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Review

Giving and Receiving: Faith and the Sustainability of Institutions Providing Microfinance Services for Development

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Abstract: Topic: This review explores the important issue of the 'institutional sustainability' (IS) of faith-based development organizations (FBDOs) providing microfinance services to the poor in the developing world. IS has often been equated with the financial self-reliance of microfinance service providers, with income from credit charged on loans as well as other fees being used to pay for the service. While the approaches and tensions inherent in the attainment of IS by microfinance providers seeking to help the poorest in society have been well explored in the literature, there has been no specific analysis of FBDO providers and the special challenges they may face. Methodology: This paper is based on a review of the literature using a combination of search terms such as 'microfinance', 'development', 'institutional sustainability', 'financial self-reliance' and 'faith', with a special emphasis on the literature published between the 1990s and 2023. Results: One of the main findings is that Christian and Hindu FBDOs providing microfinance largely follow the financial self-reliance conceptualization of IS applied by secular providers and apply much the same set of responses regarding the setting of interest rates and other charges and the management of repayment amongst their client base. However, FBDOs of the Islamic faith take a broader perspective on IS and include the need for spirituality and religious development amongst their clients. Future directions: This paper makes a number of suggestions for future research, including (1) the reasons why religious development and spirituality do not appear to be strong issues for Christian and Hindu FBDOs relative to their Islamic counterparts; (2) the potential for inter-faith collaboration between FBDOs and secular providers, between FBDOs of different faiths as well as FBDOs from versions of the same faith (e.g., Protestant and Catholic); and (3) whether FBDOs are more naturally predisposed and able to engage and collaborate with the informal microfinance sector than secular microfinance providers.

Keywords: institutional sustainability; microfinance; development; faith-based development organizations

Citation: Morse, S. Giving and Receiving: Faith and the Sustainability of Institutions Providing Microfinance Services for Development. *Sustainability* **2024**, *16*, 1923. https://doi.org/10.3390/su16051923

Academic Editor: Paul Burger

Received: 3 January 2024
Revised: 25 January 2024
Accepted: 10 February 2024
Published: 26 February 2024

1. Introduction

The provision of microfinance for the poor in developing countries has received much attention from politicians, economists, development workers and academics, especially since the 1990s, including a special issue recently published in this journal [1]. Microfinance involves the provision of financial services such as credit, savings, money transfer and insurance [2], but the two main ones are credit (microcredit) and savings (microsavings). The use of the adjective 'micro' is a reflection of the amounts involved, which are typically small [3]. Microcredit can be provided, in cash or in kind, and often at low rates of interest or maybe with no interest at all [3]. Microsavings involves the provision of a service whereby the poor can put money aside on a regular basis and then drawdown those savings when needed. A requirement for a savings account can also be a pre-condition for access to microcredit. Having many small credit and savings accounts carries with it a substantial financial cost to the provider, and this is why many of these services are provided by public sector or by non-governmental organizations (NGOs), including faith-based development organizations (FBDOs). The theory behind microfinance as a tool in development is straightforward; the provision of such services can help people invest in their livelihood and thus help them break the 'poverty trap' [4,5]. If people can be provided with financial capital, either via credit or encouraging them to save and withdraw when needed, then they can improve their livelihood and make their finances more resilient to shocks and stresses. Indeed, the compelling logic behind microfinance has helped spawn a vast amount of literature on almost all aspects of its provision and impact in developing countries. However, one of the most debated and contentious aspects of microfinance provision has revolved around the financial self-reliance of those providing the service, a concept that many often equate with the theory of 'institutional sustainability'. In its simplest sense, equating the financial self-reliance of microfinance providers with institutional sustainability means that they should pay for their services using the income derived via the charging of interest on loans and fees for their services [3,4]. This would mean that microfinance could become a tool for development that is funded by those who benefit from it. This would, in turn, free the provider of the microfinance service from seeking a constant injection of funding from development donors and avoid the potential for 'donor fatigue'. But the charging of interest and other fees to help pay for microfinance services raises important issues, especially as those intended to benefit are typically the poorest in society. It also raises important issues for microfinance providers that are FBDOs.

The function and impact of FBDOs in microfinance provision has received much attention, and excellent reviews exist (e.g., [6]). A faith-based organization has been defined as "any organization that derives inspiration and guidance for its activities from the teachings and principles of the faith or from a particular interpretation or school of thought within that faith" [7] (p. 6). FBDOs have a long history of working in the developed and developing worlds, and their activities have spanned just about every aspect of development from the provision of infrastructure (bridges, roads, wells, schools, hospitals, etc.) to services such as health care, agricultural development and education. FBDOs often have a long-term presence in communities and often have the trust of those that they seek to help, and these provide advantages when it comes to microfinance provision [6,8,9]. But faith is also important in FBDOs, and there are global faiths such as Christianity, Hinduism and Islam that do differ in terms of their beliefs, teachings and practices [6]. There are also "*different strains of the same religious faith*" [6] (p. 247), such as Catholicism and various forms of Protestantism, which can be relevant. However, the influence of this religious diversity on microfinance provision has been relatively underexplored via empirical studies [6]. There are studies of microfinance services provided by organizations within each of these faiths, but few that make comparisons between them, and the same remains true of empirical studies designed to compare FBDO providers with secular ones [6]. Indeed, in terms of microfinance, many of the points noted above regarding leadership and impacts apply equally irrespective of whether the provider is faith-based or secular. However, there are nonetheless some intriguing notions about how some of the factors, most notably the attainment of institutional sustainability, may be influenced by the faith that is the foundation stone for the FBDO. After all, for FBDOs providing microfinance, this issue is potentially more acute than for secular organizations, especially as religious teachings often deplore (at the very least) usury, and for some religions, such as Islam, the charging of interest on loans is simply unacceptable. However, to date, there have been no reviews exploring how FBDO microfinance providers, especially in the developing world, respond to these pressures for financial self-reliance and how they navigate this path within the context of their faith. Hoda and Gupta in their review of microfinance provision by FBDOs [6] briefly address the sustainability, impact and financial performance of FBDO microfinance providers, but this is a topic of such importance that it warrants more attention. Indeed, this is the gap in the literature that is addressed by this review, and its primary aim is to identify avenues that require further research. The question being asked is how has faith influenced the conceptualization and attainment of the institutional sustainability of FBDOs providing microfinance services to help the poorest in society?

The paper begins with a brief outline of microfinance provision as a tool in development, including its rise in popularity from the 1990s to the present, along with its impacts and critiques. This outline is followed by a simplified typology of organizations (public, private, non-governmental and traditional) that have been involved in microfinance provision. The paper builds upon that background by moving on to explore the institutional sustainability of microfinance providers and in particular how this has typically been theorized, defined and assessed, as well as the contradictions and trade-offs that may exist between these three dimensions. The paper then moves on to explore how FBDOs of three different faiths (Christianity, Hinduism and Islam) have responded to these demands. Finally, the paper concludes with some suggestions for further research.

2. Microfinance: A Brief Outline

2.1. The Rise of Microfinance as a Tool in Development

Microfinance has a long history and is said to have originated in Europe with the 'Raiffeisenbanks' (cooperative lending banks) in Germany which were early examples of credit unions established in the 19th century, along with the revolving loan funds in Ireland following the devastating famines in the 16th and 17th century [9,10]. The use of microfinance as a tool to help address poverty in the developing world has a more recent history dating back to the early 1900s [11]. There are strong ties here with what has been called 'social banking' with its emphasis on the 'triple bottom line' (people, profit, planet) and maximum transparency in terms of what finance is used for in order to support human development [12]. Indeed, the years that followed the end of the second world war saw something of a surge in the popularity of microfinance as a tool in development [11]. Indigenous (informal) microfinance institutions, often operating at the village level, in the developing world were known to exist but were largely ignored by economists and development practitioners, partly because they were considered exploitative (charging very high interest rates) and because they were regarded as being ineffective in a development context. Quite simply, it was thought the loans provided via these informal microfinance institutions were too small and the repayment periods too short [8]. For many years, the provision of microfinance at a scale that would be effective for development was seen as the prerogative of governments and international aid agencies [8].

For much of the post-war period, the term microfinance was seen by many as being synonymous with 'microcredit' [13], and the 1990s witnessed a significant surge in interest in the application of microfinance as a tool in development [4,8,14–17]. This was accelerated by the 1997 'Microcredit Summit' held in Washington DC, which had some 3000 attendees from 137 countries [18]. An outcome from the summit was the creation of a microcredit 'campaign' with the aim of making microcredit available to 100 million of the world's poorest by 2005. The 1997 summit was followed by a series of other high-profile summits focused on microfinance [19], and 2005 was declared the 'International Year of Microcredit' by the United Nations [3]. Microfinance has also been embraced by all the major multilateral agencies such as the World Bank and International Monetary Fund. This surge of interest in microfinance as a tool in development from the 1990s can be seen in Figure 1. The data in this figure have been derived from Google Scholar to capture interest beyond journal publications, with 'Microfinance AND Development' as the search term. The 1990s witnessed the publication of many seminal pieces in microfinance (e.g., [16,17]), and indeed, many of the issues mentioned in the introduction, including the need for the institutional sustainability of providers and how that equates to financial self-reliance, were already being noted and discussed in the literature at that time. The number of publications that mention faith alongside microfinance and development are also shown in Figure 1, and since 1990, these have typically accounted for around 10 to 11% of the total.

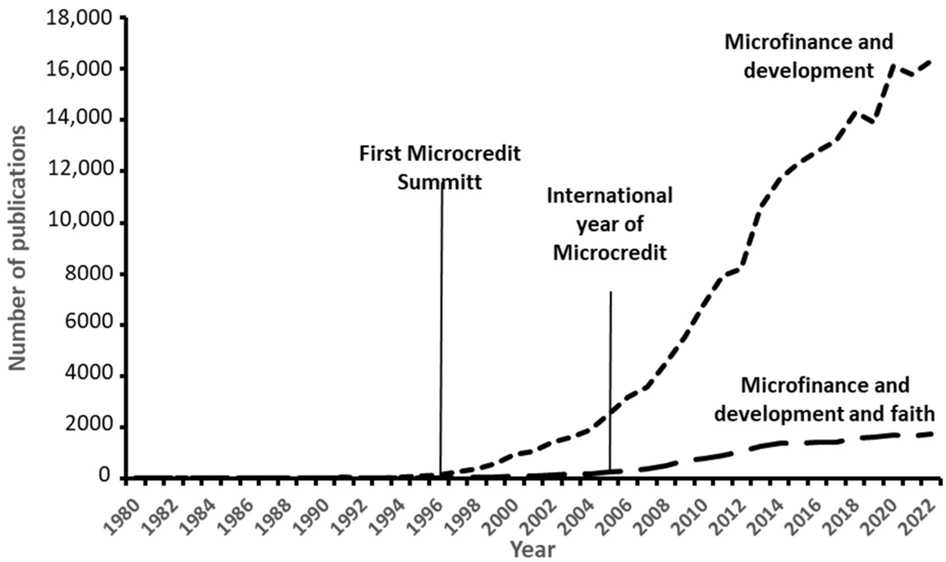

Figure 1. Number of publications each year between 1980 and 2022 that mention microfinance and development. Also shown are the number of publications that mention microfinance and development and faith.

2.2. Microsavings: The Forgotten Half of Microfinance

It has been claimed that the 'forgotten half' of the microfinance 'coin' is savings [13], given that so much emphasis has been placed on microcredit [20,21]. Notions of self-help and self-reliance became prominent in the mid-1980s, and part of this was a greater emphasis on the use of microsavings rather than donors providing more funds for credit [21]. A watershed in the greater use of savings emerged with the Third UN International Symposium on the 'Mobilization of Personal Savings in Developing Countries' which was held in 1984 in Cameroon, West Africa [22], and microfinance provision that included both savings and credit components began to be seen as an improvement [4]. After all, an individual or group may be able to forego the need for credit if their savings are sufficient. However, the challenge is that in many cases, the size of one's savings in any 'reasonable' time frame is simply not enough to make a significant difference. Indeed, it was often assumed that there was little demand for a savings scheme amongst the poor as they had no surplus money [21]. As a compromise, some microfinance projects required that potential borrowers first save money with the lender before a loan was granted, and this is often referred to as 'forced' or 'required' savings' [23]. This has the advantage of providing some security for the lender [4], as savings can be used to cover any defaults on loan repayment [23]. In addition, a requirement that makes it incumbent for one to save before being given credit installs a selective mechanism [13]. Savings can also be used as 'insurance' against bad times, especially if other types of insurance are unavailable [24–26]. For example, Paxson [27] noted how rice farmers in Thailand faced with irregular rainfall patterns will save as a means of 'evening out' consumption, and Alderman [28] came to very similar conclusions for farmers in Pakistan. There are various factors that may influence savings behaviour, and one of these is the interest rate that savings can accrue [13,29]. There may be a fear that savings can be lost through theft, although Bouman [24] suggests that such cases have been relatively rare. There can also be social pressures such as jealousy and criticism if large amounts of money are held in savings while friends and family require funds [24]. A useful compromise in such situations is for the saver to provide their savings as a loan to others [24].

2.3. Impacts of Microfinance

Microfinance schemes can be based on individuals or groups. If the latter, then the 'client' for the scheme is a group of individuals and it is up to them to manage the division of responsibilities. The advantage of a group-based scheme is that the benefits and indeed risks can be spread amongst members, and any issues regarding the misuse of funds or failure to repay on the part of an individual can be managed by the group. Also, in group-based microfinance schemes, meetings can provide an opportunity for socializing and the exchange of ideas and even economic and market intelligence [24]. In such circumstances, microfinance may be as much a social as an economic activity [23] and the benefits that accrue can be difficult to measure [25].

There are numerous studies that have shown positive benefits of microfinance provision for the poor in both rural and urban contexts in the developing world [30], and a broad consensus has emerged which suggests that microfinance projects have helped alleviate poverty [31]. However, their usefulness in development terms, at least in some contexts, has been questioned [11,32]. The main issue behind this criticism is that given severe limitations on cash availability, relatively few people in a community can obtain credit, the amounts received by any one person are typically small and those that do obtain credit may not make the best use of it [4,16,17,29,31,32]. Hence microfinance can end up benefiting those in society who are better off as they are able to borrow relatively more and may also make better use of the credit than the poorest in society [4,16,17]. Hence, a microfinance provider may have to purposely target the poorest with loans carrying a low interest rate, but that brings with it other issues, such as how to identify these people as well as the need to support them so they can make the best use of credit.

3. The Landscape of Microfinance Institutions

3.1. Formal Microfinance Sector

The formal microfinance sector spans providers that are publicly owned, commercial and NGOs. However, commercial banks have typically not been involved in the provision of microfinance to the poorest in society [24,33,34]. There are various reasons for this [33], including risk and the costs of having to handle many relatively small transactions. Hence, commercial banks prefer to lend to established larger-scale enterprises with a good track record of loan repayment and return on investment as well as more collateral to offer against failure to repay loans [34]. A second challenge for the commercial sector is that the cost of processing small loans may be prohibitive [34]. Thirdly, commercial banks may charge interest rates that are too high for poorer lenders, and it is not unusual for governments to intervene and either set up their own public-sector-owned banks or subsidize commercial banks to provide credit to the poor with an interest rate that is more appropriate [20,29]. Indeed, as Adams and Von Pischke [11] pointed out, it is noteworthy how the terms 'credit' and 'loans' have beneficial connotations while the term 'debt' does not, though the latter is the inevitable consequence of the former.

3.2. Non-Governmental Organizations and Microfinance

NGOs, spanning both FBDOs and secular organizations, have a long history of involvement in microfinance [22]. The typical model is for a donor agency, often based in a developed country, to link with an NGO based in the field which instigates and manages the scheme. The donor provides the start-up and running costs of the microfinance scheme and often subsidizes a low interest rate charged for credit as well as a continual top-up of the loan fund [35,36]. NGOs have been seen as the best means of delivering effective microfinance provision as they generally have extensive and robust linkages with the local population and thus gain much local knowledge and trust [35]. It is often argued that the latter is especially the case for FBDOs, as these tend to have longevity, are embedded in the local community and can draw upon other institutions that are a part of the faith. For example, in the early days (1970s) of the development of a microfinance scheme by a Catholic-church-based FBDO called the Diocesan Development Services (DDS) in a rural area of Nigeria, the operation of microfinance (credit and savings) at the village level was handled by parish priests belonging to a missionary order [8].

However, perhaps the most famous and indeed most cited examples of an NGO engaged in microfinance is the Grameen Bank, Bangladesh [35–38]. The Grameen Bank ('*rural bank*' in Bengali) is the largest rural bank in Bangladesh and is "*currently present in 81,678 (94%) villages in the country and provides services to nearly 45 million people (including family members) through 10.44 million borrower members*" [38]. The bank was initiated by Muhammad Yunus in 1976 and he and the Grameen Bank were subsequently awarded the Nobel Prize for Peace in 2006 [9]. The Grameen Bank was established as a secular organization, although a large majority of its members are Muslim, and Islam is by far the predominant faith in Bangladesh. It began as a small personal project in a village (Jobra) located near Chittagong University campus where Yunus taught economics. Bangladesh experienced a devastating famine in 1974 that resulted in an estimated loss of 1.5 million lives, and this catastrophe led Yunus to an examination of the underlying reasons for their poverty. The lack of cheap credit quickly emerged as a limiting factor, and to solve this problem, Yunus established the Grameen Bank with the stated target group being the poorest within the community [37]. It is interesting to note that at least in the Grameen Bank's early days, a key indicator for targeting services was based on land ownership, with those owning less than 0.5 acre of land or assets worth less than 1 acre of land being eligible for credit [35,36]. Borrowers are organized into groups, and peer pressure within the group helps prevent anyone from defaulting. The 'peer pressure' approach, also referred to as 'Solidarity Groups', has been very successful in the Grameen Bank, as indeed it has been with other institutions employing this method [39], and repayment rates of 97 to 99% have been claimed by the Grameen Bank [35,40,41].

A majority of Grameen Bank members are women, and there are three main reasons for this [42,43]. Firstly, women traditionally have the least economic opportunity in Bangladesh. Secondly, credit supplied to women tends to be more beneficial for the whole family compared to when it is given to men. Thirdly, women are generally much more careful about managing their debts than men. In addition, the emphasis on female members by the Grameen Bank is perhaps a reflection of a much wider issue regarding the lack of access women in the developing world typically have to finance from formal sources such as commercial banks [10]. Globally, it has been estimated for the period 2016 to 2019 that while 46% of men reported having access to formal financial services, the corresponding figure for women was only 37% [44]. Hence, women are often more reliant when it comes to microfinance provided by NGOs or the informal sector [2,45,46]. As Bartel [47] (p. 41) has noted: "*microfinance targets the bottom-billion women, grouped into the essentialized categories of demure debtors who will be responsible financial subjects in the service of gendered and racialized economic stereotypes. Women, and most prominently women of color, now make up almost 90% of micro-credit recipients in the world*". However, others have noted that just providing women with access to microfinance does not necessarily empower them to engage positively in local development [48] or challenge any prevailing patriarchal system [49].

The success of the Grameen Bank has served as a model for many other microfinance organizations, both publicly owned and NGOs, established throughout the developing and even the developed world [37,40], including other initiatives in Bangladesh itself [50]. Indeed, Bangladesh is often regarded as the heartland of microfinance [51]. The approaches taken by the Grameen Bank have been duplicated in other Asian countries [52] and Africa. A noteworthy example of the latter is provided by the People's Bank established by the Federal Government of Nigeria [34,53] on 1 October 1990 [54]. By 1991, the People's Bank had 200 branches, and by 1992, it had 228 branches [34]. In just its first year of operation, the bank had 90,000 borrowers [53]. However, the People's Bank faced significant challenges and the government in Nigeria eventually merged the People's Bank with some other institutions to create the Nigerian Agricultural, Cooperative and Rural Development Bank, citing low capitalization and inefficient operations as some of the reasons for this [55].

Although it has been widely applauded for its achievements in helping the poor, the Grameen Bank has had its critics [42,51]. While the Grameen Bank was not formed as an FBDO, it is based in a country with a Muslim majority, and Islamic fundamentalists in

Bangladesh have claimed the bank is 'anti-Islamic' as charging credit on loans is regarded as usury in Islam [40]. The relationship between Islam and microfinance provision is an intriguing one on so many levels [56] and is quite distinctive from microfinance run by secular and indeed Christian FBDOs. The ethics that underpin microfinance provision by Islamic institutions are based on Shariah laws and principles set out in the Qur'an and As-Sunnah. Shariah sets out permissible and non-permissible sectors for Muslims and requires that any earnings be respectable, and that interest not be charged on loans [57–59]. Hence, the fundamental aspects of Islamic banking require that loans must carry no interest and no uncertainty in terms of one's ability to repay and must not involve support for 'unethical' conduct [59].

It has been suggested that despite the Grameen Bank's objective of targeting the poorest in society [37], in 1996, only 20% of Grameen's borrowers were the poorest landless agricultural workers [60]. Indeed, similar issues regarding stringent lending requirements which thereby exclude the poorest in society have been raised for many other microfinance institutions modelled on the Grameen Bank [52], and this has been referred to as 'mission drift' [61]. The Grameen Bank and other microfinance providers have had to adapt and charge a higher interest on loans so they can become financially self-sustaining [51]. Also, the evidence regarding the beneficial impacts of the Grameen Bank has been mixed, and this may be related to a lack of support provided by the bank to its lenders [51].

While NGO microfinance providers are typically regarded as being distinctive from those in the private sector, there can be relationships. For example, NGOs may use commercial banks for lodging the money they have collected from their clients. This helps with security, but the money will also earn interest which can be shared with members of the scheme. Indeed, the lines between these types of organizations can become blurred, and some NGOs can begin to look and behave very much like commercial banks [62]. In some cases, commercial banks may form partnerships with NGOs, with the banks providing the capital and the NGOs becoming their field partners or, as Parekh and Ashta [63] (p. 324) put it in the context of a microfinance partnership in India, "*execution partners*". Also, microfinance providers of all types can in some circumstances compete for customers [64], and the private sector can provide a diverse market-based source of capital for microfinance providers [65].

3.3. Informal Microfinance Sector

The informal (or indigenous, traditional) microfinance sector can be substantial in some countries. Such informal microfinance institutions are typically founded on savings often in conjunction with a credit component [23,33], although their extent and effectiveness can be challenging to assess [22]. Examples of informal microfinance schemes are widespread, and some for Sub-Saharan Africa can be found in Tanzania [66], Malawi [67], Ghana [68] and Nigeria [8,69]. Such schemes can be operated by an individual or on a group basis [20]. Seibel in his pioneering work on the topic [22] suggests that there are essentially four types of informal microfinance schemes run by groups:

1. Rotating savings associations (RSAs)
2. Rotating savings and credit associations (ROSCAs)
3. Non-rotating savings associations (nRSAs)
4. Non-rotating savings and credit associations (nROSCAs)

The latter two groups ('non-rotating' associations) are the simplest, as members save money on a regular basis and get it back at the end of an agreed period. Credit can be provided as part of this (type 4 above) and various fines, fees, etc., may also be included. The schemes usually charge a high interest rate on loans to provide more funds for lending to members. The 'rotating' types of informal microfinance (RSAs and ROSCAs) are more complex but are also amongst the most widespread in developing countries. The precise way in which individual ROSCAs operate does vary [33], but in essence, each member of the group pays a fixed amount of money within a given period, and the money is aggregated and paid to each member on a rotational basis. However, while they are widespread, it has been quite common for development practitioners to ignore existing informal microfinance institutions, despite repeated pleas for this sector to play a more active role in the provision of microfinance [21]. There are a few published accounts of NGOs, FBDOs or secular, working with or even adapting indigenous microfinance schemes. One example is provided by the DDS (a Catholic-church-based FBDO) microfinance scheme noted above. DDS was based in Igalaland, Nigeria and modelled its microfinance scheme on a form of ROSCA (called the Oja) already practiced in the community but adapted to include record-keeping (minutes of meetings) and accounting [8,70]. It has also been shown how local norms and practices when it comes to credit can influence the more formal microfinance schemes established by NGOs [71]. These can be important concerns, and the danger is that NGOs risk losing participants if they do not accommodate local ideas, cultures and practices when planning a microfinance scheme [71].

4. Sustainability of Microfinance Provision

4.1. The Theory of Institutional Sustainability

Ever since microfinance emerged as a tool in development, there has been a persistent and significant demand to make services financially self-reliant and thus remove the requirement for continual 'top-up' funding from donors [3,20,26,35,36,72]. This demand for financial self-reliance on the part of microfinance providers has often been expressed more broadly as 'institutional sustainability'. The assumption is that the income generated from microfinance will cover the costs of human capital (salaries, training) as well as any physical assets, such as offices, equipment and transport, that the provider requires in order to run the service. There is, of course, much more to the theory of 'institutional sustainability' than financial self-sufficiency, including the capacity and performance of the institution [73]. As Brinkerhoff and Goldsmith [74] (p. 371) have put it, institutional sustainability "*is the ability of an organization to produce outputs of sufficient value so that it acquires enough inputs to continue production at a steady or growing rate. In other words, a sustainable institution is one that has earned the adherence of a sufficient body of people so that it gets the continuing encouragement and support it needs to handle, at a minimum, a stable volume of transactions*". The focus on ensuring that a microfinance scheme be financially sustainable, perhaps even extending this to include a requirement that the scheme be profitable, is in tune with those who view microfinance in free market terms. Indeed, some writers make a clear distinction between microfinance as a business and microfinance as a development endeavour, with the latter even representing an 'attack on the market'. For example, Block [75] (p. 67) has noted: "*We must distinguish between two types of micro-finance. One, the Yunus variety, which comes replete with all sorts of socialist, trendy, cultish feminist accompaniments. Two, the pure or Platonic kind of micro-finance, the one unencumbered by this baggage. The thesis of this paper is that only the former variety constitutes an "attack" on the market. The latter form is indeed part and parcel of the market- place*".

However, envisioning institutional sustainability in such simplistic terms as financial self-sufficiency does not embrace issues of culture and respect within an institution let alone its performance and how it supports those it is seeking to help [73]. Neither does it incorporate a need to ensure that what microfinance is supporting is sustainable development. After all, unless suitable checks are in place, it is possible for the microfinance service to support highly unsustainable development that is likely to be profitable for some in the short term, such as extensive deforestation and its replacement with agriculture. But since the 1990s, if not earlier, financial self-sufficiency has remained at the heart of the call for the institutional sustainability of microfinance providers, and this has typically been defended as a need to move away from the need for subsides from international donors [20,35,36,72,76].

4.2. Measuring the Institutional Sustainability of Microfinance Provision

There have been various attempts to measure the efficiency and impact of microfinance provision in terms of their dual objectives of generating social outcomes and the financial performance of providers [77,78]. This has included assessments of what has been called 'mission efficiency': to what extent does the microfinance provider really help the poorest in society rather than focus on those best able to repay credit [61]? However, there has tended to be more focus on ensuring the financial self-sufficiency of microfinance providers as the key concern in institutional sustainability. Numerous studies have explored factors that may be important here, including issues such as the role of leadership within microfinance providers and those they support and the importance of the broader policy context, such as tax breaks and subsidies for microfinance providers [79–82]. Indeed, one of the advantages of conceptualizing the 'institutional sustainability' of microfinance providers in this way is that it can be measured relatively simply; for example, by the percentage of total costs covered by income [4]. Put another way, for any period:

$$\text{Sustainability Index} = \frac{\text{total earned from microfinance scheme}}{\text{total microfinance schem ecosts}} \times 100$$

The 'index' represents the 'sustainability' of the financial service provision. The equation is basically income from microfinance as a percentage of the costs involved in running the scheme. For the microfinance institution to be 'sustainable', the index needs to be 100% or more. However, while the equation is a simple one and easily calculated, it says nothing about the social or indeed environmental impact of the microfinance scheme.

If it assumed that the main source of income for the microfinance scheme is the interest rate charged on loans, then another method for measuring the sustainability of microfinance providers is to calculate the change required in interest rates charged by the lender to remove the need for any subsidies. This is the basis for the Subsidy Dependence Index (SDI) of microfinance schemes popularized by the World Bank [35,36]. The SDI begins with an estimate of the annual subsidy (S) received by an institution running a microfinance scheme:

$$\mathrm{S} = \mathrm{A}(\mathrm{m} - \mathrm{c}) + [(\mathrm{E} * \mathrm{m}) - \mathrm{P}] + \mathrm{K}$$

where:

A = Annual average of concessional borrowed funds that may be outstanding;

m = The interest rate a microfinance provider would need to pay for borrowed funds (e.g., from the commercial sector) if access to borrowed concessional funds was removed;

c = The average annual concessional rate of interest (if any) paid by the microfinance provider on its average annual concessional borrowed funds that may be outstanding;

E = Average annual equity;

P = Reported annual profit (adjusted, when necessary, for loan loss provisions, inflation, etc.);

K = The sum of all other annual subsidies received by the institution. For example, any support received by the state to cover operational costs.

The SDI is then given as follows:

$$\mathrm{SDI} = \frac{\mathrm{S}}{\mathrm{LP} \times \mathrm{N}}$$

where:

LP = the average annual outstanding loan portfolio of the institution;

N = the average on-lending interest rate charged by the institution.

An SDI of zero means that the microfinance provider has achieved institutional sustainability (i.e., it needs no annual subsidies from donors), while an SDI that is positive means that the microfinance provider has not achieved sustainability and still requires an annual subsidy from donors to keep the scheme running. In the case of the latter, the higher the SDI, the greater the annual subsidy that is required from a donor. If the SDI is negative, then the microfinance provider has not only achieved sustainability but is making a profit from the scheme, and for some this is important as "*financial sustainability means getting your money back plus more, which means return on investment*" [72] (p. 262). A review of the

SDI for a variety of microfinance providers between 2005 and 2006 has been published [79]. They found that a significant proportion of microfinance providers (153 out of 204 in 2005 and 122 out of 179 in 2006) were subsidy-dependent [79].

The SDI is arguably an over-simplification as it assumes that an increase in the lending rate is the only mechanism available for removing the need for a subsidy, but this may not necessarily be feasible in all situations [35]. For example, the microfinance provider may instead opt to reduce the amount of outstanding loans (i.e., increasing repayment rates) by applying a more stringent follow-up on defaulters along with a tightening of the criteria for approving loans [3,83]. It should be noted that the record of repayment within many microfinance schemes tends to be good with an estimated repayment rate of 90 to 95 per cent [57]. Efforts designed to improve the repayment of outstanding loans do have repercussions. In a study of the behaviour of field officers in managing the non-repayment of loans issued by an FBDO microfinance provider called the 'Christian Enterprise Trust of Zambia (CETZAM)', it was noted how they often resorted to the use of police, the seizing of assets and even 'dawn raids' [3]. The staff of CETZAM became 'loan collection agents' rather than facilitating development [3]. DDS in Nigeria also faced the thorny issue of managing the non-repayment of loans as well as embezzlement by staff involved in managing their microfinance project [70]. Indeed, it has been noted that microfinance providers will often charge higher interest rates than commercial banks because of the large number of relatively small transactions involved, and this can cause spiralling debt [78]. An extreme case of high interest rates feeding debt can be found with what has been called the 'Great Indian Microfinance Crisis' [51,63,78]. Microfinance in India was initially a success story and grew 90% over the period of 2002 to 2010, but providers began to charge high rates of interest to make the provision financially viable and resorted to aggressive tactics to attract customers and to ensure that loans were repaid [51]. An outcome of this was a number of suicides as debtors were unable to repay the loans [51].

4.3. Progress in Achieving Institutional Sustainability in Microfinance Provision

4.3.1. Frameworks

Despite the strong pressure from donors and others for microfinance providers to attain institutional sustainability (i.e., financial self-reliance) [3], it has been claimed by some that the challenges they face are significant and providers generally have a bad record of achieving this target [35]. Indeed, various classifications of microfinance providers based on institutional sustainability began to emerge in the 1990s, and one of the earliest to be published [76] suggested that there were four levels as follows:

1. Low sustainability (high level of grants or soft loans are still required);
2. Grants still required, but the amount of subsidy is less than in (1);
3. Most subsidies are eliminated, but there is still some need for 'top-up' grants or soft loans;
4. Full sustainability (no grants or soft loans required).

When this framework was published in 1994, it was suggested that the third level is the one reached by many of the well-known NGOs involved in microfinance provision, such as the Grameen Bank [76], and the only microfinance providers to have reached the fourth level were the credit union movements of some countries and the Bank Rakyat Indonesia (BRI) Unit Desa system [84]. Indeed, the challenges involved were recognised and it was widely suggested that a microfinance provider may take 10 years or more to achieve institutional sustainability as it progressed through the levels [85]. An NGO microfinance provider may go through a series of phases over 10 years as follows [85]:

1. 'Childhood' phase. Lasts for 4 years, during which the organization operates as an NGO with full funding from the donor, but with a stated target of achieving institutional sustainability;
2. 'Adolescence phase'. After institutional sustainability has been achieved, the NGO becomes a fully-fledged bank charging market interest rates and screening potential borrowers. It was estimated that the 'adolescence phase' typically lasts for 3 years;

3. 'Early adulthood phase'. Lasts for 3 years, during which growth continues due to expansion and the diversification of microfinance services offered by the NGO. The NGO becomes a commercial bank in all but name, without generating excessive profits.

Others have taken a more positive view regarding these challenges and suggested that "*Self-sustainability; covering the cost of lending money to the poor may seem difficult, but it really is not. To do it means building a well-oiled lending organization, with refined techniques and procedures, managed by a disciplined staff*" [72] (p. 268). Nonetheless, it has been argued that despite having advantages, NGOs, both secular and faith-based, may not have enough trained personnel or structures in place to manage microfinance schemes effectively, and there will remain an ongoing and important role for donors in supporting the training of staff [4,35,36,85]. To help spur progression towards institutional sustainability, it has even been suggested that donors must be demanding towards the microfinance providers they are supporting, maybe even playing the role of an 'owner' or major 'share holder' akin to commercial banks [85]. However, such 'grass roots' interference on the part of donors in the functioning of their field partners does raise concerns, as they may not have the local knowledge, and even if the decisions they make are sensible, the timescale may not be [16].

4.3.2. Minimalist Versus Integrated Microfinance Provision

Although obviously attractive for the reasons noted above, the drive towards institutional sustainability on the part of donors has been questioned [8,72,73]. To begin with, financial self-reliance requires that the institution, whether it is an FBDO or secular in nature, takes on some of the characteristics of commercial banks, as illustrated in the 'phases' above [85]. Hence, interest rates need to be commercially viable, operational costs must be covered by income and loan defaulting needs to be minimized. The latter can be addressed via a screening process akin to that implemented by commercial banks for their customers, but clearly there must be a balance between achieving institutional sustainability and at the same time reaching people in need and not just those who are best able to repay loans. As illustrated with the Grameen Bank above, this can create tensions as agencies running microfinance schemes may begin to target services to those best able to pay higher interest rates or engage in other activities to generate the income needed to keep the service sustainable. However, these may not necessarily be those with the greatest need and 'mission drift' may result [61]. Some evaluations of the impact of microcredit in terms of reducing poverty have often noted that the poorest in society can be left out or they can even cause as much harm as good as the level of inequality within a community can widen [86]. After all, just providing access to microfinance does not in itself "*provide a one-size-fits-all cure or 'magic bullet' to livelihoods improvements or the challenges linked to escaping poverty*" [44] (p. 2).

The challenge of attaining institutional sustainability by providers of microfinance has often led to calls for concentration on the provision of such services and an exclusion of other development activities. Such an approach is referred to as minimalist microfinance delivery, or sometimes more specifically as minimalist microcredit [20,39,72], while the opposite approach, in which an institution may engage in a variety of development activities in addition to microfinance, is often referred to as integrated. The assumption made by those advocating a minimalist approach is that engaging in other activities is at the very least a distraction, and this can make the attainment of institutional sustainability less likely. However, the distinction between the minimalist and integrated approaches is somewhat hazy, especially within the sort of 'value-added' (or 'credit-plus'; 31) services often supplied by microfinance providers, such as market information, advice on commercial linkages, appropriate management and technology [87]. Indeed, these can also include 'softer' benefits for those engaged in microfinance, such as group formation and networking [87], which themselves become a part of social capital [88]. Such 'value-added' services may at first glance appear to be distractions from the core activity of providing microfinance, but they can help enhance economic returns from the client's enterprise and provide more indirect benefits to the microfinance institution (lower chance of indebtedness, attraction of more customers, etc.). This 'value-added' provision, albeit with a need to evaluate the enterprises being supported by microfinance, has often been highlighted as critical, and an example is provided by [89] in their review of faith-based enterprises in Kenya. Hence, there are solid justifications for even a minimalist microfinance provision to include such 'value-added' services, perhaps with the charging of a fee to help cover the cost. An integrated approach may well offer similar support but can provide other services that are important to the community but not as directly linked to microfinance as the examples above. For example, an NGO may engage in school-based education (primary, secondary), the provision of health care and support with infrastructure (roads, bridges, water supply). But, even here, the dividing lines are hazy, as one could readily imagine, for example, that the availability of health care and infrastructure in the community is a fundamental prerequisite for people to benefit from microfinance.

One of the first studies to make a link between the minimalist microservice approach and 'performance' of the providing institution was provided by Tendler [90]. She drew largely upon the experience of NGOs such as the Grameen Bank and pointed out that the minimalist stance to microfinance provision has other advantages than aiding financial sustainability. The number and amount of loans issued and number of savings accounts along with the amount of money saved are all readily quantifiable, as indeed are other measures, such as loan repayment rates, and these can act as 'indicators' of performance. By only focusing on microfinance provision, donor agencies and others can readily determine the performance of their partner NGO(s) in the field [90]. The view being expressed here suggests that other development activities such as the provision of primary health care, infrastructure or agricultural extension services is not so readily 'quantifiable' in the way that microfinance services are, and as a result, "*In lieu of clear performance indicators, organizations tend to look at commitment, honesty, and hard work as proxies for performance rather than at impact. And mediocrity gets tolerated more, simply because the results of what these organizations do are more difficult to see*." [90] (p. 1037). These are strong words, but they do strike at the heart of the need to address accountability on the part of donors and indeed customers of the microfinance service.

Pressures to achieve financial sustainability have resulted in some NGOs moving away from an integrated approach to microfinance provision towards a more minimalist approach [91]. One can argue, of course, that even with integrated approaches, the microfinance component can be made financially sustainable while other development activities that an institution may engage in can continue to be financed from grants [92]. Indeed, some funding agencies have at times required that the microfinance providers supported by them to be split into two; the first component supplies the microfinance service and should become financially sustainable, and the second component supplies technical services, advice, training, etc., and can continue to receive a subsidy [16].

4.4. Faith and Institutional Sustainability of Microfinance Providers

4.4.1. FBDOs Providing Microfinance for Development

As noted in the previous section, there are strong bonds that link calls for institutional sustainability (i.e., financial self-sufficiency) on the part of microfinance providers to accountability in terms of showing how their resources have been best used to deliver desirable outcomes for a community. FBDOs have not been immune to this pressure for accountability as well as the need to become financially self-sufficient, and the tools they have at their disposal (e.g., interest rates) are much the same as they are for secular providers. FBDO providers of microfinance have typically had to operate within much the same set of demands for institutional sustainability as secular providers, even if their donors are themselves faith-based [8]. But do FBDO providers face special challenges when it comes to financial self-sufficiency compared with secular providers, and do the faiths (Christianity, Hinduism and Islam) differ in this regard? Indeed, how does one aspect shared by all these faiths—spirituality—interact with such a reduced representation of 'institutional sustainability' as financial self-reliance?

It first needs to be noted that whether the governance of FBDOs managing microfinance schemes is any better or worse than their secular counterparts has been relatively underexplored. The evidence that is available, for example the work of Djan and Mersland [93] based on 402 micro-finance institutions operating in 73 countries, does not point to major differences, but this is certainly a topic that needs more attention. In terms of institutional sustainability, there are at least two key aspects that need to be considered. Firstly, there is the faith of those who are being served by the microfinance scheme, and secondly, there is the faith-based nature of the FBDO and its institutional partners, such as donors. This context may be relatively straightforward, as in the case, for example, of an Islamic FBDO, with staff who are all Muslim operating in a country with a population that is predominantly Muslim. Here, the context of the FBDO is clearly an Islamic one, and the same rules and norms apply throughout. But matters can be far more complex. As noted above, the Grameen Bank was not established as an FBDO per se but does operate within a predominantly Muslim population, and as a result, its activities have attracted criticism [40]. Another very different example is provided by DDS discussed in previous sections. DDS was a Catholic-church-based FBDO located in the middle belt of Nigeria which served a population having equal proportions of Christians (Catholic and Protestant) and Muslims along with a sizable proportion of traditional believers [8]. In the part of the country where DDS worked, even a single household may comprise a mix of members following these faiths [70]. The staffing of DDS reflected this diversity, and while it was a Catholic-church-based FBDO, with the Bishop of the Diocese ultimately responsible for its management and activities, it did not discriminate in any way between those it sought to help and had to be sensitive to all faiths and cultures [70]. For DDS, there were potential influences coming from being a Catholic-church-based FBDO (and all the norms, teachings and rules that are associated with that) providing microfinance within a diverse faith context with each faith having its own norms, teachings and rules. Untangling the influences at play here is a far more challenging task.

4.4.2. Christian FBDOs

There is little in terms of literature focusing specifically on an exploration of institutional sustainability amongst Christian FBDOs which provide microfinance services. There is evidence that Christian-based FBDO microfinance providers have lower costs and a lower bottom-line financial performance compared to their secular counterparts, although they are just as effective in terms of loan repayment [45]. Also, while it may have been true in the past that there was more trust in the financial management of Christian FBDOs, this has arguably changed due to various scandals in both Catholic and various Protestant churches [93]. Perhaps the lack of literature exploring this topic amongst Christian microfinance providers is at least partly explained by them having no significant differentiation from providers that are secular. After all, Max Weber in his book entitled ‘The Protestant Ethic and the Spirit of Capitalism’ [94] concluded that what is now called ‘capitalism’ originated in predominantly Protestant nations of Western Europe and North America, and the ideals and beliefs inherent in Protestantism provided a cultural framework to support financial activities [95]. Indeed, there is nothing in Christianity which prohibits the payment of reasonable interest or indeed any fee related to credit, and even the central rationale behind microfinance helping people break out of poverty would be shared between Christian and many secular development organizations. While there are passages in the Bible which decry usury (charging excessive interest rates to maximize profit), there appears to be little evidence that Christian-based FBDOs do this, although care does need to be taken, especially in terms of ensuring that loans are not given to those unlikely to be able to repay them [96]. Hence, the definitions, pressures and options regarding the attainment of institutional sustainability by FBDOs that are Christian are similar to those outlined in the previous sections [8].

4.4.3. Hindu FBDOs

Similarly, there is little in the way of the literature which explores how FBDOs located within Hinduism have sought to tackle institutional sustainability. There is certainly an abundance of literature on key events such as the 'Great Indian Microfinance Crisis' and its causes within Hindu majority countries [51,78], but this was mostly centred on the functioning and decision making within the private sector and government-based providers of microfinance rather than having an explicit faith dimension. Hinduism does appear to provide a supportive context when it comes to microfinance. Indeed, it has been noted that: "*Hindu teaching is also realistic about the need for high interest rates to compensate for business risks and transaction costs, and emphasizes the importance of the repayment of debts. It is therefore no surprise that the Indian microcredit sector has grown rapidly in recent years*" [95] (p. 900). Thus, it would also seem that Hinduism, be it specifically in terms of an FBDO or indeed a secular microfinance provider operating in a Hindu society, may have little influence per se on the form and approaches taken to achieve institutional sustainability.

4.4.4. Islamic FBDOs

The Islamic faith provides a very different picture to that of Christianity and Hinduism when it comes to the sustainability of microfinance providers. It has been claimed that the first modern Islamic bank that provided what could now be called 'social banking' was established in Egypt in 1963 via the MitGhamr Saving Bank, although it only survived for two years [59] and can hardly be called sustainable. There are some major constraints and opportunities for sustainable development in general that arise from teachings within the Islamic faith [97]. In an Islamic context, the meaning of institutional sustainability may echo with those above in the sense of a need for financial self-reliance and a requirement for the attainment of social justice and an equal distribution of income to be earned in respectful ways. These would certainly resonate with the ethos and approaches taken by Christian and Hindu FBDOs and indeed many secular development organizations. However, in Islam, the providers of microcredit are not allowed to charge interest on any loans, although there can be a requirement that the capital is repaid [56–59]. Nonetheless, there are systems in place that are Sharia-compliant that could help, most notably Zakah (or Zakat) and Waqf [56,98,99]. Zakah is one of the five fundamental pillars of Islam and requires Muslims with a certain minimum level of wealth to contribute some of it to help others and thereby link the rich with the poor [98]. Zakah is not a voluntary contribution but is an obligation for those who can afford to give it, and giving Zakah is an act that purifies the giver's soul and wealth. Waqf is a religious endowment of physical or financial assets for charitable purposes [98]. The sums involved could be considerable. For example, available data covering half of the formal Zakah institutions in Muslim majority countries show a combined yearly Zakah fund of over USD 7bn [100]. These systems can provide charity to help the poorest in society, but deciding who receives the donations, how much they should receive, when they receive them and the support needed to help them make the best use of it (e.g., if the recipients are involved in small-scale agriculture; [101]) can generate challenges. In a few countries, there are laws which require Zakah payments to go to the government, but for most countries with significant Muslim populations, there are structures in place (mosques, NGOs) outside of the government which can handle the payments and distribute them to those in need. Working via structures such as mosques can have its own issues as some people may find it an intimidating space [32]. Indeed, even within a single country, there can be regional differences in terms of the legal frameworks in place to support the collection and use of Zakah and Wakf contributions [102]. Nurhayati et al. [103] (p. 110) point out that "*Most zakat institutions tend to distribute zakat in the form of food or cash transfers, neither of which are sustainable and only have short-term impacts for the recipients*". Zakah payments could also be made to a local-level 'Zakah Management Committee' (ZMC) which would create a sense of community ownership and allow for an efficient response to needs at the local level [99]. Such local-level Zakah management models exist in some countries, such as Kuwait and Pakistan, where religious leaders are assumed to have better awareness about the needs of the community in which they are embedded [99].

There have been various published studies designed to explore the use and potential of Zakah and Waqf for socio-economic development, including providing microfinance [31,32,52,99,104–106]. Zakah and Waqf could provide the funding required for microfinance to avoid the need to charge compulsory interest on credit [32,56,106], although there could still be a requirement for borrowers to repay capital and borrowers can make voluntary payments. Some authors have argued that the payment of an 'administration fee' or 'service charge' for credit transactions is not against Islamic principles [52], and this could also provide a source of income. Indeed, Islamic microfinance which is fully compliant with Shariah laws is a new trend and is said to be flourishing [57,107] and having a positive impact [16,17,108,109]. It has been claimed that there are 164 Islamic-based microfinance institutions offering interest-free credit in the East Asia and Pacific regions, 72 in the Middle East and North Africa, 12 in South Africa, 4 in the rest of Sub-Saharan Africa and 3 institutions in Europe and Central Asia [110]. Indeed, it has been noted how Islamic finance "*has become an invaluable force to be reckoned with in most countries despite some occasional political tantrums being experienced from some quarters*" [111] (pp. 174–175). But other views have been expressed in the literature, with some claiming the outreach of Islamic-based microfinance to be "*very limited and represents only a small percentage of the total microfinance outreach in all Muslim countries*" [52] (p. 352). Challenges with the sustainability of Islamic-based microfinance providers have certainly been reported given that credit must be interest-free [112], and some do point to challenges with the modalities of creating and sustaining a Zakah (and Waqf)-based microfinance program [103,113]. Issues with regulation by the state of Islamic microfinance providers has also been reported for some countries such as Nigeria [114]. Indeed, in the case of an appropriate regulatory framework, one question that is not addressed in the literature is whether there are significant differences between countries that are predominantly Islamic (e.g., Bangladesh, Indonesia) and those where major faiths have a more equal representation amongst the population, such as Nigeria. Some challenges, such as the management of non-repayment and the need for evaluations of how funds are used and the impacts they have on communities, have long been reported amongst secular and FBDO providers of microfinance.

4.4.5. Spirituality and Institutional Sustainability of FBDOs

A further factor that has been linked to the sustainability of Islamic-based microfinance providers, but interestingly not so much with the other two faiths, is spirituality [103,108]. Nonetheless, despite its claimed importance by some, there is a paucity of research on the role of spirituality in terms of achieving institutional sustainability by Islamic FBDOs [113]. Wediawati et al. [115] suggest that what is required is a 'holistic approach' to the institutional sustainability of Islamic microfinance providers that combines financial, social and spiritual intermediation. They suggest that 'financial intermediation' can be achieved by the provision of diverse financial services, making access to these services relatively easy and having quick disbursements. Social intermediation is, in essence, knowledge dissemination, creating self-confidence amongst the clients and enhancing empowerment. As expressed here, both financial and social intermediations appear to have much in common with microfinance provision by many institutions, faith-based and secular. In terms of spiritual intermediation as a part of the 'holistic approach', Wediawati et al. [115] suggest it can be achieved by institutions providing an Islamic role model as well as literacy education and training in Sharia. As noted above, it is intriguing that the link between spirituality and the institutional sustainability of microfinance providers has attracted little, if any, attention for FBDOs operating within a non-Islamic context. Including spirituality as a 'non-negotiable' and critical dimension to the institutional sustainability of microfinance providers requires a move beyond a minimalist focus on microfinance into the kind of 'value-added' support (religious training and education, advice, empowerment, etc.) that those advocating for a minimalist approach regard as a distraction.

5. Discussion

Microfinance remains a popular approach to help alleviate poverty, and it certainly has had its share of successes and challenges. Microfinance as a tool in development has been around for a long time, and Figure 1 shows how the 1990s witnessed the beginnings of an explosion of interest in the benefits provided by microfinance and how that momentum has continued to this day. The latter has arguably been aided by the various high-profile microfinance summits that have been held since the first one in 1997. Given this momentum, microfinance is likely to remain an important tool and FBDOs will no doubt continue as major providers. But it is important to note that microfinance is not a panacea to addressing issues of poverty and underdevelopment, and there have been studies which have presented a more sobering picture of its impacts [86,116–118]. Also, NGO microfinance providers in general, be they FBDO or secular, have attracted criticism for underperformance, promoting underdevelopment, and have even been regarded by some as being agents of neo-colonialism and neo-imperialism [46]. Microfinance cannot be considered as a 'silver bullet' to solve the complex web of issues and constraints that create underdevelopment.

The literature on the use of microfinance as a tool in development has raised and continues to raise many important and complex issues, and a graphical summary of some of it is provided in Figure 2, which has been created based on the theoretical model of the sustainable livelihood approach (SLA) [119]. The SLA is founded on the assumption that a livelihood is underpinned by assets (human, natural, physical, social and financial capitals) subject to a dynamic context of vulnerability to shocks and stresses. All of these interact, and a household, for example, will seek to manage them in such a way as to support themselves and reduce vulnerability to shocks and stresses. Thus, the SLA requires that development practitioners plan projects based on a thorough understanding of these capabilities and how households can best be supported [119]. Also important in the SLA is an understanding of the institutional, policy and cultural context of the wider community within which all these interactions play out, and the latter includes faith [119]. The microfinance system is part of the institutional context and spans all the actors shown in Figure 2, which interact with each other (the overlapping circles in Figure 2). To date, the emphasis in microfinance research has arguably been upon exploring the function and development impact of each of these actors in isolation. When interactions have been explored, it has typically been in terms of how microfinance providers in the field engage with their 'clients', donors (national and international), the private sector and governments.

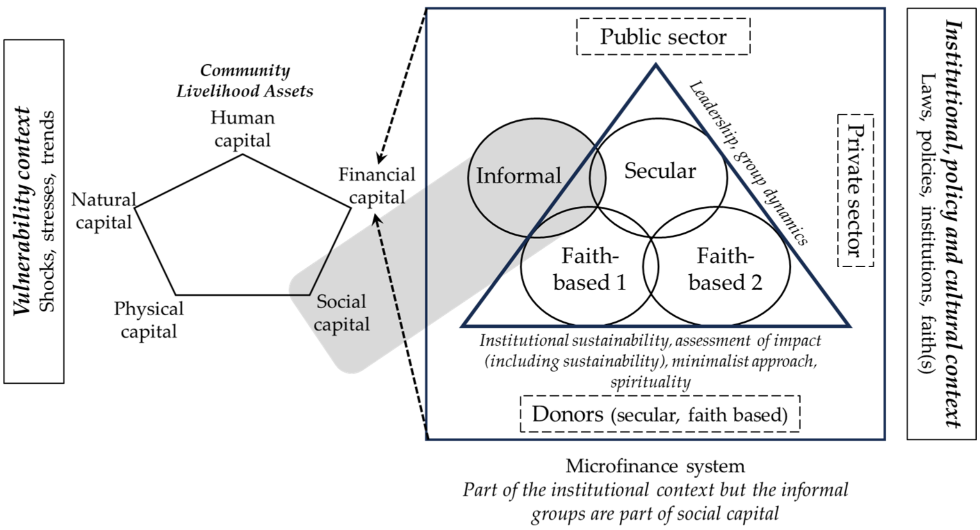

Figure 2. The role of the microfinance system for supporting sustainable livelihoods. The diagram is based on the model at the heart of the sustainable livelihood approach (SLA) often applied in development.

For the interaction between microfinance service providers and donors, the most prominent aspect in the literature appears to be the drive for institutional sustainability on the part of providers. For many, it seems that this has crystalized into a need for financial self-sufficiency—that the providers cover the costs of the services they provide by charging interest and fees [3,20,26,35,36,72]. While the assessment of institutional sustainability in microfinance has been broadened by some to include a need to assess the contributions made by the service to sustainable development, it nonetheless seems unlikely that this fundamental demand for microfinance providers to balance their finances will relent. No doubt many microfinance providers will be reluctant to admit that they are not aspiring to be financially sustainable, and there will continue to be those who believe that organizations which argue against this may be doing so to distract from their shortcomings [39]. Wrapped up in all of this is the perceived need for microfinance providers to take a minimalist approach [20,39,72], although this remains a fuzzy area as many 'value-added' (or 'credit plus') services (e.g., training, market intelligence, capacity building) can be regarded as supporting (via social and human capital as shown in Figure 2) those trying to maximize the benefits of microfinance [87–89].

As noted in Figure 2, while the microfinance system can be considered a part of the 'institutional context' for supporting livelihoods, it must function within a broader policy and cultural context of both the wider society as well as the local community. This is true of all providers in Figure 2, be they private, public or NGOs, but for those that are faith-based, this can arguably provide special challenges. For FBDOs that provide microfinance services in communities that are predominantly Christian or Hindu and that are themselves from these traditions, the definition and approaches available for the attainment of institutional sustainability are much the same as for secular providers. These FBDOs have used interest rates and other fees as sources of income and have also engaged in activities to encourage loan repayment and address defaulters [45]. The Christian and Hindu faiths would appear to be in harmony with these commercial pressures and options for managing them. However, it does have to be noted that this is a topic area that has received very little attention, and while the literature does not suggest any significant differences, this may perhaps reflect a lack of attention; after all, an absence of evidence does not necessarily mean the absence of an effect. In the case of Hinduism, "*It would also be interesting to understand whether microcredit companies behave differently in those parts of India where secularism is most advanced, as compared with places where Hindu beliefs maintain a strong hold on social, cultural and economic life*" and that "*there is much that we do not yet know about the details of the relationship between Hindu beliefs and practices and the success (or otherwise) of MFIs*" [95] (p. 901). Some have also noted the importance of researching differences between denominations within each religion (e.g., Protestant and Catholic) in terms of microfinance [45], and this remains an important gap in the literature.

For institutional sustainability, there are significant issues that relate to microfinance provided by Islamic FBDO's and it is here that there have been interesting developments. Islamic microfinance providers are unable to charge interest on the loans they provide as usury is explicitly prohibited in Shariah law. It is possible for Islamic microfinance providers to charge fees for their services, and various studies have suggested that Zakah and Waqf contributions can provide a means by which these providers can become financially sustainable. Charitable giving is also a part of other religions, although it is voluntary, but Zakah is an obligation for those who can afford to give it, and this could provide the basis of an income stream to provide microcredit and pay for services. Even so, there are significant challenges, and the literature provides a mixed picture when it comes to the success of microfinance provision by Islamic FBDOs and their efforts to become financially sustainable. Indeed, one intriguing aspect that emerges from the literature on Islamic-based microfinance is the link to spiritual and religious development as a key element of sustainability, not just in terms of the impacts of the services on those that make use of them but also the functioning of the FBDO [108]. Yet for all of its apparent importance, spirituality is rarely discussed in the context of the institutional sustainability of FBDOs, especially in the context of those that are not Islamic, where the focus still tends to be on the financial self-reliance of the provider and estimations of the impact of schemes on development.

As highlighted in Figure 2, there remain some significant gaps in our knowledge regarding collaborations between various types of microfinance providers. Collaborations between FBDOs providing microfinance and their donors, commercial banks and government agencies have been widely described, but there is little in the literature about how FBDOs may interact with other providers, be they faith-based or secular. There are indications that inter-faith collaboration could become increasingly important in terms of maximizing the impacts of microfinance, especially in the context of religious conflict within communities [120]. Could such inter-faith collaboration also support the institutional sustainability of the partners involved? Christian and Islamic providers of microfinance tend to differ in terms of their organizational structure [120], with the former tending to focus on shared humanitarian goals irrespective of the religion (or lack of religion) of workers and beneficiaries, while many Islamic microfinance organizations have structures that are generally based on bounded social capital as a specific religion is promoted and thereby "*constraining an organizational structure to recruit talented co-workers of different religions or no religion*" [120] (p. 43). But Christian-based microfinance providers may not have the services that dovetail what Islamic members of the community may want and need. In some cases, as with the DDS example discussed above, a microfinance provider may be serving a diverse community comprising Christian, Islamic and traditional believers, and the services are accessed by all without any difficulty. However, in other cases, it may be best for Christian and Islamic microfinance providers to work together.

Finally, a point that perhaps applies to all microfinance providers, be they FBDO or secular, is the apparent paucity of research on how they can best work with informal (indigenous) microfinance institutions. These typically operate at small social scales, such as at the village level, and may not necessarily be 'faith-based', although members may well be members of a faith. As noted in the review, the informal microfinance sector can be substantial, but they have often been ignored in development, although there has been some work exploring links between the informal sector and commercial banks and NGOs [22,121]. Indeed, as indicated in Figure 2, informal microfinance groups can be an important part of the social and human capital in a community, providing support to members (e.g., market intelligence, networking, the sharing of experience) that goes beyond financial capital [8]. The potential of working with informal microfinance groups has been noted since the 1980s [22], yet there are few published accounts of an FBDO adopting and adapting an informal institution as the basis for a more formal microfinance provision. An example of this is the Oja in the Igalaland region of Nigeria, provided by McNamara and Morse [8,70]. Others have certainly pointed to the need to consider local attitudes and perspectives on credit when planning a microfinance scheme [71]. Such an embrace of indigenous values, culture and institutions would arguably enhance the viability of a microfinance scheme, but are FBDOs inherently better placed than secular providers to do this? It is not readily apparent that this would necessarily be the case, but the embeddedness and longevity of FBDOs [6] may give them a natural advantage here when it comes to taking such a position. It would certainly be intriguing to explore whether and how formal microfinance providers have engaged with informal microfinance institutions and whether FBDOs take a different perspective and approach relative to more secular providers. Also, in what ways can such engagements with informal microfinance institutions aid with institutional sustainability? After all, many informal institutions have been around for a very long time, and it can be argued that they are 'institutionally sustainable'.

To conclude, while the literature on microfinance in development is rich and extensive, there are still some significant gaps in our knowledge that need to be addressed, especially regarding FBDOs and the sustainability of their provision. There is a rich interplay of practical concerns of efficiency, institutional sustainability and accountability, but there is also the spiritual element, which is arguably something central to all faiths as well as people who are spiritual without describing themselves as religious [122].

6. Future Directions

The analysis of the literature on faith and the institutional sustainability in microfinance provides some suggested avenues for further research as follows:

1. While more can certainly be done to explore the differences between religions in terms of the form and function of microfinance as well as how sustainability of provision is defined, a significant gap in our knowledge pertains to differences in these aspects between denominations within each religion (e.g., Protestant and Catholic).
2. Tied to point (1), the institutional sustainability of FBDOs working in mixed-faith contexts needs to be explored. As part of this, the potential for inter-faith collaboration in microfinance provision by FBDOs needs more research.
3. Spiritual and religious development needs to be explored both as a key element of the sustainability of FBDOs providing microfinance as well as the impacts of these services.
4. The linkage (or lack thereof) between more formal microfinance providers and informal microfinance institutions needs more research, especially in terms of how this influences institutional sustainability. In particular, are FBDOs more naturally predisposed to and able to engage with the informal sector compared to secular microfinance providers?

Funding: This research received no external funding. The APC was funded by The University of Surrey.

Institutional Review Board Statement: Not applicable.

Informed Consent Statement: Not applicable.

Data Availability Statement: Data sharing not applicable.

Acknowledgments: The author would like to thank the University of Surrey for providing support with the APC.

Conflicts of Interest: The author declares no conflicts of interest.

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