a small average loan size might be driven by specific lending practices such as cross-subsidization and progressive lending (Armendariz and Szafarz, 2011), it is still a standard measure of the social performance associated with poverty alleviation.

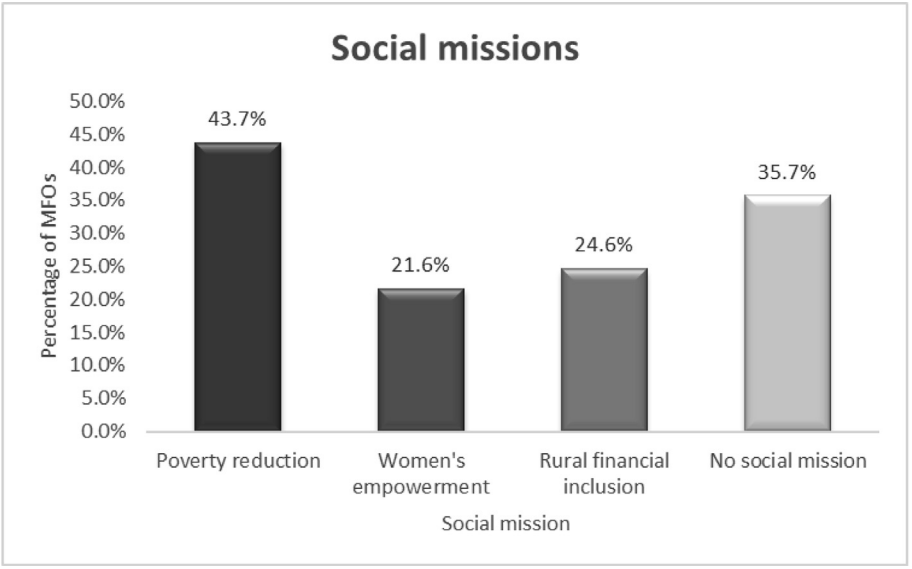

Fig. 2. Share of MFOs that State Each of the Social Missions in Their Mission Statements. Fig. 2 shows the percentage of MFOs that subscribe to each of the social missions or none at all. Note that some MFOs state multiple missions.

coders who are microfinance experts. The two experts evaluated the mission statements to assess if they were aligned with any of the three microfinance missions. We employed Cohen's kappa (Landis and Koch, 1977) to assess inter-coder reliability. Since we were dealing with three missions, we inferred inter-coder reliability by calculating a pooled kappa instead of simply averaging the individual kappas. Following the procedure of De Vries et al. (2008), we defined the pooled kappa as:

$$K_{Pooled} = \frac{\overline{P}O - \overline{P}E}{1 - \overline{P}E},$$

where $\overline{P}_O$ is the average observed agreement between the independent coders for all missions and $\overline{P}_E$ is the average agreement expected by chance. The observed pooled kappa was 0.7125 ($p < 0.01$), indicating significant nonrandom agreement between the coders and hence the coding was reliable for valid inferences (Landis and Koch, 1977). After this procedure, the coders conferred about the incongruities and resolved them together.

The content analysis shows that 43.7% of the MFOs claim to alleviate poverty, 21.6% claim to focus on women, and 24.6% claim to have a rural mission (see Fig. 2). Overall, 64.3% of the mission statements mention at least one of these social missions. Table 1 shows how different missions coexist in the same MFOs: 41.7% of the MFOs state a single mission, 19.6% state two missions, and 3% state all three social missions. A strikingly high number (35.7%) of the mission statements are silent about the three social missions.[3] These findings alone are of interest, particularly with respect to the microfinance literature, which typically measures social performance–and subsequently identifies mission drift–based on whether MFOs are strong in reaching out to female and rural customers. In fact, our results show that most MFOs do not give priority to these customer groups.

3. Empirical results

To assess the coherence between mission statements and actual practices of MFOs we proceed in two steps. First, we run a one-way analysis of variance (ANOVA) to compare the social performances of the MFOs stating a given mission simultaneously to their counterparts with either other social missions or with none of them. Second, we use either a linear or a probit regression model depending on the nature of the explained variable. The idea is to check whether mission statements explain the ex-post performances proxied by the outcome variables reported in Fig. 1, while controlling for the characteristics of MFOs that may influence social outcomes in MFOs, including age, size, portfolio-at-risk, legal status, regulatory regime, and region (Hartarska, 2005; Mersland et al., 2011; Zhao and Wry, 2016). We also account for the language in which the mission statements are drafted. Table 2 defines all the variables we use and shows their summary statistics.

[3] The mission statements that exclude the three social missions tend to focus on the type of product and service they offer and their target geographical market. Here is an example of such statement: "Our mission is to mobilize resources to maximize value by offering services, product and solutions appropriate to the market and to pioneer credit technology appropriate to Mozambican entrepreneurs."

Table 1
Breakdown of the mission statement components.

Missions	Percentage of MFOs	Subtotal (%)
One mission only		
Poverty	23.6	
Women	6.0	
Rural	12.1	**41.7**
Two missions		
Poverty + Women	10.1	
Poverty + Rural	7.0	
Women + Rural	2.5	**19.6**
All Three missions		
Poverty + Women + Rural	3.0	**3.0**
No Mission	35.7	**35.7**
Grand total	**100.0**	**100.0**

Table 2
Definition of variables and summary statistics.

Variable	Definition	Obs	Mean	Std. Dev	Min	Max
Independent variables: Social missions						
Poverty alleviation	1 if the MFO has a poverty alleviation mission and 0 otherwise	199	0.437	0.497	0	1
Women's empowerment	1 if female focus is expressed in mission statement and 0 otherwise	199	0.216	0.413	0	1
Rural financial inclusion	1 if MFO has a rural mission and 0 otherwise	199	0.246	0.432	0	1
No social mission	1 if the MFO states none of the above missions and 0 otherwise	199	0.357	0.480	0	1
Dependent variables: Outcomes						
Avg. loan to GNI/capita	Average loan size relative to GNI per capita (PPP adjusted)	196	0.221	0.306	0.011	2.147
# Credit clients	Total number of active credit clients	198	35739	57303.52	500	352592
Group-based lending	1 if group lending or village banking and 0 otherwise	198	0.717	0.452	0	1
Female clients (%)	Percentage of female clients	165	0.643	0.232	0.175	1
Rural clients (%)	Percentage of rural clients	151	0.494	0.317	0	1
Agric. Loan	1 if the MFO offers agricultural loans and 0 otherwise	187	0.642	0.481	0	1
Control variables						
Age	Age since MFO began microfinance activities	199	14.471	7.968	1	47
Size	Logarithm of total assets	199	16.215	1.290	12.736	19.438
PaR30	Proportion of gross loan portfolio that is overdue for 30 days or more	199	0.052	0.068	0	0.528
SHF	1 if MFO is shareholder-owned and 0 otherwise	199	0.417	0.494	0	1
NGO	1 if MFO is a nongovernmental organization and 0 otherwise	199	0.432	0.496	0	1
COOP	1 if MFO is a member-based cooperative and 0 otherwise	199	0.151	0.359	0	1
Regulation	1 if regulated by banking authorities and 0 otherwise	199	0.432	0.497	0	1
LAC	1 if in Latin America and Caribbean and 0 otherwise	199	0.397	0.491	0	1
SSA	1 if in Sub-Saharan Africa and 0 otherwise	199	0.246	0.432	0	1
ECA	1 if in Europe and Central Asia and 0 otherwise	199	0.106	0.308	0	1
SEAP	1 if in Southeast Asia and the Pacific and 0 otherwise	199	0.186	0.390	0	1
MENA	1 if in Middle East and North Africa and 0 otherwise	199	0.065	0.248	0	1
English	1 if mission statement is written in English and 0 otherwise	199	0.437	0.497	0	1
French	1 if mission statement is written in French and 0 otherwise	199	0.121	0.326	0	1
Spanish	1 if mission statement is written in Spanish and 0 otherwise	199	0.442	0.498	0	1

Tables 3–5 provide the ANOVA and regression results for the coherence between the proposed missions and the actual practices of MFOs.[4] In each table, panel A shows the ANOVA results[5] and inter-group tests of equal means (Scheffé, 1953; Weerahandi, 1995) and panel B shows the regression results. In the regressions, the specifications denoted by "(a)" include only the tested missions while the "(b)" specifications comprise all the possibilities, including the "no social mission" case.

In panel A of Table 3, the results show that the MFOs that claim to have a poverty alleviation mission have a significantly lower average loan size, a higher number of credit clients, and a higher propensity to use group-based lending methods–solidarity group lending and village banking, than their counterparts that state either other missions or none of the three missions. With group-lending, MFOs reach poorer clients than with individual lending (Mersland and Strøm, 2010; Cull et al., 2007). For all outcome variables, MFOs that align with other missions and those that state none of the social missions perform similarly. These findings are confirmed by the multivariate regression results displayed in panel B. The mission of poverty alleviation is significantly and negatively associated with

[4] Endogeneity arising from reverse causality is not a serious concern in our estimations since the mission statements we used predated the performance variables. For each MFO, we only considered performance information that related to the (end of the) year of the mission statement and thereafter. According to our checks, the mission statements remained unchanged throughout the sample period.

[5] The robustness of the ANOVA test results are confirmed with the Welch (1951) test.

Table 3
Poverty alleviation in mission statement and actual outreach.

Panel A: One-Way ANOVA

					Multiple comparisons		
Outcome variable(s)	Poverty alleviation	Other missions	No social mission	F statistic	Poverty alleviation vs. other missions	Poverty alleviation vs. no social mission	Other missions vs. no social mission
Avg. loan to GNI/cap	0.145	0.285	0.286	6.390***	−0.141**	−0.143***	−0.002
# lnCredit clients	9.979	9.398	9.267	5.983***	0.581*	0.712***	0.131
Group-based lending	0.837	0.585	0.648	5.902***	0.252**	0.189**	−0.063

Panel B: Regressions

Variables	Avg. loan to GNI/cap	Avg. loan to GNI/cap	# lnCredit clients	# lnCredit clients	Group-based lending	Group-based lending
	(a)	(b)	(a)	(b)	(a)	(b)
Mission statement						
Poverty alleviation	**−0.101****	**−0.092****	**0.559*****	**0.406****	**0.194*****	**0.249*****
	(0.047)	**(0.0469)**	**(0.131)**	**(0.174)**	**(0.067)**	**(0.086)**
Women's empowerment		0.027		0.205		0.149*
		(0.043)		(0.140)		(0.077)
Rural financial inclusion		0.042		−0.155		−0.007
		(0.041)		(0.163)		(0.092)
No social mission		0.061		−0.197		0.118
		(0.069)		(0.219)		(0.107)
Control variables						
Age	0.001	−0.004	0.007	0.008	0.014***	0.013***
	(0.005)	(0.0040)	(0.010)	(0.010)	(0.005)	(0.005)
Size	0.015	0.018	0.853***	0.843***	−0.038	−0.041
	(0.020)	(0.019)	(0.049)	(0.050)	(0.028)	(0.028)
PaR30	0.488	0.402	−2.965***	−2.912***	−0.389	−0.292
	(0.408)	(0.400)	(1.054)	(1.022)	(0.517)	(0.520)
NGO	0.003	0.018	−0.130	−0.154	0.010	0.007
	(0.046)	(0.044)	(0.150)	(0.151)	(0.097)	(0.097)
COOP	0.149**	0.135*	−0.374*	−0.449**	−0.072	−0.080
	(0.074)	(0.071)	(0.201)	(0.203)	(0.134)	(0.137)
Regulation	0.172**	0.152**	−0.389**	−0.368**	−0.108	−0.089
	(0.068)	(0.067)	(0.178)	(0.180)	(0.100)	(0.098)
Constant	−0.111	−0.126	−4.895***	−4.593***	2.185	2.064
	(0.290)	(0.297)	(0.762)	(0.804)	(1.497)	(1.563)
Regional dummies	Yes	Yes	Yes	Yes	Yes	Yes
Language dummies	Yes	Yes	Yes	Yes	Yes	Yes
Model statistics						
Observations	196	196	198	198	198	198
R^2/Pseudo R^2	0.204	0.213	0.702	0.709	0.169	0.185
F/Wald χ^2 statistic	4.41	4.27	40.42	33.91	37.78	36.09
Prob > F/χ^2	0.000	0.000	0.000	0.000	0.000	0.002

Table 3 assesses whether MFOs that claim to have a poverty-alleviation mission really do so in practice. Panel A and panel B show one-way ANOVA and regression results, respectively. See Table 2 for the definitions of variables. In Panel B, specifications (a) and (b) of group-based lending, the reported coefficients are the marginal effects of the probit regressions. Robust standard errors are in parentheses. *, **, and *** denote statistical significance at 0.1, 0.05, and 0.01, respectively.

average loan size and is significantly and positively associated with number of credit clients and use of group-based lending methods. These results support Hypothesis 1. Thus, MFOs that claim to pursue a poverty alleviation mission act accordingly.

In Table 4, panel A suggests significant differences between the three groups of MFOs. MFOs whose mission statement focuses on women have an impressive 80.5% of females in their clientele base. This is 20.5% higher than the share of female clients in MFOs that state other missions and 21.9% higher than for MFOs that state no mission. These differences are statistically significant at 1%. The figures in panel B confirm the results in panel A. The women's empowerment mission drives an increase in the percentage of female clients. A remarkable 19% increase in female clients resists the inclusion of control variables, such as geographic dummies, MFO characteristics, and even the other mission variables. Altogether, these results suggest that MFOs that claim to target and empower women really do so in practice, given their superior women-outreach performance. These results validate Hypothesis 2.

In Table 5, panel A shows that rural-focused MFOs have a significantly higher percentage of rural clients in their loan portfolios and are more likely to offer agricultural loans than their counterparts with either other missions or none. As much as 59.2% of the clients of rural-focused MFOs live in rural areas. Similarly, 83.7% of rural-focused MFOs offer agricultural loans, as compared to 61.6% of the MFOs that

Table 4
Women's empowerment in mission statement and actual women outreach.

Panel A: One-Way ANOVA

Outcome variable	Women's empowerment	Other missions	No social mission	F statistic	Multiple comparisons Women's empowerment vs. other missions	Women's empowerment vs. no social mission	Other missions vs. no social mission
Female clients (%)	0.805	0.600	0.586	14.473***	0.205***	0.219***	0.014

Panel B: Regressions

Variables	Female clients (%) (a)	Female clients (%) (b)
Mission statement		
Women's empowerment	**0.192*** **	**0.207*** **
	(0.035)	**(0.042)**
Poverty alleviation		0.061
		(0.047)
Rural financial inclusion		−0.009
		(0.052)
No social mission		0.0547
		(0.058)
Control variables		
Age	−0.0004	−0.0004
	(0.0022)	(0.002)
Size	−0.003	−0.003
	(0.014)	(0.014)
PaR30	−0.837***	−0.822***
	(0.250)	(0.245)
NGO	0.003	−0.002
	(0.044)	(0.046)
COOP	−0.120**	−0.117*
	(0.058)	(0.061)
Regulation	−0.067	−0.071
	(0.049)	(0.049)
Constant	0.551**	0.510**
	(0.215)	(0.224)
Regional dummies	Yes	Yes
Language dummies	Yes	Yes
Model statistics		
Observations	165	165
R^2	0.435	0.446
F statistic	13.92	10.99
Prob > F	0.000	0.000

Table 4 assesses whether MFOs that claim to have a women's empowerment mission really do so in practice. Panel A and panel B show one-way ANOVA and regression results, respectively. See Table 2 for the definitions of variables. Robust standard errors are in parentheses. *, **, and *** denote statistical significance at 0.1, 0.05, and 0.01, respectively.

state other missions and 53% of the mission-free ones. Panel B of Table 5 delivers a general picture confirming the results in panel A. The mission of rural financial inclusion is positively associated both with serving rural clients and with supplying agricultural loans. The results suggest that MFOs that claim to target rural populations make every effort to do so. These results validate Hypothesis 3.

Overall, the results of the three tables suggest that the actual practices of MFOs mirror their stated missions. The estimations of the specifications (b) confer robustness to our results. Even though social missions are related since the world's poor and financially excluded populations comprise a majority of women (Agier and Szafarz, 2013; Garikipati et al., 2017) as well as a disproportionate share of rural dwellers (Marr, 2012), our results show that outcome variables relate directly to their corresponding missions, and less so to other missions. There are, however, a few exceptions. First, one proxy for poverty alleviation, group-lending, is positively influenced by the women's empowerment mission. Second, the poverty-alleviation mission has a significantly positive impact on the percentage of rural clients. Third, women-focused MFOs serve less rural dwellers but are likely to offer agricultural loans.

As Table 1 shows, MFOs actively combine missions. We conduct a further analysis with interaction terms to assess whether MFOs can concurrently fulfill dual missions. In the new regressions, “no social mission” is the omitted reference variable. The results reported in Table 6 suggest that MFOs struggle to excel in expected outcomes when pursuing dual social missions. Unexpectedly, the interaction between the missions of poverty alleviation and women's empowerment has a positive impact on average loan size. Thus, when MFOs combine these two missions, they may end up serving fewer very poor clients. Fig. 3 illustrates the interaction effect between poverty alleviation and women's empowerment. In Graph A where the response variable is average loan size, MFOs that combine the two missions give out bigger loans than their counterparts do. Additionally, Graph B shows that MFOs that combine the two missions reach out to more women. Perhaps, there is a trade-off between the two social missions in the sense that MFOs focusing on empowering

Table 5
Rural focus in mission statement and actual rural outreach.

Panel A: One-Way ANOVA

Outcome variable(s)	Rural financial inclusion	Other missions	No social mission	F statistic	Multiple comparisons Rural financial inclusion vs. other missions	Rural financial inclusion vs. No social mission	Other missions vs. No social mission
Rural clients (%)	0.592	0.467	0.444	3.528**	0.143*	0.167**	0.023
Agricultural loans	0.833	0.616	0.530	5.990***	0.217**	0.303***	0.086

Panel B: Regressions

Variables	Rural clients (%)	Rural clients (%)	Agricultural loans	Agricultural loans
	(a)	(b)	(a)	(b)
Mission statement				
Rural financial inclusion	**0.116****	**0.145****	**0.249*****	**0.294*****
	(0.057)	**(0.071)**	**(0.068)**	**(0.113)**
Poverty alleviation		0.112*		−0.049
		(0.067)		(0.109)
Women's empowerment		−0.205***		0.313***
		(0.066)		(0.081)
No social mission		−0.027		0.116
		(0.092)		(0.139)
Control variables				
Age	0.001	0.004	0.003	0.005
	(0.004)	(0.004)	(0.005)	(0.005)
Size	−0.005	−0.0144	0.028	0.032
	(0.026)	(0.026)	(0.032)	(0.033)
PaR30	−0.033	−0.269	−0.326	−0.168
	(0.327)	(0.302)	(0.505)	(0.521)
NGO	0.095	0.033	0.025	−0.033
	(0.069)	(0.074)	(0.104)	(0.113)
COOP	0.164*	0.080	−0.019	−0.018
	(0.091)	(0.092)	(0.139)	(0.143)
Regulation	0.052	0.042	−0.039	−0.063
	(0.079)	(0.076)	(0.103)	(0.104)
Constant	0.589	0.689	0.286	−0.313
	(0.411)	(0.434)	(1.500)	(1.661)
Regional dummies	Yes	Yes	Yes	Yes
Language dummies	Yes	Yes	Yes	Yes
Model statistics				
Observations	151	151	151	187
R^2/Pseudo R^2	0.136	0.184	0.136	0.153
F/Wald χ^2 statistic	2.49	0.184	2.49	40.08
Prob > F/χ^2	0.004	0.000	0.004	0.000

Table 5 assesses whether MFOs that claim to have a mission of rural financial inclusion really do so in practice. Panel A and panel B show one-way ANOVA and regression results, respectively. See Table 2 for the definition of variables. In Panel B, specifications (a) and (b) of agricultural loans, the reported coefficients are the marginal effects of the probit regressions. Robust standard errors are in parentheses. *, **, and *** denote statistical significance at 0.1, 0.05, and 0.01, respectively.

women find it more challenging to reach out to the very poor. Serving women is as costly as serving the poorest of the poor (D'Espallier et al., 2013a; Navajas et al., 2000). To be sustainable, MFOs may be cross-subsidizing between poor and less-poor clients when pursuing both missions contemporaneously.

The coefficients for the interaction terms in the remaining estimations are insignificant and have inconsistent signs. Several reasons could account for this. First, subscribing to multiple missions could potentially blur the overarching strategic goal of the organization. In such a case, the missions may be less useful to garner the commitment of organizational members. Secondly, when MFOs multitask by combining missions, they may fail to build competence in achieving optimal outcomes in either, thus becoming "a jack of all trades but a master of none." This is more likely to occur when management information systems are ill suited to face compelling demands from each of the combined missions.

4. Conclusion

This study revisits the controversy on mission drift in social enterprises from the novel perspective of mission statements. Our bottom-up analysis contributes to the literature by dispelling existing fears of mission drift in MFOs (Mersland and Strøm, 2010; Hishigsuren, 2007; Cull et al., 2007) since our findings suggest a strong coherence between the mission statements and the ex-post

Table 6
Combined missions in mission statement and actual outreach performance.

Variables	Avg. loan to GNI/cap	# lnCredit clients	Group-based lending	Female clients (%)	Rural clients (%)	Agricultural loans
	(1)	(2)	(3)	(4)	(5)	(6)
Mission statement						
Poverty alleviation	−0.171***	0.607***	0.571*	−0.016	0.179**	0.419
	(0.063)	(0.174)	(0.310)	(0.045)	(0.075)	(0.268)
Women's empowerment	−0.156***	0.520**	0.476	0.155***	0.081	−0.472
	(0.059)	(0.239)	(0.456)	(0.0547)	(0.118)	(0.472)
Rural financial inclusion	−0.087	−0.022	−0.658**	−0.049	0.200***	0.732**
	(0.066)	(0.184)	(0.309)	(0.045)	(0.077)	(0.347)
Poverty × Women	0.206***	−0.370	−0.434	0.091	−0.182	0.514
	(0.073)	(0.264)	(0.576)	(0.073)	(0.131)	(0.584)
Poverty × Rural	0.111	−0.015	0.773	0.072	−0.095	0.695
	(0.080)	(0.260)	(0.523)	(0.077)	(0.115)	(0.591)
Women × Rural	0.093	−0.147	0.929	−0.060	−0.190	−0.181
	(0.101)	(0.306)	(0.702)	(0.095)	(0.133)	(0.630)
Control variables						
Age	−0.001	0.008	0.048***	−0.001	0.004	0.011
	(0.005)	(0.010)	(0.016)	(0.002)	(0.004)	(0.015)
Size	0.022	0.840***	−0.128	−0.003	−0.018	0.091
	(0.020)	(0.050)	(0.094)	(0.014)	(0.028)	(0.096)
PaR30	0.547	−2.898***	−0.607	−0.836***	−0.097	−0.532
	(0.403)	(1.043)	(1.742)	(0.246)	(0.315)	(1.513)
NGO	0.019	−0.166	−0.034	0.007	0.051	−0.027
	(0.048)	(0.152)	(0.326)	(0.046)	(0.075)	(0.316)
COOP	0.191**	−0.482**	−0.396	−0.103*	0.121	0.032
	(0.081)	(0.209)	(0.412)	(0.061)	(0.099)	(0.404)
Constant	−0.148	−4.738***	2.366	0.569**	0.679	0.053
	(0.292)	(0.768)	(1.525)	(0.219)	(0.426)	(1.566)
Regional dummies	Yes	Yes	Yes	Yes	Yes	Yes
Language dummies	Yes	Yes	Yes	Yes	Yes	Yes
Model statistics						
Observations	196	198	198	165	151	187
R-squared	0.231	0.711	0.202	0.454	0.195	0.160
F/Wald χ^2 statistic	3.56	30.32	46.19	10.18	2.92	41.13
Prob > F/χ^2	0.000	0.000	0.000	0.000	0.000	0.001

The regressions assess whether MFOs combining two missions excel in the outcomes relating to the missions. See Table 2 for the definitions of variables. Robust standard errors are in parentheses. *, **, and *** denote statistical significance at 0.1, 0.05, and 0.01, respectively.

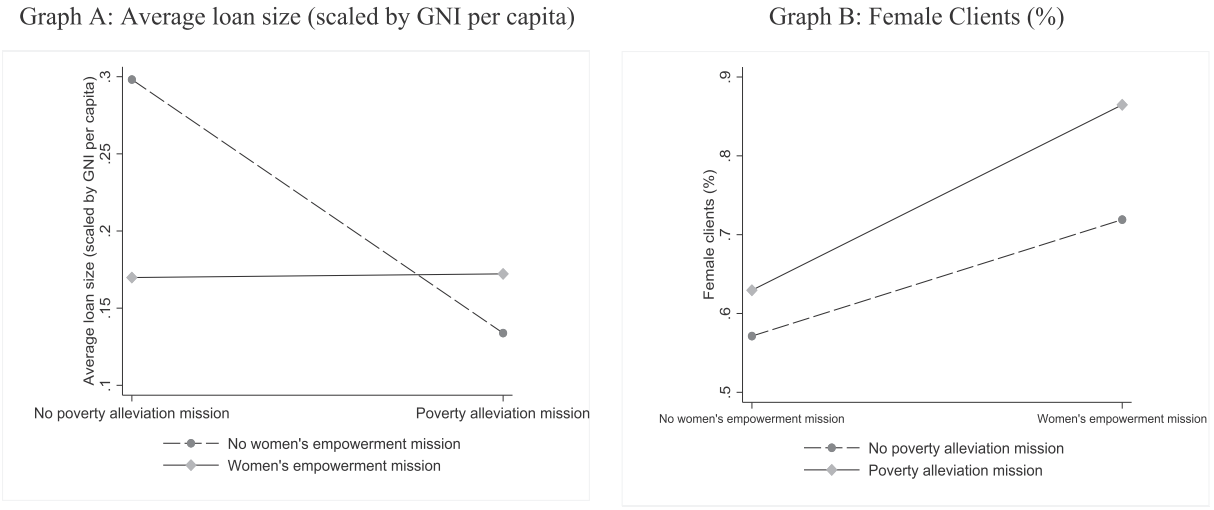

Fig. 3. Impact of combined missions on poverty alleviation and on Women's empowerment.

practices of MFOs. Specifically, we estimate the impacts of the three well-recognized social missions of microfinance—poverty alleviation, women's empowerment, and rural financial inclusion—on a collection of outcome variables acting as proxies for the fulfillment of a given mission. We obtain uniform consistency between each stated mission and its corresponding outcome variable(s). The findings therefore suggest that MFOs strictly observe the social goals they have publicly declared to pursue in their mission statements. In short,

they "walk the talk."

Measuring mission drift is as difficult as measuring social impact (Mair and Marti, 2006). But the advantages of using mission statements go beyond the issue of mission identification. Perhaps, if policy makers and other stakeholders in the industry would eschew unified approaches of "mission" and would focus instead on what MFOs are saying in their mission statements, there would be less fear of mission drift than currently prevails. This change of attitude through acknowledging that there is increasing diversity in the microfinance industry could create a virtuous circle: better-informed stakeholders, equipped with trustworthy mission statements, could make wiser decisions—on giving, investing, and collaborating—and thereby impose external discipline on MFOs to stick with their stated missions.

Contrary to conventional wisdom, our results show that not all MFOs claim to focus on either women or rural people, nor even on poverty alleviation. The low correlations between the social missions pinpoint mission heterogeneity. Future studies should consider extending our work to other types of social enterprises, such as the Work Integration Social Enterprises (WISEs) and the Fair Trade Social Enterprises (FTSEs) (Battilana et al., 2015; Mason and Doherty, 2016). The universe of social enterprises is known to be rife with much complexity. Most social enterprises signal their goals to stakeholders by publicizing mission statements. Trustworthy missions are key to addressing the informational asymmetries plaguing the socially oriented economic sector. Therefore, mission statements of social enterprises are critical for legitimacy and accountability purposes. Stakeholders in social enterprises ought to take into account mission statements during performance monitoring and evaluations.

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