Ownership type and the triangle of microfinance: empirical evidence from Indonesia microfinance institutions

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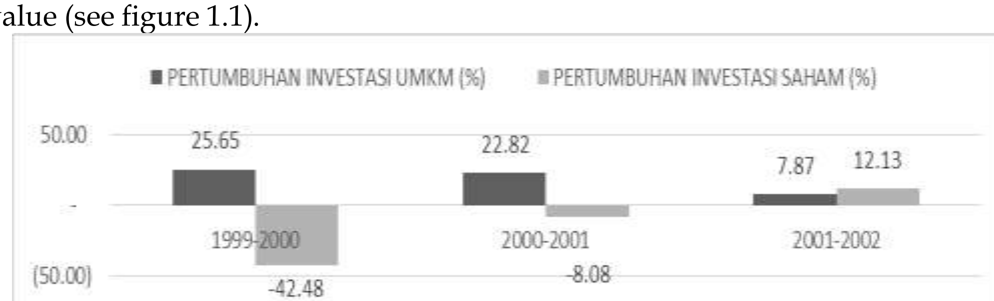
Abstract

This study examines empirically, the influence of ownership-type on microfinance institutions' (MFIs) performance by using The Triangle of Microfinance model. This research uses three sample groups i.e. MFIs owned by government, non-bank financial institutions (NBFI), and private parties outside of financial institutions such as universities and foundations. Each group taken as many as 30 MFIs and tested its performance disparity. This research is interesting to be done because no researches in Indonesia use The Triangle of Microfinance as a performance assessment model for MFIs. The model introduces MFIs performance proxied by three variables i.e. outreach, financial sustainability, and welfare impact. MFIs' performance based on the three ownership groups will be tested to whether there are disparity in outreach, financial sustainability, and welfare impact amongst MFIs. Normality tests using Kolmogorov-Smirnov test and the results indicate the data normally distributed. According to ANOVA test, the results show outreach, financial sustainability, and welfare impact is different amongst MFIs. The conclusion of this study is the ownership type has an impact on the MFIs' performance, because ownership is an element of governance.

Introduction

Indonesia is one of the many developing countries that have serious problems with poverty and continue to develop poverty reduction programs based on a report published by Citi Foundation (2009). The poverty rate in Indonesia is increasing due to the monetary crisis in 1998, where many of the rich to be poor. Monetary crisis in 1998 had a negative impact on the financial investment in Indonesia. Post the crisis, the Indonesian public investment changes of financial investment into real investment, because public confidence in the financial investment decreased and otherwise increased real investment. The level of public confidence in real investment is characterized by micro small medium enterprises (MSMEs) which have positive growth compared with investment in financial products such as shares that have negative growth value (see figure 1.1).

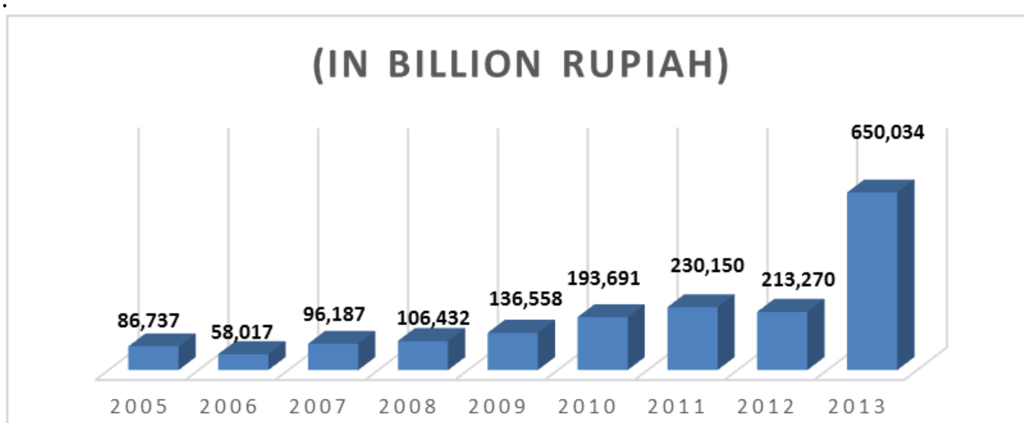


Source: Indonesia Stock Exchange &Ministry of Cooperatives and SMEs
Figure 1.1. Investment Flow to MSMEs and Stock Market in Indonesia

There is another event in addition to the monetary crisis in 1998, the global crisis of 2008. During the crisis in 1998 and 2008, the people of Indonesia are mostly invested finances on financial products such as stocks but experienced a downfall or huge losses. However, different conditions experienced by MSMEs in Indonesia. MSMEs were able to survive and pass through the crisis in 1998 and 2008; even MSMEs become the largest sector contribution to the strength of the domestic economy of Indonesia. Most of the businesses that play in the corporate sector or effort funded by the big banks are not able to deal with the two crises. MSMEs proved resilient to the crisis because it has no debt, has no debt to the major banks nationwide, and the use of raw material purchase and sell its products only in domestic area or in the country.

According to Kuncoro and Prasetiantono (2008), MSMEs contribution to the domestic economy is very large including employment and tax payments. The increasing number of MSMEs will certainly open up many jobs and can reduce the number of unemployed. Badan Pusat Statistik (BPS-Statistics Indonesia) explains an increase in the number of MSMEs in Indonesia from 1997 as many as 39,765,110 units to be 56,534,592 units in 2013, or a growth of 42%. An increasing number of MSMEs in Indonesia cannot be separated from the role of financial institutions that provide credit facilities for micro, small, and medium to the public. In general, financial institutions that provide credit facilities to MSMEs called *microfinance institutions* (MFIs).

MFIs play an important role in helping the government to run the financial inclusion program, this program is able to reduce levels of inequality and poverty in Indonesia. Financial inclusion program means ease of credit facility by an agency to the poor and low income in order to start a business. Besides the financial inclusion program, the Indonesian government also enhance the spirit of entrepreneurship among the poor and low-income people through seminars, training, education and others. The goal is to encourage the poor and low income to start a business with risks that have been taken into consideration so that the welfare of living increases. Ashta (2013) states entrepreneurship among the poor or micro entrepreneurship started developing since 2000 and the provision of credit to poor people continues to increase in the region of Central Asia, South Asia, Eastern Europe, and Latin America. The same thing happened in Indonesia, where the figure 1.2. Shows lending to the SME sector continues to increase.



Source: Bank Indonesia

Figure 1.2. Loan Disbursement by MFIs to MSMEs Sector

Ownership of MFIs in Indonesia is regulated by Act or Undang-Undang (UU) No. 1 Year 2013 about MFIs, where the Act states that MFIs should not be any foreign ownership. Given these rules, it can be concluded MFIs ownership percentage of 100% is domestic. Owner of MFIs in Indonesia highly varied among district / town and village government, non-bank financial institutions (NBFI), and the private parties but not financial institution which is individual, family business, foundation, non-profit organization, university and others. Unfortunately, not all MFIs in Indonesia have good performance. Some of them have poor performance even bankruptcy. The owner plays an important role in the implementation of governance in MFIs. Research conducted by Mersland dan StrØm (2007) explains the structure or type of ownership is the most important element of governance in MFIs. Practitioners of MFIs state that good governance is the key to success for MFIs (Campion, 1998). However, this study did not examine how the effect of governance on the performance of MFIs, but this study aims to examine how differences in the performance of MFIs with the types of ownership are different. Researchers are motivated by several studies that claim ownership affect firm performance varied, one of which is done by Mang'unyi (2011). No study or researches in Indonesia which describes how the performance of MFIs when viewed from a group of different ownership. This research uses "The Triangle of Microfinance" from Zeller dan Meyer (2002) as a concept to evaluate the performance of MFIs most precise, objective, and is often used by many researchers in the field of microfinance.

Literature Review

Microfinance

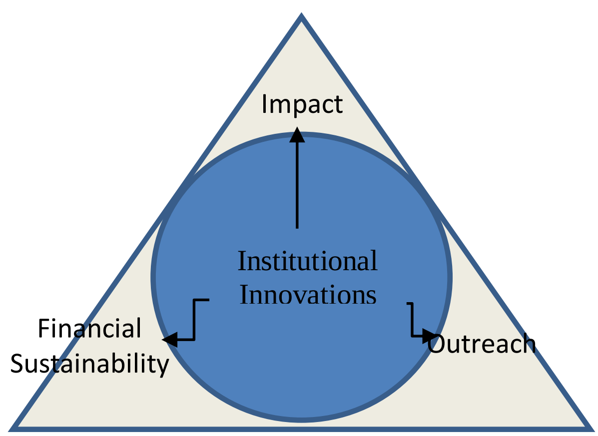
Microfinance is financial services with micro scale such as microcredit, microinsurance, dan microsaving for poor and low income people (Mersland and StrØm (2008)). The main activities of microfinance is microcredit, namely the provision of loans to the poor or to fund micro-scale enterprises that run the poor (Nieto, Cienco, dan Molinero, 2007). In Indonesia, microcredit defined by Bank Indonesia is a financial product provided or offered by formal and informal institutions in Indonesia with a maximum credit limit of Rp 50 million. Formal and informal institutions that provide financial services are called MFIs. The definition of MFIs in Indonesia stated in Act No. 1 Year 2013, the financial institution specifically established to provide business development services and community development, either through loans or financing micro enterprises to members and the public, management of deposits, as well as the provision of consulting services for business development not only profit oriented but also social oriented. Based on Act No. 1 Year 2013, forms of MFIs in Indonesia must be in two forms, namely cooperatives or limited liability company.

Ownership

Ownership is an important element of corporate governance, which will determine the corporate performance especially MFIs (Campion (1998) and Mersland and StrØm (2007)). Zhuang (1999) identifies two important aspects, namely the concentration of ownership and ownership composition. The concentration of ownership of emphasis on the distribution of power between shareholders and managers, which is divided into small shareholder, or shareholder ownership and a large spread or concentrated ownership. The composition of ownership of who its shareholders and who controls the company. Characteristics of leadership and management of the company will be determined by the characteristics of the owner of the company. Composition holdings in MFIs vary widely as bank, NBFI, rural bank, shareholder firms, non profit organization, and credit union (Mersland (2007), and Cull, Demirguc-Kunt, and Morduch (2009)).

The triangle of microfinance

Assessing the performance of MFIs is not the same as assessing the performance of banks and other financial firms, as MFIs are financial companies that have unique characteristics (Nieto et al. (2007)). Zeller and Meyer (2002) add MFIs different from other institutions if look at the purpose, size, and market segments. The purpose of MFIs established not only profit oriented but also social-oriented of reducing poverty in the region or in which it operates. Size is not large MFIs as have many branches, but the small-sized MFIs operating only focus on a specific area. Target markets segments by MFIs are clear that only poor people. Based on these considerations, the financial performance alone is not enough to assess the performance of MFIs but also need to add some such outreach (Yaron (1994), Conning (1999), Hartarska (2004), Mersland and StrØm (2007), Cull, Demirguc-Kunt, and Morduch (2007), and Thrikawala, Locke, and Reddy (2013)) and welfare impact (Schrieder and Heidhues (1993), Zeller (1995), Schrieder (1996), Pitt and Khandker (1996), Pitt and Khandker (1998), Mosley and Hulme (1998), Zeller, Diagne, and Mataya (1998), Diagne and Zeller (2001), and Zeller, Sharma, Ahmed, and Rashid (2001), Thrikawala et al. (2013)). Yaron (1994) describes a performance assessment framework MFIs with two basic assessment of financial sustainability and outreach that became popular at the time. This model updated by Zeller dan Meyer (2002) by adding welfare impact as an assessment of MFIs hereinafter known as "The Triangle of Microfinance" (See figure 2.1). This concept uses outreach, financial sustainability and impact as the current performance assessment MFIs. Zeller dan Meyer (2002) confirms almost all successful MFIs assessed from three sizes with maximum results, meaning having outreach, financial sustainability, and good welfare impact.



Source : Zeller and Meyer (2002)
Figure. 2.1. The Triangle of Microfinance

Outreach

According to the previous researches (Yaron (1994), Conning (1999), Mersland and StrØm (2007), Cull et al. (2007), and Thrikawala et al. (2013)), term outreach is often used to assess the performance of MFIs by using customer data in its calculations. Outreach describe the efforts of MFIs in extending loans and other financial services to the poor and reaches all the people who are below the poverty line. Schreiner (2002) divides outreach to be two parts, namely "the breadth of outreach" and "the depth of outreach". The breadth of outreach is the number of customers who have been granted a loan by MFIs. The depth of outreach is the poverty level of clients based on gender, location, and size of loan that successfully given loans by MFIs. Hartarska (2004) explains the low or high depth of outreach illustrates MFIs have been lending to the poorer and richer people. In measuring the depth of outreach is the most difficult, so the use of average loan size to facilitate the determination of the value of outreach variable. Kar (2011) states when only using data on the number of customers who borrow are not appropriate for determining the outreach, need to add an average loan size. Average loan size is ofte used by many researchers i.e. Yaron (1994), Conning (1999), Hartarska (2004), Mersland and StrØm (2007), Cull et al. (2007), and Thrikawala et al. (2013)) as a proxy of outreach. Schreiner

(2002) calculates by using many formulas to determine outreach variable, the best formula to calculate outreach variable:

$$\text{Outreach (Average Loan Size)} = \frac{\text{Average Annual Dollar Outstanding}}{\text{Number of Loans Disbursed in a year}}$$

Financial Sustainability

Cull et al. (2007) explain the existence of MFIs is aimed at reducing poverty, but before the social mission there is a prerequisite that must be achieved by MFIs, it is financial sustainability. Sustainability in MFIs is how these institutions operate continuously without relying on government subsidies or financial assistance (grant) from other institutions (Conning, 1999). Luzzi and Weber (2006) tates that MFIs have a dual challenge to be met, not only provide loans to the poor (outreachbut also must be able to pay the costs to avoid bankruptcy (sustainability). However, many MFIs are difficult to achieve financial sustainability for many MFIs who should bear the losses from bad loans. Thrikawala et al. (2013) explain MFIs that have good corporate governance will reach financial sustainability.

In the field of microfinance, the performance of MFIs can be seen in two sizes: outreach and sustainability, where both these two measures using accounting-based indicators (Hartarska, 2004). According to the previous researches, the use of formulas such as return on assets (ROA) and/or operational self-sustainability can be used to calculate financial sustainability. Conning (1999), Hartarska (2004), Luzzi and Weber (2006), Cull et al. (2007), Thrikawala et al. (2013) use ROA and/or operational self-sustainability as a measurement to calculate financial sustainability of MFIs. Researchers prefer operational self-sustainability than ROA, because operational self-sustainability shows how well MFIs bear the entire cost of earned income. Khandker, Shahidur, Khalily, and Khan (1995) adds financial sustainability of the MFIs can also be seen in the ratio of Non-performing loan (NPL) to loan outstanding. This study uses operational self-sustainability as a measure of financial sustainability with the following formula:

$$\text{Operational Self-Sustainability} = \frac{\text{Operating Revenue}}{\text{(financial expense+loan loss provision expense+ operating expense)}}$$

Welfare Impact

Poor people have difficulty improving their well-being because it is not able to increase their income as long as they are still having trouble obtaining funds to finance a new venture or ongoing business. Ngehnevu dan Nembo (2010) explain the welfare impact of MFIs are poor people can improve their welfare through established business with the help of funds from MFIs. Welfare impact can be one of the important measurements to valuate the performance of MFIs as whole. Welfare impact MFIs determined by the level of income of clients, if the higher income customers that the MFIs have the welfare impact on its clients. To measure welfare impact of MFIs, Pitt and Khandker (1998), Mosley and Hulme (1998), and Zeller et al. (2001) uses household expenditure of clients' MFIs as a proxy of welfare impact. Zeller et al. (2001) uses data of clients from MFIs who which is characterized by increased revenue increase in total household consumption of customers on a monthly basis.

Previous Researches and Hypothesis

Several studies have been conducted to examine the relationship of ownership with the performance of MFIs, but the research found is ambiguous and needs to be investigated further

(Thrikawala et al., 2013). Mang'unyi (2011) describes the types of ownership varies have a direct influence on corporate governance and subsequent governance will affect the company. Zhuang (1999) and Mersland and StrØm (2007) add structure or ownership is the most important key factors of corporate governance. The study examined the relationship of ownership and company performance in general has a lot to do, but with the object of research using new MFIs several studies including Mersland (2007), Mersland dan StrØm (2007), Mersland dan StrØm (2008), Cull et al. (2009), Servin, Lensink, and Berg (2011), Thrikawala et al. (2013).

Mersland (2007) explain the theory of the MFIs with the ownership cost of ownership. Ownership types used by Mersland (2007is shareholder firms, non-profit organization, and Cooperatives, in which the research results show significant differences in the cost of ownership amongst the three ownership. Mersland dan StrØm (2007) claims ownership of the shareholder firms with non-profit organizations do not provide outreach and financial performance differences among MFIs. The result research of Mersland dan StrØm (2007) is different with the result that founded by Nieto et al. (2007). Nieto et al. (2007) apply the same type of ownership with Mersland dan StrØm (2007), namely non profit organization and shareholder firms. The research uses data as many as 30 MFIs in Amerika Latin. The result explains MFIs with shareholder ownership firms have better financial performance than non-profit organization. Mersland dan StrØm (2008) does the same with the previous study but with different terms of type of ownership, namely non profit ownership and investor ownership. The result is consistent with previous research conducted by Mersland dan StrØm (2007), there is no significant difference in financial performance between the non-profit ownership with investor ownership. However, Mersland and StrØm (2008) adds both non-profit ownership and investor ownership is not dominant in terms of both social and profit oriented.

Cull et al. (2009) MFIs can explain a variety of forms such as Bank, Non Government Organization (NGO), NBFI, Credit Union, and Rural Bank. The results are significant differences in the aspect of profitability but not on the quality of its loan portfolio. Servin et al. (2011) was the first researcher to analyze the impact of the types of technical efficiency of ownership of both inter-firm and intra-firm on MFIs. The finding explains the non-governmental ownership and credit unions have inter-firm and intra-firm technical Efficiencies lower than the NBFI and bank. Thrikawala et al. (2013) uses four types of ownership, namely non profit organization, profit organization, member-based cooperative, and shareholder firms. The result states that ownership is a key element in corporate governance and have significant impact on the outreach and financial performance.

In some previous studies in relation to ownership, more use of variable financial sustainability and outreach as a measure of performance assessment MFIs. Thrikawala et al. (2013) studies the relationship of corporate governance with social impact on MFIs. The finding is good corporate governance on MFIs give social impact forpoor people. Pitt and Khandker (1998) found finance program administered by the MFIs have the positive impact on the assets and income of the poor. Zeller, Sharma, Ahmad, dan Rashid (2001) explain the positive impact of the loans given to the poor that the total daily consumption increases. Mosley dan Hulme (1998) conducts the research on 13 MFIs in seven developing countries. The research found the positive impact on the provision of credit to the poor, which is characterized by an increase in asset and ownership of the poor who become customers.

This research uses performance valuation model "The Triangle of Microfinance" founded by Zeller dan Meyer (2002). Several studies i.e. Schrieder and Heidhues (1993), Zeller (1995), Schrieder (1996), Mosley and Hulme (1998), Pitt and Khandker (1998), Zeller et al. (1998), Conning (1999), Diagne and Zeller (2001), Zeller et al. (2001), Hartarska (2004), Mersland and

StrØm (2007), Nieto et al. (2007), Cull et al. (2007), and Thrikawala et al. (2013) use outreach, financial sustainability, and welfare impact as the variables of measuring MFIs' performance. These variables become the basic of measurement and valuation in The Triangle of Microfinance model. This model is appropriate for use in assessing or evaluating the performance of MFIs, because objectively assess performance, overall, and based on the objectives of MFIs. This research tests the different of outreach, financial sustainability, and welfare impact amongst MFIs which grouped based on the ownership types. Hypotheses proposed to achieve the objectives of the research are as follows:
H1: There is difference of outreach amongst MFIs owned by government, NBFI, and Private
H2: Thereis difference of financial sustainability amongst MFIs owned by government, NBFI, and Private
H3: There is difference of welfare impact amongst MFIs owned by government, NBFI, and Private

Research Methodology

Ownership MFIs in Indonesia varied considerably, ranging from government, non-bank financial institutions, the private sector, and a division of the national bank. The government ownership of MFIs such as city/district and village government. MFIs owned by NBFI can be explained by multifinance, pension fund, and Securities Company. Private parties are referred to in this study is not NBFI and bank but family firm, foundation, university, and joint venture. National banks do not have the MFIs, but have units in which served as MFIs are providing credit to the poor. The entire ownership of MFIs is 100% locally owned or foreign ownership should not be any corresponding based on Act No.1 Year 2013. The study population will be divided into three groups: government, NBFI, and private (not NBFI and bank). This study uses purposive sampling method and takes the sample of 30 MFIs from each of these populations. The requirements of sample that must be fulfilled are MFIs have data for 2 years, easy to be obtained, and located in Yogyakarta and Central Java province. This study did not include NGOs due to the difficulty to search and there are not a lot of data to be used as empirical studies

This study uses three dependent variables and one independent variable (or factor group). The dependent variables will be used are outreach proxied by average loan size, financial sustainability proxied by operational self-sustainability, and welfare impact proxied by household expenditure. Factor that will be used in this research only use one factor, namely ownership type with type of data is nominal. To know whether there is difference or not on outreach, financial sustainability, and welfare impact amongst MFIs with the various ownership, it is necessary to use univariate analysis of variance (ANOVA) test as the hypothesis testing. Tests conducted separately dependent variable or individually. Observation period is 2 years with the retrieval of data on a monthly basis.

Analysis and Discussion

Descriptive and Normality Test

Tabel 5.1 show all MFIs become the samples in this research, MFIs give average loan size as many as Rp 34 million per client and income that obtained by MFIs can cover all costs incurred. In addition, the data shows the average clients' MFIs have monthly expenses of Rp 354 thousand. If you look at the types of ownership are divided into three as shown in table 5.2, first, MFIs owned by NBFI have higher outreach than MFIs owned by government (GOVERNMENT) and private (PRIVATE). Second, financial sustainability obtained by MFIs that owned by NBFI is better than MFIs owned by government and private. This is due to NBFIs have been experienced in the field of financial services and is able to implement on its MFIs. Third, on average, the government-owned MFIs are able to provide an increase in the welfare of its clients, it is better than MFIs owned by NBFIs and private.

	N	Mean	Std. Deviation	Std. Error Mean
OUTREACH	90	34.0508	16.60300	1.75011
FINSUSTAIN	90	1.1551	.60938	.06423
WELIMPACT	90	353.9444	256.30807	27.01724

Source : Data Processed by SPSS

Table 5.1. Descriptive Statistics of Outreach, Financial Sustainability, and Welfare Impact

OUTREACH

	N	Mean	Minimum	Maximum
GOVERNMENT	30	15.5293	5.68	51.07
NBFI	30	45.7720	29.04	76.03
PRIVATE	30	40.8510	16.04	63.03
Total	90	34.0508	5.68	76.03

FINSUSTAIN

	N	Mean	Minimum	Maximum
GOVERNMENT	30	.5770	.05	1.15
NBFI	30	1.4980	.32	2.17
PRIVATE	30	1.3903	.43	2.23
Total	90	1.1551	.05	2.23

WELIMPACT

	N	Mean	Minimum	Maximum
GOVERNMENT	30	469.1667	57.00	1100.00
NBFI	30	353.2000	50.00	900.00
PRIVATE	30	239.4667	33.00	609.00
Total	90	353.9444	33.00	1100.00

Source : Data Processed by SPSS

Table 5.2. Statistics of Outreach, Financial Sustainability, and Welfare Impact Based on Ownership Types of MFIs

Before testing the hypothesis, it is necessary first to test the normality of data from outreach, financial sustainability, and welfare impact. Table 5.3 displays the normality test of data by using Kolmogorov-Smirnov test, where the results show all variables have significant value as many as 0.000. These results fulfill the requirement with significant value below than 5%, meaning that the data are normally distributed. Terms of use parametric statistics, where one of them is ANOVA test to test the hypotheses proposed that have been met. In addition to test data normality, there is another requirement or ANOVA assumptions that must be met is the third population or sample variance is different. To test whether the three different population variances or not, the necessary test of homogeneity of variances. The results of homogeneity tests of variances contained in Table 5.4, states the population variance for the outreach, financial sustainability, and welfare impact variables are different. It can be seen that outreach 0,098, financial sustainability 0,064, dan welfare impact 0,079 higher than 0,050. Hypothesis testing with ANOVA can be done.

	Test Value = 0					
					95% Confidence Interval of the Difference	
	T	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
OUTREACH	19.456	89	.000	34.05078	30.5733	37.5282
FINSUSTAIN	17.983	89	.000	1.15511	1.0275	1.2827
WELIMPACT	13.101	89	.000	353.94444	300.2618	407.6271

Source : Data Processed by SPSS

Table 5.3. Normality Test with Kolmogorov-Smirnov Test

OUTREACH

Levene Statistic	df1	df2	Sig.
2.382	2	87	.098

FINSUSTAIN

Levene Statistic	df1	df2	Sig.
7.609	2	87	.064

WELIMPACT

Levene Statistic	df1	df2	Sig.
5.820	2	87	.079

Source : Data Processed by SPSS

Table 5.4. Homogeneity Test of Variances for ANOVA Assumption

Hypothesis Testing

Outreach

The result of ANOVA test for outreach variable that proxied by average loan size, shows significant value 0,000 lower than probability value 0,005, it means hypothesis accepted (see table 5.5). There is difference of outreach amongst MFIs owned by government, NBFI, and Private. Based on the previous explanation (see table 5.2), NBFI has MFIs with outreach value higher than government and private. This is due to NBFI has the same field, experience and good governance to be applied by its MFIs.

OUTREACH

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	15800.219	2	7900.110	78.698	.000
Within Groups	8733.475	87	100.385		
Total	24533.694	89			

Source : Data Processed by SPSS

Table. 5.5. Hypothesis Testing for Outreach Variable by Using ANOVA Test

Financial Sustainability

The result of ANOVA test for financial sustainability that proxied by operational self-sustainability, shows significant value 0,000 lower than probability value 0,005, it means hypothesis accepted (see table 5.6). There is difference of financial sustainability amongst MFIs owned by government, NBFI, and Private. Table 5.2 shows the average value of outreach and financial sustainability, where MFIs owned by NBFI and private have better value than government. Resources, information system, process and governance of MFIs which owned by the government can not compete with NBFI and private. This result supports the research conducted by Berger, Otero, dan Schore (2006), Cull et al. (2007), Hamada (2010), dan Kar (2011), where their results states that commercialization of MFIs involvement of the private sector in owning and managing MFIs, gives positive impact on outreach and financial sustainability. Previous study related "commercialization of microfinance" suggests to increase social purpose or mission, because because MFIs are owned by the private sector is very less in relation to the objectives and social programs. Private sector and NBFI encourage MFIs to be more profit oriented rather than social oriented. It is opposed by many practitioners and academics in the field of microfinance. Basically, microfinance are established to help the poor people to get out of poverty.

FINSUSTAIN

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	15.213	2	7.607	37.103	.000
Within Groups	17.837	87	.205		
Total	33.050	89			

Source : Data Processed by SPSS

Table. 5.6. Hypothesis Testing for Financial Sustaonability by Using ANOVA Test

Welfare Impact

The result of ANOVA test for welfare impact that proxied by household expenditure, shows significant value 0,002 lower than probability value 0,005, it means hypothesis accepted (see table 5.7). There is difference of welfare impact amongst MFIs owned by government, NBFI, and Private. Government-owned MFIs have been able to provide welfare to its customers than MFIs and NBFIs owned private parties as shown in the table 5.2. The results of this study emphasize the government-owned MFIs remain consistent on the basis of goals and objectives that MFIs social mission. However, to run this social purpose MFIs should have the financial sustainability in advance.

WELIMPACT

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	791456.289	2	395728.144	6.810	.002
Within Groups	5055294.433	87	58106.833		
Total	5846750.722	89			

Source : Data Processed by SPSS

Tabel. 5.7. Hypothesis Testing for Welfare Impact by Using ANOVA Test

Conclusion and Recommendation

This study concludes that different MFIs ownership will provide different corporate governance on MFIs and ultimately have an impact on the performance of MFIs. The results indicate MFIs owned by the government, NBFIs, and the private sector has different outreach, financial sustainability, and welfare impact. NBFIs have outreach and financial sustainability of MFIs are better than the private sector and government. MFIs owned by government have better welfare impact than NBFI and private party.

This research recommend for future researches need to add legal status to see the difference in performance of the MFIs. The legal status of MFIs in Indonesia has two forms which are cooperatives and limited liability companies. No studies in Indonesia using legal status as a differentiating factor in performance among MFIs. Previous studies ever conducted by Tchakoute-Tchuigoua (2010) with study sites outside of Indonesia.

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