A STUDY OF ACCOUNTING AND ACCOUNTABILITY PRACTICES IN MICROFINANCE INSTITUTIONS (MFIs): CASE EVIDENCE FROM CAMEROON

by

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Abstract

Microfinance Institutions (MFIs) play important roles in socio-economic development and poverty alleviation particularly in developing countries. It has however been argued that the focus of MFIs is changing from the traditional purely social to commercial (mission drift) and has been criticised for neglecting the welfare of citizens and grassroots accountability in favour of commercialisation and accountability to donors/shareholders. This mission drift has resulted in changes in the structure and practices of MFIs. The study has been designed to examine how the accounting and accountability practices of a MFI can change in response to changes in its mission. The study presents case evidence from a large MFI operating in Cameroon with data collected through semi-structured interviews, informal discussions and documents. The study traces the evolution of the organisation and its accounting and accountability practices. A theoretical framework of an interpretive nature is used which draws on institutional entrepreneurship theory in order to highlight the importance of actors in the change process. The findings suggest a mission drift and transformations over the years from a social to a commercial organisation with the change impacting significantly on its structure and accounting and accountability practices.

Keywords: Microfinance; Institutional Change; Accounting and Accountability Practices; Institutional Entrepreneurs; Institutional Entrepreneurship Theory; Cameroon

Dedication

I will like to dedicate my thesis first, to my mother in appreciation for the love, care, support, understanding and encouragement she showers on me daily. I won't ask God for anyone better than her. She is priceless. Second, to my sister's late child- Soumil Ngomba. My love for them is unconditional.

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List of Abbreviations

SMEs – Small and Medium Size Enterprises

ANEMCAM – Association Nationale De Etablissements De Microfinance

BEAC- Bank of Central African States

COBAC – The Banking Commission of Central African States**DSX-** Douala Stock Exchange

MINFIN- Ministry of Finance

CEMAC – Economic and Monetary Community of Central Africa

BODs- Board of Directors

CSMFI- Case study Microfinance

MFIs- Microfinance Institutions

CSR- Corporate Social Responsibility

GM- General Manger

DGM- Deputy General Manager

HODs- Head of Department

HOS- Head of Service

NGOs- Non-Governmental Organisations

RRBs- Regional Rural Banks

CGAP – Consultative Group to Assist the Poorest

IBR- Index Based Ranking

IFRS- International Financial Reporting Standard

OIE – Old Institutional Economies

NIS- New Institutional Sociology

GDP- Gross Domestic Product

GNP- Gross National Product

IMF- International Monetary Fund

LDCs- Less Developed Countries

CSR- Corporate Social Responsibility

HO- Head Office

LDCs- Less Developing Countries

CoCE- Code of Conduct and Ethics

NSIF- National Social Insurance Fund

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CHAPTER ONE

INTRODUCTION

1.0 Introduction and Problem Statement

It is becoming increasingly difficult to ignore the fact that there is a growing desire to provide financial services to the poor, particularly in developing countries (Hopper et al., 2009; Imai et al., 2010). Today's expression 'micro financing g' can be dated back to the 1970s, when Mohammad Yunus developed the concept. MFIs amongst other financial institutions have been suggested to be the best channel for reaching the poor with financial services and as a means of socio-economic development (Otero, 1999; Hudon, 2008). Until recently, MFIs were charged essentially with the provision of microcredit to microenterprises, but the demand of the poor has increased over time forcing MFIs to broaden their supply from microcredit to microfinance (Rhyne, 2001; Valadez and Buskirk, 2012).

It has been argued that the main objective of MFIs is poverty alleviation (Quinones and Remenyi, 2014). Hammill et al. (2008) emphasise that the poverty alleviation objective is not only obtained via the provision of financial services to the poor but also by ensuring the services are put into productive activities for better asset building, consumption stabilisation, risk hedging and positive socio-economic development. With the initial objective of MFIs being loan expansion to the poor, the primary metric for measurement was outreach (Meyer and Nagarajan, 2006), to include its breadth and depth (Cull et al., 2007; Mersland and Strom, 2010).

Bateman and Chang (2012) argued that microfinance activities in the early 80s heavily depended on the inflow of subsidised capital. The capital was either provided by the government of the country where the MFI was residing or an international development body. In a bid to solve this problem of sustainability in the long run, the idea of commercialisation was developed by MFIs: that is, making profits and using the income to reinvest in giving out microloans to the poor and remaining sustainable without having to rely on either the government or any international body (Woller, 2002). Since then, MFIs have been criticised for both including such a commercially focused financial objective and for drifting away from their social mission (Mersland and Strom, 2010).

Alongside MFIs being financially viable and meeting the financial needs of the poor, they also contribute to women's empowerment, asset building , risk mitigation and management of vulnerable groups and increase employment (Balkenhol, 2006) and engage in other forms of socio-economic development (Oluyombo, 2010). MFIs, which were previously referred to as a 'double tasked' can now be referred to as multiple tasked in meeting development needs and achieving long-term goals (Zeller, 2001). Commercial approaches are now being adapted by MFIs to meeting such socio-economic needs of their illiterate and poverty-driven customers (Christen, 2001; Woller, 2002).

The microfinance industry has received many commendations over the last decade as the best means of intervention dedicated to serving the poor in a bid to alleviate poverty while remaining financially viable (Tulchin, 2003; Mersland and Strom, 2010). Thus, MFIs' engagement in development and poverty alleviation work has favoured the marginalised population at local, national, and global levels around the world (Bala and Mir, 2006). Microfinance successes have also been documented, even though researchers including Tulchin (2003) still argue that they are not an absolute developmental solution. The challenges faced by MFIs support Karnani's (2007) argument that these organisations cannot claim to work alone as panaceas for the complex and different dimensional issues imbedded in poverty and social exclusion. Karnani's argument implies that for MFIs to succeed in alleviating poverty, as they claim to be doing alongside meeting other objectives, other external interventions cannot be ignored. Hermes et al. (2011) also mention the trade-offs that exist in achieving microfinance objectives.

The microfinance industry has witnessed a rapid growth rate in the last decade, particularly in developing countries where aid and development is still very essential in order to meet the needs of a wider client base (Bateman, 2010; Ahmed, 2009). In spite of the importance and rapid growth rate witnessed in the microfinance industry, the literature on its governance and accountability issues remains sparse, with recent attention tilted towards NGOs (Ebrahim, 2003; Gray et al., 2006). Such control mechanisms are also vital because managers could have conflicting objectives/preferences to those of fund providers (Hartarska, 2005, Meyer and Nagarajan, 2006). MFIs are increasingly being put under pressure to exercise 'good governance' in their organisations (Lewis and Madon, 2004; Dixon et al., 2006), based on the argument that good governance is critical for the success of these organisations (Hartarska, 2005).

The governance idea necessitates MFIs to become more transparent and accountable. The implication of this idea is that accountability is better in order to achieve their set objectives, which could encompass poverty alleviation, financial viability, and commercialisation and/or development. Thus, there is a need for a closer examination of the meaning of accountability, together with its types and the mechanisms through which it can be delivered (Hartarska, 2005).

What then does and should accountability mean in an organisational context (Gray et al., 2006; Gray, 2014) given the fact that MFIs aim at satisfying the needs of the poor and are also becoming commercially focused? Besides looking at shareholder primacy, a stakeholder perspective of accountability has also been discussed and adopted in the field of study (Gray, 2001; Ebrahim, 2003; Bovens, 2007; Cooper and Owen 2007). The implication here is that for a

MFIs to remain transparent and accountable to the poor, its accountability practice should include that which runs from the centre to the periphery in order to assure appropriate grassroots services (Dixon et al., 2006). Traditionally, researchers have tended to look at accountability only between MFIs and donors or shareholders (shareholder primacy) and at times internally within the organisation. External accountability between MFIs and customers has often been excluded (stakeholder perspective). Embracing the accountability relationship between MFIs and their customers will broaden our understanding of MFI-customer relationships and the accountability process, where, for example, customers are required to account for how the loans obtained from MFIs have been utilised for better management and accountability enhancement. Top-down approaches of accountability have thus been questioned (principle and practice) as they fail to embrace customers (Ebrahim, 2003; Hilhorst, 2003). The argument raised here is that top-down accountability fails to comprehend what actually constitutes accountability in a practical society (Hilhorst, 2003). It may not even reach the periphery or grassroots where the aid and development is needed most.

Bala and Mir (2006:3) argue that "governments are accountable to their voters in principle, private companies are accountable to their shareholders", however accountability issues remain complex. Hilhorst (2003) argues that in practice, institutions like MFIs are either not accountable at all or accountable only to their funding agencies or donors (shareholder primacy). Questions surrounding the nature of microfinance accounting and accountability practices have raised several eyebrows (Dixon et al., 2006). There is therefore a need to study these governance issues in order to make sure that the financial services provided by MFIs are channelled to the intended people (Hartarska, 2005) – mission accomplished not drifted and to ensure transparency (Ebrahim, 2003; Chen, 2011).

A review of the MFI literature has thus identified complex and unexplored issues on microfinance missions, actors, accounting and accountability in different organisations (Hartarska, 2005; Unerman and O'Dwyer, 2006; Dixon et al., 2006). While it has been recognised that a number of MFIs lack effective accounting and accountability practices, particularly at the grassroots level (Dixon et al., 2006) due to the changing nature of microfinance's objectives, little has been done to explore such practices. CGAP (2009) points out that good accounting principles can lead to high quality financial analysis, giving room for sound managerial decisions that can help in achieving microfinance missions and objectives. Thus, accounting systems need to be more accurate and transparent for more informed financial and operational decisions to be made (CGAP, 2009). MFIs, like other institutions, must give, or feel the need to give, an account of any activities undertaken (Ebrahim, 2003) where accounting information plays a vital role (CGAP, 2009).

The study contributes to knowledge by providing policy makers with understanding of some of the accounting and accountability issues facing MFIs and as a result policy makers will be better informed in designing policies to address some of these issues. Further the results are shared with the management of the case organisation and based on the recommendations made management will be able to understand how they can better implement and manage change in the accounting and accountability systems of the organisation. Theoretically, researchers will be able to use the findings of the study to better understand the process of change as well as the role of actors as institutional entrepreneurs in initiating change.

1.1 Aim and Objectives of the Study

In order to fill the gap in the literature, the study therefore aims to investigate the accounting and accountability practices of MFIs, how these practices have changed over time and the role of actors in the change process. The puzzling and interesting question in the study is whether MFIs still alleviate poverty as preached, and what impact this has on their accounting and accountability practices. The study explores the missions and objectives of the case MFI, reviews microfinance accountability practices and furthers seeks to find out if there are any changes in such practices and what causes them to change.

Based on the argument that microfinance mission drift might lead to changes in organisational structure and practices, the study adopts an approach that begins with the case MFI's mission(s) and objective(s), followed by the structure, with an attempt to find out if changes in mission and structure (if any) could impact on the organisation's accounting and accountability practices. In this attempt, the study also embraces an accountability view (stakeholder accountability) which includes a view from below, or 'grassroots' accountability (Dixon et al. 2006), to which little attention has been given. The following specific objectives have been addressed:

- To investigate the accounting and accountability practices in MFIs
- To explore the changes in MFIs' accounting and accountability practices
- To analyse the role and relative power of the key actors in the change process
- To examine whether there has been any mission drift in the case MFI and how this change in mission has influenced its accounting and accountability practices.

1.2 Main and Sub-Research Questions

The main research question in the study is: *What is the nature of accounting and accountability practices in the case MFI and how has this changed over time?*

The following specific research questions will therefore be addressed in order to help to answer the above stated main research question:

1. How does the accounting and accountability system of the studied MFI function?
2. Why and how have MFIs accounting and accountability practices changed over the years?
3. Who are the institutional actors and what are their roles and relative power in this change?
4. What are the challenges encountered in a typical African MFI environment?

1.3 Background of Study

The practicality of the study is based mainly on the changes surrounding the case study MFI's accounting and accountability related issues in a developing country, in this case Cameroon. The case study MFI is viewed from the poverty alleviation-financial viability perspective, where the MFIs are regulated by the government, shareholders provide funds for the MFIs and MFIs provide customers with loans and engage them in social and developmental projects, all leading to different forms of accountability involving various stakeholders, including those at the grassroots. Institutional and accountability change is further studied and a modified theoretical framework further suggested and applied following existing review and practice. A brief understanding of the financial sector of Cameroon will serve as a base from which the study can better be understood.

1.3.1 The Financial Sector of Cameroon

The economic growth of Cameroon has been stable for the past decade (Mbaku, 1993; Sunderlin et al., 2000). The services sector of the diversified economy of Cameroon amounted to close to 46% of her GDP in 2011, registering a growth rate of about 3.5% on average between 2002 and 2007. Nevertheless, the global economic and financial crisis has negatively affected the economic performance of the country, resulting in low investments and a fall in demand and prices for her exports, particularly oil, timber and rubber (Wamba, 2001), hence the wider group of poverty-stricken citizens embraced by MFIs.

The financial sector of Cameroon accounts for almost half of the regional financial assets, making the country the largest financial system in CEMAC (Economic and Monetary Community of Central Africa). CEMAC coordinates its economic and monetary policy, ensuring consistency between national budget policies. COBAC (Commission Bancaire de l'Afrique Centrale) harmonises and controls banking activities. The CEMAC region has around 29 banks, with 10 in Cameroon (Kouassi et al., 2007). The financial sector comprises excess liquidity, loans and deposits. The insolvency problem remains evident in non-financial institutions (IMF, 2009). There are fifteen operational banks in Cameroon which have experienced serious financial downturn, particularly in recent times, caused mainly by neglecting regulatory rules, with about six of them being foreign-owned (IMF, 2009). A continuous increase in the number of loans disbursed has been registered over the years in Cameroon.

The microfinance sector in Cameroon has experienced a rapid growth rate, even though the penetration level remains relatively low. It is argued that there is a loose regulatory and supervisory framework governing MFIs in Cameroon, which impacts on her developmental prospects. Regional law has governed most of the country's financial system since her integration into the CEMAC region. Cameroon's accounting and accountability requirements are not yet fully in line with the International Financial Reporting Standards (IFRS), even though the authorities concerned have expressed their intention to introduce financial instruments that will focus on Small and Medium-Sized Enterprises (SMEs), with a plan to institute a judiciary court aimed at addressing commercial issues and contract enforcement.

Given the colonial past of Cameroon, the banking sector is seen to be characterised by different cultures and languages (bicultural and bilingual). Cameroon's formal banking system is less than 50 years old and rooted in the colonial era. However, the first commercial bank existed in Cameroon long before her independence in 1960 (Amin, 2002). Banking was more primitive in thrift and loan societies regulated by custom and tradition. Such primitive societies still played a vital role in shaping Cameroon's banking sector, with a remarkable evolution in the sector evident in recent times (CameroonTribune, 2010).

The urge for socio-economic development started shortly after the country's independence in 1960. The government started to intervene in practically all sectors of the economy, including the financial sector (Amin, 2002). During the 1960s to 1980s, the financial sector was therefore created under the shield of monetary and regulatory policies geared towards assisting the state to pursue its developmental strategies. The financial sector was therefore seen as an instrument that could be used to organise various industrialisation policies (Amin, 2002; Kouassi et al., 2007; Noula and Yah, 2012). Banks became owed by the government, with credit only made available to crucial financial sectors (Johannes et al., 2011).

In the late 1980s, crises such as bankruptcy and illiquidity did not spare Cameroon's financial sector. The cause of the crisis included employee incompetence, poor managerial skills, competition from other financial institutions and state intervention (Wamba, 2001). As a result, companies were not able to meet certain banking and financial obligations. The financial sector was again restructured and financial houses were liquidised and some recapitalised thanks to structural adjustment programmes.

The DSX (a public limited company) was formed in 2001 headed by BODs with a capital of about 1.8 billion francs CFA, with about 63.7% of the shares held by private commercial banks, about 23% by public interests, and about 13.3% by private insurance companies (Johannes et al., 2011; IMF, 2009; Noula and Yah, 2012).

> The reforms marked the end of the repressed financial practices and the beginning of a classical market based practices. With all the above reforms, the economy regained the path of economic growth and the banking sector regained its liquidity and soundness. (Johannes et al., 2011: 368)

The capital of Cameroon's is Yaoundé and the last state-owned bank was sold by the Cameroon government in January 2000 (Akon, 2012; IMF, 2009; Kouassi et al., 2007). This was the major step and the last in the restructuring of Cameroonian financial/banking practices. Within the last ten years or so, Cameroon has gained more hope, looking at the number of actors entering the banking sector, bringing commercial functional banks to a total of 13 today, as further discussed below. Besides commercial banks, the financial sector in Cameroon also consists of microfinance institutions and leasing and insurance companies, amongst many others (Kouassi et al., 2007).

The regulation and supervisory functions of the banking sector, especially in most developing countries, is carried out by the central/reserve banks. Cameroon, however, is seen as an exception. Cameroon, together with a few other central African states such as Chad, Central African Republic, Equatorial Guinea and Gabon, belongs to a common central bank –BEAC (Banque des Etats de l'Afrique Centrale). COBAC is in charge of the administration, regulatory, supervision, controlling and sanctioning duties of formal finance that have a licence to operate from the central bank (Kouassi et al., 2007; Akon, 2012). Within the country, banking regulation is undertaken by the local Ministry of Finance (MINFIN) and outside the country by COBAC.

The Cameroonian banking regulations and legislation have been instituted in order to ensure banking stability, growth and development.

The banking sector of Cameroon is ruled by various enactments, including laws, presidential decrees and ministerial orders, which result from contradictions and implementation problems and are often amended to suit the banking conditions (Akon, 2012). Within the financial sector of Cameroon is the microfinance industry and it will be worthwhile giving an overview of how it operates in order to better understand its mission and objectives and answer the research questions well.

1.3.2 Brief Overview of MFIs and Accounting in Africa

The history of MFIs in developing countries started in the mid-1800s with evidence of the benefits from small credits to entrepreneurs and farmers in a bid to reduce poverty, even though significant impact only came in after the end of the Second World War with the British Marshall plan (Lapenu and Zeller, 2001; Lafourcade et al., 2005).

The new wave of microfinance initiatives later led to innovations in the sector and Cameroon, like other developing countries, gladly welcomed and benefited from the introduction of the innovative concept.

In the 1970s, MFIs demonstrated that even the poor to whom microfinance services are rendered can be relied upon to repay their loans. About 16 million people were estimated to be served by about 7000 MFIs around the world, with approximately 500 million families benefiting from the small loans they provide (Daley- Harris, 2009; Reed, 2011). In line with distribution and growth, Lapenu and Zeller's (2001) findings show that in a database of 85 developing countries, 1500 institutions are supported by international organisations by extending their charitable hands to approximately 54 million members, 44 million savers and 23 million borrowers with a minimum of 46 000 branches employing about 175000 employee.

Until recently, developing countries' external accountability (regulation) has ignored the existence of MFIs (Meagher, 2002). Developing countries' regulatory rules are tailored towards answering the question 'who' is regulated, by whom and what kind of regulation is applied (Meagher, 2002)? In line with 'who regulates', there is the development of hybrid and self-regulation as the case in Bangladesh and the Philippines (Meagher, 2002). Overall, the existing study on Africa's MFIs (Lapenu and Zeller, 2001; Lafourcade et al., 2005; Menyah et al., 2012) show that there are set internal standards or principles of best practice regulation and supervision unlike before as suggested by Meagher (2002). Meagher (2002) pointed out that unlike commercial banking, there is insufficient experience on MFI regulation and supervision to enable certainty on governance (accountability) principles. External reporting by MFIs to clients is erratic or non- existent (Meagher, 2002). The argument raised here is the need for a new regulatory framework (that can accommodate and account for specific institutional environment) to be developed in developing countries particularly in countries with emerging MFIs like Cameroon. The study has contributed towards this proposition (see chapter eight- 8.2 for thesis' contribution in line with policy making).

A poor regulatory framework or lack of regulation has been argued further in the study to lead to poor accounting and accountability (Menyah et al., 2012). Thus a need to look into MFIs' accounting and accountability practices further which the study embraces with a case study on Cameroon. Hopper et al. (2009) explains the reason behind Africa's growth in accounting research one of which is globalisation. Menyah et al. (2012) in emphasising on the need for accounting in Africa mentions governance, control, quality of information, ethics as well as evaluations (audits). The study elaborates on such accounting issues looking at Microfinance with regards to its Accounting and Accountability practices.

1.3.2.1 Background of Cameroon's Microfinance Industry

Looking at the conventional form of microfinance, the roots of official microfinance activities in Cameroon can be traced as far back as 1963, with the creation of the first cooperative savings and loans institution, also known as a Credit Union, by Roman Catholic clergy (Fotabong, 2012). Fotabong (2012) adds that it was only after the early 1990s when President Paul Biya passed a law in December 1990 in line with the freedom of association, and another law in August 1992 relating to MFIs, in order to get elites and various interest groups involved in his New Deal Policy, that the development of MFIs and their activities started booming.

In addition, the growth and development of microfinance activities in Cameroon came as a result of the banking crisis in the late 1980s where there were heavy closures of some commercial and developmental banks in rural areas and some cities. Cooperative credit unions were created at the time to act as mini banks. 2005 was officially proclaimed the International year of Microcredit by The Economic and Social Council of the United Nations. Today, a wide range of organisations are regarded as MFIs: mini banks/ semi- formal finance offering microcredits and other financial services to the poor. Such organisations include credit unions, commercial banks, NGOs and cooperatives.

Even though it is argued that MFIs are concerned about the success of the poor, there is still evidence of mission drift, as suggested in Section 2.5. Thus, the term 'transformation', or commercialisation, of MFIs has been commonly used in the literature to mean a change in legal status from an unregulated non-profits or NGO into a regulated, for-profit institution. Regulated, transformed organisations are different from non-profit organisations in that they are held accountable to performance and capital adequacy standards and are supervised by COBAC, regulated by MINFIN and registered with BEAC.

According to Heidhues and Djeudja (2005), in 1997 Cameroon counted about 389 MFIs, with this number increasing over time. In line with the growing consolidation and restructuring witnessed by 2006, MFIs had increased to 490, even though this was down from the 656 MFIs previously identified in 2000. In 2006, there were about 1052 outlets as opposed to the 700 in 2000. The total number of members reached about 849,030 showing an increase compared to the less than 300,000 registered members in 2000. The growing interest, closer supervision, control and monitoring resulted in a strengthening equity structure, rising from the FCFA 3 billion in 2000, to FCFA 19.9 billion in 2006 and by 2012, given feedback from the market and industry sources, total equity is close to FCFA 23.5 billion (Fotabong, 2012). By 2002, more than 388 MFIs had been closed due to the malpractices of the MFIs with the sudden disappearance of huge amounts of customers' savings. But MFIs in Cameroon had recorded an impressive growth rate by 2010 (Fotabong, 2012).

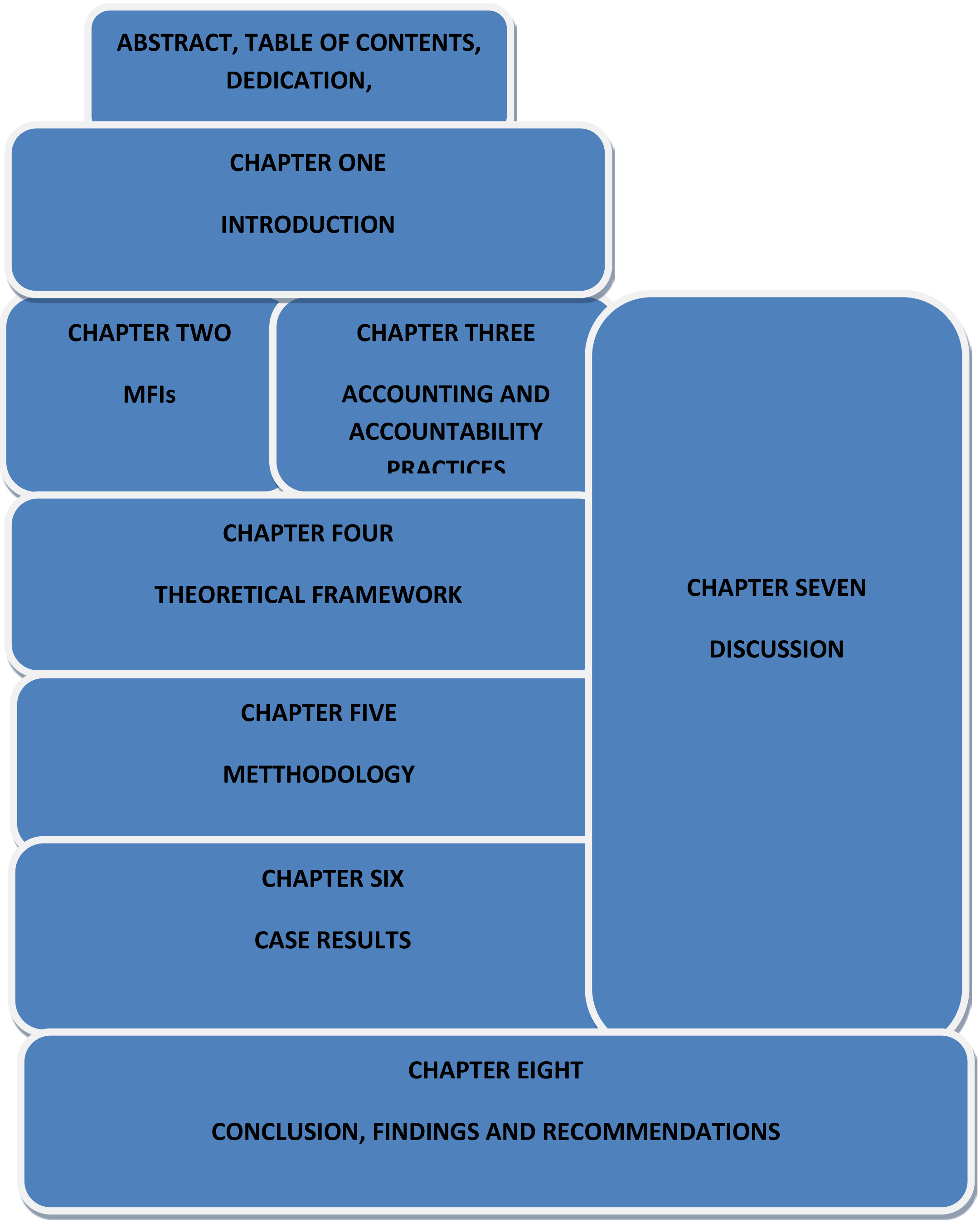
Major shareholders of COFINEST have recently been accused and arrested for mal-functions and mismanagement of customers' funds, which led to the closure of the microfinance organisation (Fotabong, 2012). Depositors and non-depositors felt scared to invest in microfinance following the winding down of MFIs in Cameroon and responded by withdrawing savings from other MFIs. However, the government tried to regain customers' confidence by making sure that creditors were given back their funds and assurance from other actors within the microfinance industry (Fotabong, 2012), hence, the reason for the tighter control in Cameroon's MFIs today, mainly from regulatory and supervisory bodies. The collapse of a major players in the microfinance sector such as CONFINEST could be the reason for the slowdown in the exponential growth of MFIs in Cameroon from 2010 to 2011, by reducing the confidence of customers (Fotabong, 2012).

Conclusively, the existence of such successful and sustainable MFIs has gone a long way to overcoming the challenges faced by traditional banks in servicing the poor, leading to better growth rates and socio-economic development. The next section provides the structure of the rest of the study.

1.4 Structure of the Study

The remainder of the thesis has been divided into eight chapters. Following the introduction, Chapters 2 and 3 review the pertinent literature. Chapter 4 focuses on the theoretical framework to be applied to the study. Chapter 5 details the research methodology and Chapter 6 is the case results. Chapter 6 presents the discussion. Lastly, Chapter 8 provides conclusions, limitations, contributions and recommendations for future study.

FIGURE 1.1: Thesis Structure



CHAPTER TWO

OVERVIEW OF MICROFINANCE INSTITUTIONS (MFIs)

2.0 Introduction

Microfinance has been noted for gaining the limelight at the global level as a viable institution for fighting against poverty (Zeller, 2001; Cohen, 2003) and its existence is nothing new. Valadez and Buskirk (2012) point out that even though the concept is not new; it has recently gained global attention as a commercially viable institution that can offer real opportunities to micro entrepreneurs. Microfinance evolved from a small supply-led, credit focused paradigm to one that aims at financial sustainability and poverty alleviation through the provision of access to financial products such as savings, social insurance, loan, transfers and pension services and has long gained attention as a viable institution for fighting poverty (Cohen, 2003; Valadez and Buskirk, 2012). However, the delivery of microfinance services in developing countries has continuously been viewed as assisting the poor.

The modern renaissance in microfinance started in the late 1970s with the establishment of the Grameen Bank in Bangladesh, thanks to the pioneering efforts of Muhammad Yunus (Hermes and Lensink, 2007; Bateman, 2010). His continuous efforts, success and experiments led to wider recognition, especially in developing countries (Khalily, 2004; Sengupta and Aubuchon, 2008). In as much as it is not easy to say exactly how many MFIs exist in the world today, the Microfinance Information Exchange (MIX) estimates that it ranges from 1,000 to 2,500, serving 67.6 million customers with more that 50% from very poverty-stricken areas (Sengupta and Aubuchon, 2008). The implication is that most of the 41.6 million of the extreme poor are being served by MFIs, penetrating both rural and urban markets, and above all it is well known that the concept of microfinance is important and nothing new (Valadez and Buskirk, 2012). Why then is attention still given to MFIs?

Even though many scholars have discussed issues around the concept of microfinance, there are still limitations, particularly with reference to the study and practice of microfinance accounting and accountability. The accounting and accountability practices of every organisation remain at their heart and if they are not properly taken care of, the whole organisation might collapse (Dixon et al., 2006). Building on the study's aim, the chapter begins with an in-depth understanding of 'microfinance'.

The chapter is divided into eight sections. There is the introductory section, an overview of the meaning of 'microfinance' to include the services offered, the discussion on the types of MFI, an exploration of the missions and objectives of MFIs, 'mission drift or accomplished' argument, registration procedures of MFI's in Cameroon and the chapter summary.

2.1 The Meaning of Microfinance: Disaggregating the Concept

It is argued that the concept is largely understood but not clearly defined in the minds of its users (Vijender et al., 2012). It is therefore important to start the study with a clear-cut definition of 'microfinance'. The term microfinance has changed over the years due to changes in societal needs. In the early 1980s and 1990s, particularly in developing countries, the term was largely referred to as 'microcredit', where small amounts of loans were made available to the poor through NGOs, for example (Meyer and Nagarajan, 2006). Fernado (2007) adds that modern microfinance in the early years could mean;

> … a credit methodology that employs effective collateral substitutes to deliver and recover short-term, working capital loans to micro entrepreneurs or potential micro entrepreneurs. (p.2)

Today, the concept embraces much more than just the provision of microcredit, with microfinance customers located not only in rural areas as initially thought of, but everywhere, including urban areas, offering variety of services such as insurance, savings, remittance transfer, pensions and loans, thus the term ‘microfinance’ has arisen (Valadez and Buskirk, 2012). Parikh (2006) points out that MFIs provide financial services mainly to poor and uneducated customers living in remote areas and excluded from main banking. Such ‘up scaling’ financial institutions are now regulated in order to remain financially viable (Copestake, 2007). Rhyne (2001) thus, defines microfinance as:

> … the provision of financial services like deposits, loans, payment of services, money and insurance to low- income, poor and excluded people enabling them to raise income and standards. (p.57)

The implication here is that MFIs are concerned with giving out short-term loans to the poor and empowering them to account properly and independently for such loans through monitoring its customers (Dixon et al., 2006; Copestake, 2007). The emphasis is that MFIs, besides the provision of microcredit, also assist the poor with financial services. Hammill et al. (2008) add that microfinance is not just about providing the above services to the poor but also making sure that the poor participate in productive activities that will in return boost standards of living. Copestake (2007) suggests that the definition of microfinance should capture mainly its users rather than the form of finance.

In line with clients’ needs and satisfaction perspective, a client has been referred to in the literature as an individual or group who does not only purchase goods or services from suppliers but one whose operations can be improved upon or one whose needs can be met, better than anyone else. The emphasis here is on having the ability to serve or satisfy customers’ needs. CGAP (2004a) further stresses the fact that MFIs are “a powerful tool to fight poverty”, which can in return assist even the extreme poor to “raise income, build assets, and hedge themselves from external shocks” (p. 1). The emphasis here is tailored towards microfinance’s social mission of outreach to customers (Copestake, 2007; Hermes et al, 2011). Copestake (2007) argues that defining microfinance organisations in line with the services they provide will not give the best picture of microfinance.

Furthermore, Vijender et al. (2012) suggest that the definition of microfinance should not be by form but by the intent of the lender. They give as an example a case from India where it is argued that if a commercial bank in India gives out loans for an economic activity, there are high chances that it will not be treated as microfinance, whereas if an alternative sector like an NGO gives out similar loans, it will been recognised as microfinance. This means that a loan distributed by a market intermediary to a small borrower is not in any way regarded as microfinance. Banks are usually not seen as being involved in microfinance, as they do not predominantly cater for the needs of the poor (Vijender et al., 2012). However, it has been argued that commercial banks nowadays have sectors that are predominantly for developmental purposes and to cater for the needs of the poor, which are now seen as microfinance (Vijender et al., 2012), and that these microfinance organisations themselves are today more commercially focused (see Section 2.5 below). Usually, such MFIs grow out of their social roots into an "alternative commercial sector" (Vijender et al., 2012).

2.2 Microfinance Services (MFS)

Parikh (2006) and Vijender et al. (2012) note that the provision of MFS is done by different organisations including NGOs, private and financial institutions. Today, microcredit remains the common MFS operating on the ground, given that without any collateral, it is difficult for the poor to obtain loans, especially from traditional mainstream banks. Unlike microcredit which is based on collateral, Grameen credit is based on 'trust' (Sengupta and Aubuchon 2008).

As suggested in the definition of microfinance (Rhyne, 2001) the main products and services of MFIs include the provision of microcredits, subsidising collateral through group lending guarantees or compulsory savings, disbursing more larger and repeated loans to customers depending on their repayment capabilities/ performance, monitoring loans disbursed to customers and safeguarding customers' savings. However, not all models of microfinance offer all such products, especially with the profit-orientated mind-sets of some of today's MFIs (Jacobs, 2012).

The MFIs that provide social services mainly focus on education, training and healthcare (Cohen, 2003; Sengupta and Aubuchon 2008). Dixon et al. (2006) point out clearly that an MFIs can only be considered a poverty alleviation strategy when it is capable of channelling both its financial and non-financial objectives to the grassroots. As the microfinance industry has become more efficient and versed with the microfinance market, MFIs are now developing innovative strategies. Sengupta and Aubuchon (2008: 13) for example talk about 'safeSave'- the ability to encourage the poor to save small amounts of money via deposits, thereby reducing high rates of unnecessary and excess spending.

In the search for alternatives to formal finance, attention is increasingly diverted to semi-formal finance such as MFIs (Bateman, 2010). MFIs are out to occupy the gap left by formal finance programmes, especially in line with meeting the needs of the poor (Hammill et al., 2008; Bateman, 2010). This explains why microfinance is often associated with assisting the poor with various microfinance services (Ryhne, 2001). Different conditions and services surround MFIs, leading to the existence of different types. Even though knowing the types of MFIs is not enough to give an in-depth understanding of what microfinance is all about (Vijender et al., 2012), it at least gives a foundation on which a study can build.

2.3 Types of MFI

It is argued that the broad range of microfinance services provided today, especially those targeting the poor, cannot be guaranteed to reach the target groups if the right channelling means are not identified (Dixon et al., 2006). The confirmation of MFIs in delivering proper MFS via the different types leads to the urge to understand what makes the MFIs different (Zeller, 2006). Besides depth and breadth of outreach, institutional diversity also helps to enhance competition and impact customer welfare (Zeller, 2006).

Vijender et al. (2012) point out that, in order to better understand the types of MFIs, their missions and objectives must also be clearly understood (see Section 2.4). For example, MFIs like the Banco Sol of Bolivia have the aim of returning profit, while the Grameen Bank promotes social equity by operating below market rates (Zeller, 2006; Hudon, 2008). Different types of MFIs discussed in the microfinance literature can be differentiated (see Table 2.2) according to their intended missions and objectives (Hudon, 2008), organisational size (Lapenu and Zeller, 2001) services provided, ownership of equity/ funding sources, regulatory status (Van Greuning et al., 1999) and decision-making (Lapenu and Zeller, 2001; Hudon, 2008). However, it would be naïve to believe that any such type of organisational structure would actually be able to deal with all organisational realities (especially social), given how complex and diverse such realities could be (Hudon, 2008).

Lafourcade et al. (2005) point out that MFIs are made up of a wide range of diverse and geographically dispersed institutions, particularly in sub-Saharan Africa, with high volumes of low-income groups (see Table 2.1): see, for example, rural banks, savings and postal financial institutions, solidarity groups like the Grameen Bank and specialised banks like state-owned micro banks and village banks (Meyer and Nagarajan, 2006; Zeller, 2006; Hudon, 2008), implying that not all MFIs are NGOs (Sengupta and Aubuchon, 2008).

TABLE 2.1: Types of MFI

REGULATED	Banks, regulated non-bank financial intermediaries, regulated NGOs
COOPERATIVES	Financial cooperatives and credit unions
UNREGULATED	NGOs, non-bank financial intermediaries, MFI projects, and others

Source: Lafourcade et al. (2005: 2)

TABLE 2.2: Classification of MFIs

CATEGORY A	TYPE 1	Simple non-profit NGO
	TYPE 2	Non-profit NGO associated with limited deposit-taking
	TYPE 3	Incorporated MFI (transformed NGO)
CATEGORY B	TYPE 4	Credit Union, Savings and Credit Cooperative Society
CATEGORY C	TYPE 5	Specialised Bank, Deposit-taking Institution or Finance Company
	TYPE6	Mutual Ownership Bank (licensed)
	TYPE 7	Equity Bank (licensed)

Source: Adapted from Van Greuning et al. (1999: 7)

By Category A, Van Greuning et al. (1999) mean MFIs that rely on others for funds usually external donors; Category B refers to those MFIs that rely on their customers' money as their source of finance; and Category C includes MFIs which leverage the public's money in order to fund microfinance loans. MFIs are clearly not charity organisations, but organisation building and innovation still depend heavily on public resources. The socio-economic cost-benefit ratio is influenced by many factors, at the macro, micro, institutional or community levels (Zeller, 2006;

Zeller and Johannsen, 2006). Cooperatives and banks in Types 4 and 5 respectively according to Van Greuning et al. (1999) are explored below and in Table 2.3.

2.3.1 Credit Unions/ Cooperative Societies

The pioneering work of credit cooperatives has been attributed to Friedrich Wilhelm together with Hermann Schulze since the 1940s and 1950s in Germany (Zeller, 2006). They were not motivated by any profit maximising action but that which required them to assist the rural population to restrain from relying on money lenders and to enhance the welfare of poor customers. This type of institutional innovation started progressing in Germany, with expanded services with little or no dependency on the government funds. These cooperatives then spread to other countries, including Ukraine and Poland (Zeller, 2006).

Credit unions or cooperative societies are usually owned and controlled by their members, with democratic rules where there are no external forces influencing them from the government, as in developing countries (Zeller, 2006). They are member-based financial institutions. The profits generated are usually reinvested in the credit union or shared amongst the members. The implication here is that the focus of MFIs has been tilted towards commercialisation (Mersland and Strom, 2010). Credit unions focus on savings from which loans are disbursed at an interest rate and profits made in return. The registration of credit unions usually falls under the same laws as cooperatives or in a special banking law group for each country (Zeller, 2006). Cooperatives demonstrate the notion that they are out to help each other, particularly weaker members, shown in the voting system with its one person, one vote rule (Zeller, 2006). They remain a viable rural MFI even though they lack external supervision.

Comparatively credit unions have an advantage of being capable of reaching a larger number of depositors and in turn use these savings to provide loans to individual members: the breadth and depth of their outreach is assured via loan size and the median of savings deposits and distribution in many other countries (Evans, 2001). Zeller (2006) adds that even though the majority of credit union members are not poor, the poor can still be reached because of the breadth of outreach. The main key innovation in credit unions is the idea of offering potential members the opportunity to get involved in a group loan.

Governments have, however, often misused such cooperative movements for political purposes which is evident in their failures, particularly in developing countries (Zeller, 2006). The performance of cooperatives particularly in rural areas is a mixture of the good, the bad and the ugly (Huppi and Feder, 1990). There is a need to revise their supervisory and regulatory framework, blending this with technical support in order to enhance their performance (Zeller, 2006). The ownership and governance structure in credit unions usually favours savers compared to owners and borrowers, which gives room for policies that sacrifice profitability and efficiency (Krahnen and Schmidt, 1994).

2.3.2 Village Banks

These are semi-formal financial institutions promoted by international NGOs with the owners being their members. The interest rates (decided on by members) are usually higher than those of commercial banks. Greater decision autonomy is given to the members of village banks densely populated with women. They serve a greater number of poorer customers compared to credit unions. Their main objective is poverty reduction, with greater emphasis on depth and breadth of outreach. Other services are unusually provided to members by the international NGOs, such as education and business training, which enhance their impact (Zeller, 2006). Unlike credit unions, village banks have a simple structure which favours the uneducated members, in line with their management strategy. However, village bank start-up costs are usually higher, with external sources of finance. The credit guarantee is best and comes mainly through social pressure.

Unlike other types of MFIs, village banks function as member-governed, autonomous institutions that are flexible in making rules, deciding on interest rates from loans and savings and adapting to local socio-economic conditions. They are usually expected to keep sufficient levels of equity in order to remain self- reliant. The objective of financial sustainability remains theoretical, with greater success recorded for reaching greater number of poor customers. Zeller (2006) views this as being attributable to the disadvantaged locations chosen and the wrong target groups initially selected. Their small size puts them at risk due to the constrained nature of the savings and loans shaped by the local government. From a financial systems perspective, Zeller (2006) adds that their long-term success in achieving sustainability and outreach depend heavily on their ability and willingness to become part of a bank or establish connections with formal financial systems or credit unions. Chao-Beroff (1999) points out how a village bank became successful after connecting with a bank in Mali.

2.3.3 Micro Banks

These are MFIs that have individual relationships with their customers, with the equity owned by investors like donors. Such MFIs usually follow a top-down approach, especially in decision-making. Unlike credit unions and village banks, micro banks like the BRI in Indonesia are either legally (state, NGO or private companies) or individually owned, not owned by their members (Van Greuning et al., 1999).

TABLE 2.3: Types of MFIs and Major Characteristics

Type of Institution	Size of the local Organisation	Ownership of Equity	Rules/Decision making	Eligibility/ Screening
1.Credit Union Supported by WOCC. Ralffeissen. Desjardins	New group on average 100-200 members	Member(Equity shares)	Democratic (One person, one vote)	Purchase of shares sometimes type of occupation or social group
2.Village bank e.g., supported by FINCA or CIDR	New group on average 30-50 members	Members	Bottom-up/Democratic (members) links with banks supported by NGO/State	Village members: payment for membership
3.Micro banks e.g. BancoSol, BRI Village banks, IPC-Supported banks	Individual relationship with the client	Investors: donors providing equity, private firms or individual foundations or state e.g., BRI	Top-down	Information on the client
4. Solidarity Group Retail Model, either by NGOs (ASA SHARE) or banks. Lately also by banks (Grameen Banks) or other MFI Types used	New group centre (5-6 groups of 5-10 members each)	Members	Top-down	Accepted as a member of a group by peers or (worse) by supporting institutions
5.Linkage Retail Model e.g. promoted by GTZ/IFAD and NABARD in India	Pre-existing informal group or groups with variable sizes who can obtain loans and save as a group with a public or private bank	Members	Mix of bottom-up and top down approaches (Supporting agency/ members)	Members of a pre-existing SHIG peers, bank or NGO approval

Source: Adapted from Lapenu and Zeller (2001: 204)

2.4 Mission(s) and Objective(s) of MFIs

In line with Vijender et al.'s (2012) suggestion on the impact definition of microfinance (according to lender intent not form), an exploration of MFIs' mission and objectives has been made. The initial and mostly commonly known objective of MFIs is to expand loans to the poor, with the primary metric for measuring progress being 'outreach'. Outreach is the measure of the sum of customers receiving loans, with an emphasis on women, as cited in the microcredit summit goals (Meyer and Nagarajan, 2006; Hermes et al., 2011) or "measured by the number of credit customers served and customers' poverty levels improved" upon especially with group lending mechanisms (Mersland and Strom, 2007:2).

Nevertheless, the single objective has been argued to be inadequate, especially in recent times (Mersland and Strom, 2010). MFIs have often been unable to cover their operating costs and loan losses outside their interest income and are highly subsidised (Meyer and Nagarajan, 2006). Furthermore, MFIs' operating efficiency has not been maximised and valued, given that the primary goal of MFIs is to maximise the number of poor customers served (Meyer and Nagarajan, 2006; Sengupta and Aubuchon, 2008). However, it has further been argued that failing to achieve sustainability together with outreach will limit MFIs' chances of growing while serving greater number of customers (Mersland and Strom, 2010).

The objectives of a microfinance institution depend on its mission (Vijender et al., 2012) or type (Lapenu and Zeller, 2001). Zeller (2006), for example argues that MFIs with a social mission are usually associated with poverty alleviation objectives and are usually member-based MFIs like credit unions, cooperative societies and village banks. On the other hand, commercially focused MFIs are usually geared towards maximising profits and usually welcome the general public (non-members) besides their members (Mersland and Strom, 2010). More insights on microfinance objectives and missions are explored in the following paragraphs.

2.4.1 Poverty Alleviation

Poverty eradication has continuously been a serious issue in most developing countries, despite the efforts made by governments and other agencies to combat poverty (Sengupta and Aubuchon, 2008; Quinones and Remenyi, 2014). Otero (1999) stresses the fact that microfinance poverty alleviation should be client focused. Perspectives on the target group for microfinance, like the concept of microfinance itself, have changed drastically recently with the inclusion of low-income men, women, youth, and children, vulnerable non-poor groups left out by formal finance and the marginal and extreme poor. The encouraging results of the Grameen Bank, BRAC, and ASA in Bangladesh, together with other advocacy work, has led to the inclusion of the extreme poor in the target group in recent years (Fernando, 2007).

The World Bank report in 2001 shows estimates of more than 1.2 billion people classified as the extreme poor in 1998 and 1.1 billion people in 2001 depending on less than 50 pence a day for their upkeep. Throughout the literature we find the use of the word ‘poor’. It is interesting to pause here and ask the question *who is the ‘poor’*? Several attempts have been made to define the word poor. Sengupta and Aubuchon (2008) for example look at the meaning of ‘marginal poor’ and ‘extreme poor’ in line with the proposal from CGAP where the poor are firstly defined to mean those below the poverty line or simply those excluded from formal financial services.

MFIs can improve the living standards of the poor if they remain promising with their financial and social objectives (Islam, 2007; Imai et al., 2010; Jacobs, 2012). Lafourcade et al. (2005) and Dixon et al. (2006), in support of the above claim, add that in analysing the importance of MFIs, particularly in Sub-Saharan Africa, microfinance can be seen to be mainly linked to helping the poor to account for their livelihood and manage and maintain their small businesses. Moreover, the government and major international organisations like the World Bank and United Nations have happily used MFIs to achieve their goal of reaching the poor. Even though other policy-makers have argued against MFIs, recent findings show that most microfinance has a significant impact on poverty reduction (Imai et al., 2010).

As MFIs continue to grow, the questions asked often include *who should MFIs really target* (Morduch, 2000; Sengupta and Aubuchon, 2008; Bateman, 2010)*?* Morduch (2000) looks at two case studies of microfinance customers from different poverty groups, the first being a subsidised microfinance and the second a financially sustainable MFI that charges higher interest rates. The first is seen as working with the extreme poor and the second the marginal poor. Morduch further argues that MFIs should pay attention to the extreme poor first, even though this does not happen in reality (Sengupta and Aubuchon, 2008). Another conclusion Morduch arrives at is the fact that the more financial sustainable MFIs want to be, the more they turn to focus on the marginal poor customers with the primary aim of returning a profit. Poverty alleviation becomes secondary for these MFIs. This is evident in Banco Sol MFI in Bolivia and not surprisingly may explain why the interest rates charged by Banco Sol are higher compared to those at the Grameen Bank. However, Islam (2008) adds that the Grameen Bank only targets the non-poor and the moderate poor (those poor customers closer to the poverty line) and neglects the extreme poor (those far below the poverty line). The implication is that MFIs have still not been able to meet the needs of the extreme poor (Islam, 2008).

Wright (2000) points out that outside Bangladesh, other microfinance programmes have not actually reached the extreme poor, as is the case in Bolivia, as suggested by Mosley (2001). The reason that partially explains the unfulfilled promise by MFIs could be its strong emphasis on delivering credit to the poor without first sorting out what the needs of the poorest customers are (Jacobs et al., 2012). Imai et al. (2010) adds that it is not all about identifying which client group to serve and that, whether servicing the marginal or extreme poor, their needs must be initially identified. Identifying which customers can benefit from the services the MFI can provide is also very important after identifying their needs (Meyer, 2002; Imai et al., 2010).

In order to capture different views on poverty alleviation, Imai et al. (2010) used the IBR Indicators in his study in India using a national-level household survey. He found that poverty still remains a serious problem in India, despite her recent national economic growth. His findings further show that the increased economic growth rate is actually accounted for by a few sectors (industry and services) in urban areas. The poverty head count ratio is very high in rural dwellings compared to urban areas (Sen and Himanshu, 2004; Deaton and Kozel, 2005). Poverty in rural areas remains a serious issue compared to that in the cities. MFIs, particularly in developing countries, have decided to expand the access of credit particularly among the rural poor in order to make sure they are serving the right target customers and promoting outreach (Mosley and Arun, 2003; Imai et al., 2010). The is because it has been pointed out that even with the different vast network of MFIs and banking and cooperative finance institutions, the performance of such institutions still fails to effectively outreach, reflect and meet the needs of the poor (Imai, 2010).

Another question of interest in the microfinance literature is *to what extent do MFIs actually benefit the extreme (very) poor?* (Jayasinghe and Wickramasinghe, 2011; Jacobs et al., 2012). MFIs have been criticised for giving continuous attention to their donors' needs, restricting them from focusing on their customers' needs (Jayasinghe and Wickramasinghe, 2011;Jacobs et al., 2012). Dixon et al. (2006) further elaborates on the claim with their study of a Zambian MFI that found it difficult to accommodate its customers' needs together with those of its donors, thus favouring a 'top-down' approach and putting the 'bottom-up' of approach in a critical position which can result in a negative impact on core organisational values.

Poverty alleviation through the distribution of loans alongside other microfinance services is often suggested. The dearth of social trust between MFIs and poor customers has resulted in negative loan experiences like defaults. Findings from a cross-country study conducted by Hulme and Mosley (1996) show that the income levels of the marginal/ upper poor, those above the poverty line, increase when they take loans while 50 per cent of the extreme poor who participate in taking loans experience a small and temporary increase in income.

Second, Jacobs and Kemp (2002) point out that it is very clear that the extreme poor lack the required business knowledge and social capital to operate a successful business to reduce their poverty and realise their developmental potential. Thus, such poor customers will be very vulnerable to environmental, socio-economic and political change amongst other factors. Islam (2008) elaborates on the lack of required business knowledge to include "the lack of education, proper technological design, marketing facilities, awareness and information and little or no managerial skills" (p. 137). Arun and Hulme (2008), in support of the argument on the lack of resistance to socio-economic shocks of the poorest, cites examples like sickness, unfavourable market conditions, theft and violence which are often beyond their control, leading to low repayment rates of loans.

However, it has been noted in practice that MFIs operating long-term financial schemes end up providing short-term financial services to the poor, which can only help smooth consumption but not alleviate poverty as promised (Morduch, 1998; Islam, 2008). An increase in microloans is only directly proportional to the starting income level of the extreme poor (Islam, 2008). Islam (2008) contributes to the debate on micro credit in alleviating poverty by studying the Grameen case, where the efforts to reduce poverty had a partial success. Islam argues that recent writings have often confused readers by equating microenterprise development to poverty alleviation. Even though the two often coincide, there is a need for empirical evidence, thus, adopting a microcredit approach as a panacea for poverty reduction, without some sort of critical evaluation, is very dangerous and nothing but a ‘poverty trap’.

Furthermore, Islam (2008) adds that no single income sources will effectively “provide an escalator for sustained growth of income” (p. 146). The approach of various MFIs is therefore subject to open debate. The Grameen approach combines microcredit at a reasonable rate, socio-economic development and educational projects (Jacobs et al., 2012). Wilhelm (2009) agrees with Yunus’ argument that if a MFI is charging more than 15 per cent on loans, it is indirectly restricting the genuine charitable intentions behind the loans such as reducing poverty among the extreme poor. He therefore implies that the MFI is no longer seen as a microcredit provider, but as a ‘loan shark’ (Jacobs et al., 2012).

Microcredit programmes can thus be seen as double disaster for the rural extreme poor, which is the reason why practitioners lay increasing emphasis on microfinance as a whole and not just microcredit (Islam, 2008). There is a higher probability for the poor to be able to save with microfinance than microcredit programmes and they will enjoy other benefits of microfinance over time: a wide group of financial services as opposed to just loans from microcredit programmes. The microfinance services will in effect give room for higher chances for lower costs on loans. Khandker (1998) argued that 10-15 per cent of the poorest usually require initial help with getting food, shelter, health and so on before they can be able to respond to policy and environmental changes which will eventually reach the marginal or less poor people. The implication here is that “the extreme poor are more likely to use public work programmes than credit-based interventions” (Khandker, 1998: 142). In effect, a significant number of the extreme poor will limit themselves from joining microcredit programmes. Microbanks comparative to other MFIs offer relatively higher loan amounts, which implies that the *depth* (benefits customers of MFIs get / services offered) of poverty alleviation is weaker; that is, the *breadth* of outreach to the poor (number of poor served) relies to a greater extent on its scale, in contrast to the case with other MFIs (Zeller, 2006).

When MFIs cannot offer the promised microfinance services to the poor, the poor turn to seek refuge in informal financial sectors (Wright, 2000). However, it is clear that the poor turn to face a more risky environment when they put their savings into informal financial institutions (Wright 2000). In as much as poverty alleviation has been the long-term objective of social MFIs, microfinance's financial sustainability cannot be ignored.

2.4.2 Financial Sustainability

MFIs have so far been referred to as being 'doubled tasked' in meeting development ends and achieving such long-term goals - an effective 'double-edged sword' (Tulchin, 2003; Dunford, 2003). The discussion on 'financial sustainability' here is in line with microfinance customers' and MFIs self-sustainability; that is, MFIs' self-sustainability in a way that will enhance long-term customers' financial sustainability through increased levels of income, hence reducing customers' poverty levels. However, the statement remains widely debatable.

Financial sustainability remains the backbone of every microfinance sustainability activity. Similar views on financial sustainability are shared by various researchers (Dunford, 2003; Tucker and Miles, 2004). They all refer to sustainability as the capacity and ability to remain financially viable without any external assistance, be that local or international. Dunford (2003) clearly points out that financial sustainability means being able to continuously operate or function towards the achievement of set objectives without depending on donor support. Financial self-viability implies being able to cover almost all expenses in the absence of subsidies or grants. This means the ability to generate enough profit/ income from self-operations to cover all costs incurred (CGAP, 2004), which implies a reduction in transaction costs, higher quality supply of products and services to meet customers' demands and more methods of outreach to the unbanked poor. The high rate of dependency by MFIs on financial sustainability in order to survive gives a reason why institutional sustainability is often used interchangeably with financial sustainability.

Financial self-sustainability can be measured at both the firm's operational level and at the self-sustainable level. Meyer (2010) defines operational sustainability as the ability to cover all operational costs from operating income regardless of whether the microfinance is subsidised or not. Financial self-sustainability, on the other hand, refers to the ability to cover not only operating costs but all other costs from self-generated income, regardless of whether the microfinance is subsidised or not (Balkenhol, 2007). Thus, financial self-sustainability urges all MFIs to be able to cover at the very least the opportunity cost of all of their factors of production from which their own income is generated without outside assistance (Chaves and Gon Zalez-Vega, 1996). The claim raised so far implies that any microfinance with poor financial performance is not financially sustainable. Operational sustainability is often referred to as the welfarists' view, while financial self- sustainability is in line with the institutionists' view.

Constant pressure has been levied on MFIs to expand in order to reach a reasonable number of the poor and impact them positively with their services (Tucker and Miles, 2004; Ahmed, 2009). Such expansion of services in order to meet the needs of the poor calls for more capital in operations, besides other factors. Operating sustainability can be obtained by increasing profits through higher interest rates and or fees.

Ahmed (2009) suggests that the target group needs to be widened; new products and new financial technologies need to be given attention. In order for the target MFI customers to be reached, Ahmed (2009) suggests the need for MFIs to expand horizontally. Most importantly, as older borrowers move to higher income brackets, there is the need to devise new products that will satisfy their changing needs. However, such products can also assist the MFIs to grow vertically, by meeting borrowers, particularly outside the target group (Ahmed, 2009). Ahmed (2009) suggests that including more men can lead to horizontal expansion. The is evident from the case in Bangladesh, where researchers have found out that men are likely to borrow larger amounts than women, even though their repayment records are not very positive compared to those of women. However, the inclusion of more men may lead to quicker sustainability of MFIs at the expense of repayment performance. Furthermore, a larger package of different products needs to be provided for the changing needs of borrowers as microfinance programmes grow.

In order to further promote customers' financial sustainability, Ahmed (2009) points out that a client is only considered sustainable when they are able to meet the basic needs of their family without the aid of financial institutions for consumption purposes. Ahmed (2009) add that customer sustainability, like institution sustainability, can be viewed from two different but interdependent and related angles. These two criteria are social development and economic development. Which criterion should be prioritised remains a debatable issue. Ahmed (2009) argue that economic development is a prerequisite for social development and vice versa. However, other researchers argue that because these two criteria interact, they should be treated simultaneously. Sustainability of borrowers is, however, a challenge to MFIs, which have a need to come up with the right insurance and social protection schemes while still reaching the poor with other financial services (Ahmed, 2009).

Continuous concerns about the issue of MFIs' financial sustainability, particularly in terms of customers, to which little attention has been paid, have resulted in raised eyebrows questioning the actual contribution of MFIs to areas besides poverty alleviation (Elahi and Danopoulos, 2004; Jacobs et al., 2012). Meyer and Nagarajan (2000) point out that the mission of microfinance in reducing poverty may overlook financial development, particularly in rural areas where the extreme poor are hence, the distortion of financial markets. Tsai (2004) further argues that NGOs are better able to reach the poor with financial services than donor-managed MFIs. MFIs financial sustainability has still remained questionable, as has the reason why the market for MFIs still remains vast (Tsai, 2004). Like financial services, MFIs also provide social services (Cohen, 2003; Sengupta and Aubuchon, 2008), as further discussed.

2.4.3 Socio-economic Development

Emeni (2008) argues that the importance of MFIs in the socio-economic development of an economy cannot be downplayed. MFIs have impacted on developmental issues at individual, household, community, organisational, national and international levels including enhanced confidence in decision-making at the individual level, positive sharing attitudes of family members and self-respect in the family at the household level, increased cooperation, solidarity and interaction amongst men and women at the community level, improved methods of managing institutional activities, new and improved opportunities for skill enhancement, education and income-generating activities at the organisational level.

Recent studies have paid more attention to discovering the impact of MFIs on customer welfare (Khandker, 1998; Zohir, 2004). The provision of microloans helps to reduce poverty through increased levels of income from profits as a result of investments, employment, consumption, asset accumulation and increased savings (Khalily, 2004). Research has argued that the failure of developmental institutions and the distortions of rural financial markets (Meyer and Nagarajan, 2000; Khalily, 2004) have actually given room for more emphasis to be given to the sustainability of MFIs. Arguably, sustainability will help to develop such markets and also retain credit facilities for poor households (Imai et al., 2010; Khalily et al., 2000; Khalily, 2004).

However, development sociologists argue that the contribution of MFIs is seen as a means to reduce the role of the government in financial markets (Khalily, 2004).

With regard to promoting children's education, for example, Littlefield et al. (2003) point out that most people turn to use new income from micro enterprises towards their children's education, thus reducing the rate of school dropouts of microfinance customer households. The argument also supports Todd's (1996) ethnographic study of a Grameen village with high records of schooling for Grameen children compared to non-members' children. 81% of boys in the Grameen household and almost all girls were highly educated compared to 54% of boys and 60% of girls in non-Grameen households. Furthermore, 80% of microfinance customers recorded high levels of diversified income sources compared to 50% of non-members, similar to Saad's (2010) study.

Sapkota (2008) points out that the economic development of a country like Nepal is possible only through improving its agricultural sector, where agricultural credit through which resources are mobilised is seen as the main agricultural input. Shrestha (2009) adds that the insufficiency of capital accumulation remains a hindrance in LDCs. This is where MFIs step in to provide some sort of rural credit, as the case in Nepal, to help finance agricultural activities and enhance socio-economic development, besides other impacts like poverty alleviation. This is evident in Nepal, where there is a shift from subsistence farming to commercial farming (Sapkota, 2008).

2.4.4 Women's Empowerment

The number of women and women's groups in MFIs programmes is increasing at a rapid rate compared to overall groups and membership. The major reason is that female members are more reliable credit customers and better co-operators than males (Eckart et al., 2004) and this has been suggested as the reason why most MFIs tend to give out loans primarily to women (Jacobs, 2012). Greater concerns are still being raised as to why women get more loans when the men are the head of the family. Feminists and gender specialists argue that MFIs empowering women and giving them more access to microcredit will increase their role in family decision-making (Khalily, 2004). This implies that female MFI customers are seen to be taking care of family well-being, besides their participation in economic decisions. There is empirical evidence of women's empowerment as a result of their involvement in microfinance (Mayoux, 2006). Khandker (2005) attests to the claim that MFIs have a sustained impact on participants, especially in reducing poverty levels, particularly true with female customers and at the rural level.

According to the above discussion on microfinance objectives, an empirical question is warranted. In line with microfinance objectives, the question *do MFIs really function as a tool for oppression or empowerment?* is empirical and cannot be ignored in an attempt to reconcile microfinance promise(s). The focus of microfinance in recent times remains debatable, as socially focused MFIs have been noted for drifting away from their social roots to accommodate commercial ones (Woller, 2002), as further discussed below.

2.5 The Microfinance ‘Mission Drift’ Debate

To better understand the microfinance mission debate, the word ‘commercialisation’ needs to be defined. Christen (2001) defines commercialisation as having some important features like profitability, competition and regulation. The definition implies that there is a transformation of non-profit MFIs into profit-orientated and regulated ones, which to some appears to be the ultimate destiny of MFIs. This therefore follows Ledgerwood’s (2002) meaning of commercialisation: the inclusion of MFIs into the formal financial sector on a sustainable basis. In most cases the practice includes the creation of regulated entities which can ensure the safety of client savings and guarantee access to commercial capital. MFIs are starting to be more concerned about becoming commercialised so as to avoid depending solely on external sources of finance like donors. Woller (2002) argues that Christen’s (2001) definition of commercialisation is too narrow, and redefines commercialisation as the use of commercial approaches to microfinance, for example the introduction of cost-saving technologies. Woller (2002) adds that commercialisation here remains a puzzling word that refers to a “new state of affairs” (p. 12) which may or may not include transformation.

The challenge of meeting the outreach and sustainability objectives of MFIs continues to persist with their growth (Merslaand and Strom, 2010; Bateman, 2010; Hermes et al., 2011). The argument often raised in the mission(s) accomplished debate is for MFIs to see their commercial role as an addition to their social role and not to completely wipe out their social focus (Asian Development Bank, 2002: Balkenhol, 2006; Misra, 2006) in the search for commercial outcomes (mission drift).

2.5.1 Mission(s) Accomplished

Based on the basis that most MFIs are out to obtain a balance between their financial sustainability and socio-economic impact missions, studies focus more on the approach used in the delivery of microfinance services (Orbuch, 2011). Frequent questions include: *can MFIs really achieve financial sustainability and at the same time reach the extreme poor in practice?* and w*hat are the trade-offs, if any, in pursuing financial sustainability and poverty alleviation goals simultaneously?* (Orbuch, 2011). Hulme and Mosley (1996) attempted to answer such questions and their findings led to other research. Hulme and Mosley studied 13 poverty alleviation-focused MFIs in seven countries with the aim of understanding the effects of institutional design, management and policy environments on poverty reduction and financial sustainability. They noticed that MFIs with high financial sustainability had lower rates of arrears and subsidy dependence indices compared to those with lower sustainability. Moreover, institutions like Banco Sol adopting microfinance recognised that best practice features of high rates of interest, high repayment rates, provision made for material incentives and the availability of voluntary savings facilities amongst others will result in higher financial sustainability. For those MFIs that are really interested in making sure all necessary jobs are done to deepen outreach to the extreme poor, Hulme and Mosley propose two other recommendations.

First, using financial product(s) like appropriate savings facilities and small loans tailored to the requirements of the poor, such as consumption. This will result in increased successful adoption of financial services. Second, a higher interest rate could be charged on small loan amounts. The idea here is to automatically alter the incentive system which works against relatively high costs on small loans. The results show high ambiguity in the relationship between financial sustainability and poverty reduction. Thus, the argument that MFIs should seek profits, according to Cull et al. (2009), has an appealing ‘win-win’ resonance, confirming the trade-off between social and commercial objectives. Tucker and Miles (2004) point out that the “the poverty alleviation/self-sufficiency paradox underscores the trade-off between effective service leading to poverty reduction and financial self-sufficiency" (p. 42). In line with poverty alleviation and profitability, MFIs might be tempted to seek larger amounts of loans that will make their customers better off and also give room for them to gain greater economies of scale, hence minimised costs and higher loan repayment probability. Woller (2002) adds that commercialisation brings benefits such as increased outreach to the poor, development and enforcement of accounting, improved performance standards and increased financial viability. Thus, adopting commercial approaches can attract more commercial funds, leading to long-term financial sustainability, and in effect increased loans to the poor (Hermes et al., 2011).

Tucker and Miles (2004) argue that reaching the poor with microfinance services may be an expensive proposition that may hinder many MFIs from reaching self-sufficiency. In order for MFIs to achieve their mission of reaching the poor with financial service, Woller (2002) argues the need for MFIs to become financially self-sustainable (long term) and not rely so much on donors and governments. The MFIs must be ready to cover all of their costs and return a profit from the financial services they provide to their customers as Copestake et al. (2001) suggest. Ahmed (2009) points out that it is fair to acknowledge the fact that donors' funding and interest for MFIs might reduce with time.

On the other hand, if MFIs also rely so heavily on offering services to the extreme poor, a sustainable amount of income might not be generated, given that the extreme poor take small loans. Suggestions in the literature argue that if MFIs are to achieve their social objective to outreach to poor customers, they must offer their services to the marginal and not the extreme poor client groups. In that way, enough income to sustain them can be generated. Furthermore, various products and services should be made to meet the demands of various client groups, so as to both achieve the objective of remaining financially healthy and still focus on reaching out to extremely poor customers (Luong, 2010). Luong (2010) suggests that there is a vital need for MFIs to treat the poor as its potential customers and even increase the level of product availability and affordability.

Cooperation with formal financial institutions is encouraged (Ahmed, 2009). Here, we can see the case of Latin America, where MFIs such as Prodeem and Banco Solidario have become financially sustainable through collaborating with commercial banks and other business institutions in selling products such as savings, pensions and insurance, thus generating a more stable income capable of covering their costs and in effect make more profit, which implies a higher chance of serving a wider range of poor customers. In this sense, MFIs are more business orientated than charity focus, hence, diverting their interests focus from the extreme poor to the marginal poor. The implication here is that MFIs will therefore focus on urban regions where more of the marginal poor are found, and ignore rural poverty-stricken areas with their extreme poor (Zeller and Meyer, 2002).

Microfinance, which started as a grassroots ‘movement’ largely informed and motivated by a development paradigm is gradually changing into a more globalised sector, increasingly informed by a commercial/finance/accounting paradigm (Brau and Woller, 2004). As a result of increased competition, rapid and sure movement of commercial providers into the market, growing innovation and customers with more experience and formal backgrounds demanding quality financial services, the microfinance sector is now moving towards a new era (Jackson and Islam, 2005). The commercial viability of MFIs remains crucial, due to such continuous growth in the industry serving a wider client group with financial and social services in a bid to alleviate poverty (Sengupta and Aubuchon, 2008). The significant change in the microfinance industry over the years has resulted in microfinance ‘mission drift’ (Mersland and Strom, 2010).

2.5.2 Microfinance 'Mission drift'

Increased market competition assuring efficiency, for example, has forced MFIs to drift from their social roots with developmental concerns to a more commercialised industry with profitability aims (Woller, 2002). Lately, profitability pressures have been evident in MFIs, leading to mission drift (Woller, 2002; Mersland and Strom, 2010; Hermes et al., 2011). This claim is supported by Dr. Yunus, who expresses his concern about businesses, including commercial banks, which turn to concentrating on profits, the bottom line, and move away from focusing on the poor, their initial target and objective (Jacobs et al., 2012).

Mission drift as discussed in the study refers to a situation where MFIs are forced to divert from their social roots and poverty alleviation focus to a more commercialised one with greater emphasis on the twin concerns of profits and market share (Woller, 2002). In as much as commercialisation might increase MFIs' long term sustainability, it might also limit the poor's capital access (Tucker and Miles, 2004; Ahmed, 2009). The implication is that a larger loan size will improve profitability but is likely to reduce the breath of outreach. Gibbons and Meehan (1999) acknowledge that it is not easy to achieve both objectives; however most financially sustainable MFIs are able to increase borrowing in the private capital markets besides their ability to disburse loans. The absence of sustainability implies that MFIs are not a going concern, thus the goal of poverty alleviation remains theoretical (Otero, 1999).

Hermes et al. (2011) further argue that providing the poor with financial services seems to be very costly for MFIs, and the objective may conflict with that of financial sustainability. Thus, in a bid to resolve the issue, most MFIs have approached foreign donors seeking financial assistance so they can remain financially sustainable and in turn provide the poor with financial services. Until recently, the means of financial sustainability have been argued to be unsecured and not guaranteed as such (in most cases only lasting for a shorter period). Microfinance efficiency and financial sustainability goals have made MFIs shift towards engaging themselves in long-term financial sustainability activities like commercialisation in order to meet the continuous changes (competition, technology, government policies and regulation), as suggested by Rhyne and Otero (2006).

The question of interest is *to what extent are MFIs shifting towards a commercialisation-focused objective?* Commercialisation in MFIs can boost their existing commercial funds, which can be used to assist the poor through increased amounts of loans and for a longer period of time (Woller, 2002; Hermes et al., 2011). Rhyne and Otero (2006) claim that the Bolivian MFIs have become more efficient since the late 1990s and experienced a fall in interest rates from 30% in 1998 to 21% in 2005, implying that microfinance financial sustainability, outreach and commercialisation objectives can be argued to remain compatible.

However, Hermes et al. (2011), together with other researchers like Mersland and Strom (2010) have argued that MFIs' objectives can still conflict. For example, in line with financial sustainability and efficiency, the cost of lending to customers cannot be overlooked. Hermes et al. (2011) point out that the cost incurred by MFIs to lend money to illiterate, rural and extreme poor customers is very high. The implication here is that in order to minimise costs and remain competitive, MFIs will end up not meeting the needs of such extreme poor customers. The trade-off claim argues that MFIs cannot simultaneously be financially viable and reduce poverty. The transaction costs, for example, incurred by MFIs in disbursing small loans which are usually taken by the extreme poor customers associated with lower interest rates are usually higher than those of larger loans. Thus, MFIs will prefer to give out larger loans in order to remain financially viable and competitive (Hermes et al., 2011).

Woller (2002) adds that mission drift can only occur if MFIs abandon the poor and illiterate client group, when there will be minimal or no outreach. Depth of outreach in MFIs is concerned with the provision of financial services to the poorest client groups, with average loan size being a determinant for outreach (Cull et al., 2007; Mersland and Strom, 2010). The extent of lending cannot be undermined in viewing outreach, as pointed out by Bhatt and Tang (2001). Ignoring the importance of savings in livelihood strategies, particularly of poor households, is wrong when outreach is concerned (Woller, 2002). The inclusion of 'savings' in the definition of outreach shows clearly that small-scale savings mobilisation can be promising in reaching poor with financial services (Woller, 2002).

However, there remains an extensive body of literature on microfinance, in line with the fact that its successes in alleviating poverty and improving socio-economic development are well documented (Islam, 2008; Bateman, 2010; Jacobs, 2012). Evidence is seen in Bangladesh through the Grameen customers who have reported better crisis management (Khalily, 2004). Khandker (1998) argues that Grameen-type microfinance has effects on both individual and household education, consumption, savings, income levels, wealth, living standards and women's empowerment.

2.6 Registration Procedures of MFIs in Cameroon

No matter which category an MFI falls into, at inception, they need to obtain accreditation and a licence from the MINFIN before becoming operational, following Prime Ministerial Decree of 1998, No. 94 98/300/PM. The COBAC text also states that every MFI must form part of the national association of MFIs (Fotabong, 2012) which in Cameroon is called ANEMCAM.

This degree was enacted and further enforced by CEMAC Regulation which relates to the conditions and regulations regarding the effective operation and governance of MFI activities in CEMAC, and became operational on 15 April 2005. The main purpose behind these laws governing MFIs' activities is to ensure that depositors' savings are well secured, besides making sure that basic economic activities are financed.

In order to complete the microfinance registration process, there must be a manager, general assembly or list of members and a given amount of minimum capital, depending on the type of MFI, before the application form can be submitted. This is followed by the creation of a file for the MFI which goes through the Monetary Authority to COBAC. The file created should consist of:

> a stamped application specifying the requested category, a registration certificate, the minutes of the general meeting for the creation of the institution, the articles of association of the institution, a list of founding members or shareholders, the members of the board of directors or of the organ considered as such and where necessary, documents testifying that payments have been made in connection with the liberation of subscribed shares, supported by bank statements or any other documents serving as such a three year forecast of the activity, expansion and organisation, a detail of technical and financial means to be used and any element likely to enlighten the competent authorities (Fotabong, 2012:12).

2.7 Chapter Summary

The chapter has successfully explored the background knowledge on microfinance highlighting and making review to pertinent issues vital for the study. Following the conclusive argument that the concept of 'microfinance' is largely understood but not clearly defined in the minds of its users (Vijender et al., 2012), the first section therefore focuses on an in-depth exploration of the definition of 'microfinance' and Ryhne (2001)'s definition is adopted in the study since it broadens the types of services offered by MFIs today.

The second section is on the types of MFIs where a clearer and in-depth discussion is provided for better understanding of the microfinance concept. In line with the research aim, the study explores the main and frequently cited missions and objectives of MFIs. In this section a clear definition of the 'poor' is given and further emphasis laid on the difference between microfinance breadth and depth of outreach. The chapter has also explored pertinent issues surrounding microfinance debate in line with its missions. In this section the mission accomplished and drift arguments have been explained according to existing literature.

Attention needs to be given to the fact that, microfinance commercialisation practices (Woller, 2002) in MFIs might affect its accounting and accountability practices (Burns and Scapens, 2000). Microfinance increased competition have led to tremendous pressure calling on MFIs to exercise 'good governance'- the need for MFIs to become more transparent and accountable (Kaldor, 2003) especially at the grassroots level which is often missing (Dixon et al 2006).

CHAPTER THREE

MICROFINANCE ACCOUNTING AND ACCOUNTABILITY PRACTICES

3.0 Introduction

Lately, institutional reforms have given room for more emphasis to be placed on institutional transparency and governance (Kaldor, 2003) especially in MFIs, where such concepts remain contestable (Hulme, 2006; Aitken, 2010; Pouchous, 2012). The emphasis here is to ensure that microfinance accounting and accountability practices are reviewed. Institutional pressures, as argued by Hyvönen et al. (2012), can force such practices to change in order to adapt to the environment. Such a review process can assure more transparency and better governance (Pouchous, 2012).

'Accountability' even though a complex, ambiguous, contradictory, contestable and tricky concept (Mulgan, 2000; Ebrahim, 2003; Demirag, 2004; Bovens, 2007), is often seen as a good way to access organisational adherence and transparency to its objectives and performance and build organisational confidence. It is an inevitable concept, especially today as different authorities continuously demand 'good governance' particularly from aid and developmental organisations such as MFIs.

Accountability issues have thus continued to receive attention from researchers, particularly those with a developmental and cultural focus (Ebrahim, 2003; Bovens, 2007; Jayasinghe and Wickramasinghe, 2011; Ahmed et al., 2012), but with little covered in terms of the growing microfinance environment. Official sources continue to demand that institutions (including MFIs) become more transparent its accountability functions (Dixon et al., 2006), hence a call for more research in this arena (Ebrahim, 2003; Dixon et al., 2006; O'Dwyer and Unerman, 2007).

The importance of MFIs continues to grow, but knowledge on how they have impacted on society remains partial and contested (Hulme, 2000). The fact that the importance of MFIs lies in their capacity to be able to meet the needs of the grassroots with the services they provide must not go unaccounted for (Dixon et al., 2006). In spite of the importance and rapid growth rate of MFIs involved in socio-economic development, accounting research is just beginning to notice and develop a significant interest in their operations (Goddard and Assad, 2006). Worse still, only a few studies have explored governance issues, particularly in relation to accountability. Accounting issues remain at the heart of every organisation as they impact on organisational and individual life (Perry and Nolke, 2006) and therefore should not be ignored.

In relation to MFIs, Hartarska (2005) argues that there is a need to study these governance issues in order to make sure the financial services from MFIs are channelled to the intended people. In addition, these organisations are increasingly put under pressure to show their impact on society (Simanowitz, 2001; Zeller and Meyer, 2002) and to exercise ‘good governance’ (Kaldor, 2003; Lewis and Madon, 2004; Dixon et al., 2006) in order to achieve set organisational missions and objectives (Hartarska, 2005). Therefore, the focus on governance necessitates MFIs to become more transparent, accountable and accounted for (Dixon et al., 2006). The implication here is more accountability is better in order to achieve the set objectives of MFIs. Thus, a closer examination of the role of accountability mechanisms is necessary (Hartarska, 2005; Ebrahim, 2003).

However, it is argued that the broad and highly contested concept of accountability (Bovens, 2007; Kemp et al., 2012) cannot exist as a standalone but as a related and inseparable term from ‘accounting’ per se (Burns, 2000; Gray, 2001). In line with microfinance objectives, certain accounting functions need to be carried out in order to assess how successful the organisation has been, and it is argued here that those performing such accounting functions are ‘held responsible’ for any mistakes or reports produced. Roberts and Scapens (1985) even show how accounting information can lead to certain forms of accountability, as further discussed below. Gray (2014) adds that accountability also has implications for accounting, in line with informed decision-making and control of stakeholders.

Accountability remains a powerful tool use to maximise the economic and social performance of a firm. In as much as financial and management accounting techniques have provided information to various stakeholders about the performance of an organisation, such accounting techniques have also provided mechanisms through which managers have been able to discharge accountability duties to non-managerial stakeholders (Unerman et al., 2007). Furthermore, Unerman et al. (2007) argue that, in as much as accounting is an important tool in accountability and other functions within an organisation, broader techniques of sustainable accounting and accountability have the potential to be powerful tools in planning, control and accountability for more social, developmental and environmental impact.

As with any developmental intervention, there is an increasing demand by donors, governments and interested parties for impact assessment and accountability studies to determine the successes and failures of MFI programmes (Afrane, 2002). The purpose of this chapter is to review microfinance accountability issues pertinent to their success, to include meanings, perspectives, types, mechanisms, importance and impacts. ‘Grassroots accountability’, as suggested by Dixon et al. (2006), cannot be ignored when reviewing the socio-economic impact of microfinance, particularly MFIs with a social mission.

The chapter is divided into seven sections. First is an introduction followed by a review of accountability from a broader perspective, where ‘accounting’ is argued to remain inseparable from accountability. Accounting discussed as part of accountability has been further recognised as a socially constructed phenomenon with social impacts on developmental institutions like MFIs. Third is a review on accountability issues pertinent to the success of MFIs, such as the meanings, perspectives, types and mechanisms of accountability, adopting a socially constructive stakeholder perspective (Belal, 2002). Fourth is a review of microfinance impact in line with its objectives: social and financial impacts are further discussed as a form of accountability where internal and external monitoring systems remain pertinent in determining the impact level of microfinance. The chapter further establishes a connection between microfinance objectives, accounting and accountability before closing with a summary.

3.1 Accountability in a Broader Context

The term ‘accountability’ does not seem to bring out a clear or precise definition (Sinclair, 1995; Cooper and Owen, 2007). The process of accountability can broadly be seen to mean an accounting (system) where accountability is seen to occur at each stage. Thus, it is apparently impossible to talk about the accountability concept without relating it to accounting issues, especially when looking at social issues (Unerman et al., 2007). Starting the discussion by bringing in accounting-related issues will help to give a clearer picture of the accountability concept and process. In order to account for the level of achievement of microfinance objectives, the accounting function cannot be ignored. Hence, accountability, in line with Burns (2000), is seen to include the traditional view of accounting and social aspects to include CSR issues. What does CSR actually mean, to whom and why (Moir, 2001)? Moir (2001) defines CSR to mean focusing on employee relations, human rights, organisation’s ethic, community as well as the environment.

Traditionally, accounting has been used for planning, controlling and decision-making amongst other processes. However, the word ‘accounting’ in itself is ambiguous – for example, the variation in the application of accounting standards in guiding accounting and auditing procedures (Ledgerwood, 1999), which embraces wider and different fields.

Beyond the narrow and functional perspective, it can be argued that accounting has the power to shape and change behaviour, and is interdisciplinary and socially constructed (Dillard, 1991; Goddard and Assad, 2006; Hopper et al., 2009). It can be argued that all institutions are interconnected in any given society. The implication is that “organisational structures and strategies are shaped by institutional environments” (Beckert, 1999: 777). Hence, organisations cannot exist in isolation to their societal world and should be understood from this angle, meaning that there are bound to be changes affecting the organisation both from within and without, including changes inherent within its (social) accounting systems. Perry and Nolke (2006) define accounting as:

> … a system for measuring economic activity and therefore, in an economic world characterized by division and specialisation of labour, it is an important and necessary social practice. (p. 560)

Thus, both the functional and social practice of accounting is on its own seen as accountability in a broader context. Gray (2005) adds that accounting systems vary in different parts of the world and in different organisations within a given country. He further adds that culture (rules, routines and beliefs shaping behaviour in order to pursue set objectives and missions) ,for example, has been one of the major influences on the differences in accounting systems, especially at the international level.

Furthermore, the wider perspective on accounting argues that accounting is more of a social (Gray, 1997; 2002) and political process than just a rational-technical system. Thus, one way of understanding accounting systems from their social roots within their organisational context is to see them as types of organisational language systems (Laughlin, 1987). The practicality of accounting, where the study’s interest lies, is much more complex than shown in the rational textbook approach. Forces operate to shape the way in which accounting is used; given the fact that accounting theory is embedded in or allocated within a social and complex political reality, accounting will not necessarily improve the decisions of an organisation if these social and political influences are not considered (Gray, 2002). Dillard (1991) adds that accounting remains subjective, where the social world is understood from the context of social actors shaping it. Accounting as a language system is defined by Laughlin (1987) to mean:

> … human artefacts which control certain aspects of the organisational life whose terms and sentences (the technical part of the design) find meaning in the historical, organisational and social context in which they can be uttered. (p. 481)

3.2 Microfinance Accountability

The adoption and implementation of the correct corporate governance system is becoming a particular issue, particularly in less developed and emerging economies, however it is suggested that such systems are designed to suit the needs of individual countries (Tsamenyi and Uddin, 2008), and that the decisions reached should suit the interests or needs of various stakeholders (Cooper and Owen, 2007). Regulation of microfinance services has long been demanded (Van Greuning at al., 1999; Hardy et al., 2003). It is believed that corporate governance or institutional reforms enhance accountability (Cooper and Owen, 2007; Tsamenyi and Uddin, 2008). Moir (2001) adds that a business can only contribute fully to society if it is socially responsible, besides other attributes.

Gray (2001) points out that accountability usually "places the society at the heart of the analysis and questions the legitimacy of an organisation's actions or perhaps its right to exist" (p.11). However, the aims of society and that of the organisation cannot be ignored under the accountability umbrella. Bovens (2007) states clearly that "accountability is a contestable concept par excellence" (p.105). Sinclair (1995) and Gray (2014) add that nobody really doubts the need for accountability, but how it is defined, provided and accounted for is far from resolved.

The accountability concept has thus far embraced several meanings for different people that extend beyond its simple meaning to give an account of an action in which one is involved (Mulgan, 2000). Accountability, as argued by Bovens (2007), like an umbrella covers many other highly debatable concepts, to include accounting. However, certain intriguing issues have arisen in the literature about the meaning, nature, mechanisms and importance of accountability and other unresolved issues. In order to better understand the accountability concept, other issues surrounding it have further been explored. The exploration starts by identifying the various ways in which it is defined, seen and experienced rather than overlooking its chameleon quality.

The questions often asked in this regard include: *what is accountability? To whom and from who is accountability due? What are the different forms of accountability? How can the presence of accountability be determined? What type of information is needed for accountability purposes?* and *Why is accountability important?* These questions have been explored from an organisational perspective and in line with accounting systems below. Another discourse missing from the accountability literature is how organisations deal with competing accountability demands (Ebrahim, 2003) in order to achieve their objectives and missions.

3.2.1 Accountability: Perspective and Meaning

In order to understand the complex and tricky concept of accountability, the different definitions offered in the literature must be explored. Accountability, even though it is an ever-expanding concept (Bovens, 2007), still appears to be misused and misunderstood (Gray, 2001). In academic reviews, accountability is often seen as “a set of standards for evaluation of the behaviour of public actors” (Bovens, 2007: 106). Accountability in this sense is seen as a social virtue, whether personal or organisational. Thus, in its broad sense it can be termed an ‘evaluative’ not ‘analytical’ term in which the state of affairs or an agent’s performance is positively measured (virtue).

Going beyond the broad concept of accountability, the study embraces and adopts the view that accountability may vary from function to function, person to person (stakeholder to stakeholder), field to field, time to time, place to place and above all depending on the purpose, mission and objectives of the organisation. Gray et al. (2006) further point out that accountability is viewed by accounting professionals to have a straightforward and simple meaning. In summary, accountability can be seen as “identifying what one is responsible for and then providing information about that responsibility to those who have rights to that information” (Gray, 2001: 11). Other accounting researchers have also referred to accountability as a way of giving and expecting/demanding reasons for conduct in its broadest sense (Robinson, 2003). Stakeholder accountability is seen to mean a discourse (dialogue or discussion)[1] which takes into consideration the open, unbiased ideal speech situation, debate, needs and views of all stakeholders leading to an acceptance by all stakeholders, unlike shareholder primacy (a neoclassical economic theory with a free market view) which only focuses on the interests of shareholders in making decisions, reflected through reports, for example (Cooper and Owen, 2007). In addition, corporate accountability, as suggested by Cooper and Owen (2007) “must result in instances where decisions made are not done so purely on the basis of shareholders primacy” (p.653).

This section continues by defining accountability to mean “the duty to provide an account (by no means necessarily a financial account) or reckoning of those actions for which one is held responsible” (Unerman and O’Dwyer, 2004:6). Unerman and O’Dwyer’s definition fails to

[1] In discussions, decisions are seen as outcomes converging on a conclusion while in dialogue, there is an exploration of complex diverging issues and participants do not seek agreement but to have an in-depth and richer understanding of complex issues, as suggested by Cooper and Owen (2007)

address "the issue of effective utilisation of information by recipients and associated power differentials between the accountor and the accountee" (Cooper and Owen, 2007: 653). Giving an account is one way which further "requires the accountee to have the power to hold to the account the person who gives the account" hence, the "accountors can also be held to account" to make the accountability relationship a two way process (Cooper and Owen, 2007:653). Messner (2009) adds that giving an account means providing "reasons for one's behaviour, to explain and justify what one did or did not do" (p. 920). Boland and Schultze (1996) view accountability as "giving explanations through a credible story of what happened and a calculation and balancing of competing obligations, including moral ones" (p. 62). Such accountability has certain attributes, such as being external, as an account is being sent to someone other than the person providing the account; it also brings in social interaction and the exchange of information. However, it can thus be argued at this juncture that the idea that accountability is a straightforward concept has been challenged with the notion of 'society', especially when the concerned institutions are exclusively MFIs, which in practice do not agree with this definition (Gray et al., 2006). It is therefore important at this point to understand what accountability means in line with looking at its parameters, functions and essence within the societal terrain (that is, the purpose of the organisation) as further discussed below.

Accountability has been used in a narrow way in countries such as Britain, Australia and continental European countries. This has occurred simply because these countries have liberal market economies that specify that limited companies should only be accountable to their shareholders (shareholder primacy). Accountability here is seen as a *social mechanism,* in which the actor or agent in that institutional setting is *held responsible* (external) to give an account by another actor (Ebrahim, 2003; Mulgan, 2003). However, accountability from this angle has been criticised for being too descriptive and not including the behaviour of other stakeholders, concerned only about the operations of the said institution (Bovens, 2007). Cooper and Owen

(2007) add that a more pluralistic type of accountability needs to be established for stakeholder accountability to take place. This is where there is a clear recognition of the presence of other legitimate stakeholders than simply recognising equity shareholders alone (Cooper and Owen, 2007). The argument here is that other groups, particularly employees, make firm-specific investments and also incur risks as shareholders do. Thus, denying them a place in the company's governance structure makes it difficult to justify on moral grounds (Gamble and Kelly, 2001; Cooper and Owen, 2007).

The main focus on accountability here is not whether these actors operate in an accountable manner but knowing if they can be *held responsible* ex post facto by other agents (Ebrahim, 2003; Bovens, 2007). Accountability is thus narrowed down here to mean the *relationship* between the principal and the agent in line with the mission and objectives of the MFI (more specifically, actors' perception of such purpose). A wider stakeholder perspective has been adopted in the study than for cases applied in countries like Germany and Japan.

Accountability has been defined as a standalone and as a system, also focusing on its various types. Bovens (2007) adds that accountability comes from accounting. Bovens (2007), in line with the above, claims that accountability can be referred to as;

> A relationship between an actor and a forum, in which the actor has an obligation to explain and to justify his or her conduct, the forum can pose questions and pass judgement, and the actor may face consequences. (p.107)

Ebrahim (2003) in the same view defines accountability as "the means by which individuals and organisations report to a recognized authority (or authorities) and are held responsible for its actions" (p. 814). Many different elements can be found in this definition. The term 'actor' in this case could be an individual, official or institution that gives the principal information on their conduct (Ebrahim, 2003; Bovens, 2007).

Furthermore, it has also been argued that there is need to provide an explanation besides providing information which is directed to specific forum in order to complete the meaning of accountability (Ebrahim, 2003). That is, the actor must also feel obliged (*taking responsibility*, internal) to give an account and not at liberty to do so or not. Thus accountability is externally seen as ‘held responsible’ and internally viewed as ‘felt responsible’. In addition, there must be some room for debates and judgement by the forum, together with formal or informal sanctions or rewards. Another important feature of accountability is the need to distribute equal information to all interested parties in line with the organisational mission and objectives (Tower, 1993).

According to accountability discourse, CSR (Moir, 2001; Chen, 2011; Kemp et al., 2012) and transparency are sometimes used as synonyms for accountability. However, transparency (openness) does not necessarily involve monitoring by a particular agent. The definition of accountability here is retrospective, as actors are obliged to give an account (for example a CSR report) or actors take on the responsibility to give an account to the right party after the act/fact for which they are held responsible. Responsiveness only contributes to the proactive inputs of a policy process but does not have the elements of justification, judgement and consequences, so as such does not constitute accountability per se (Bovens, 2007). Transparency is only a virtue of accountability (Chen, 2011). The conclusion drawn from the above accountability discourse, according to Moir (2001), is that accountability should be a continuous commitment in which parties behave in an ethical manner in contributing to socio-economic development.

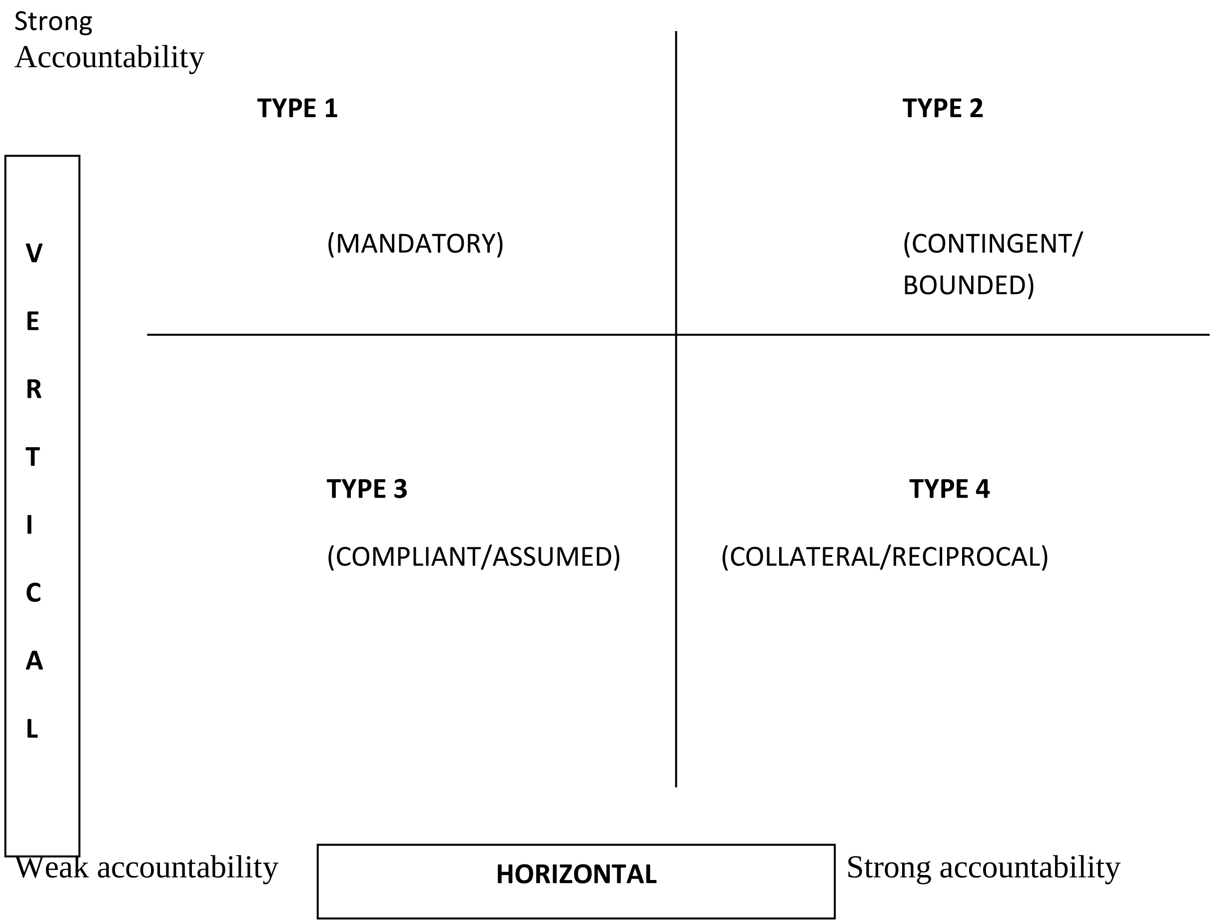
3.2.2 Types of Accountability (for Whom?)

Microfinance stakeholder accountability in particular, appears to be very complex, since its operations involve the attainment of social and financial objectives due to the competing demands of different stakeholders (Ebrahim, 2003; Ahmed, 2004). MFIs, especially those with dual objectives, can arguably be accountable to various stakeholders including funders, donors, regulators and customers, and such accountability, if well carried out, can improve organisational transparency and performance (Ebrahim, 2003).

In order to better understand the various types of accountability, Ritchie and Richardson (2000) are used as a starting point. Ritchie and Richardson (2000) identify four different types of accountability. They focus on understanding how these accountability types differ and the ways in which they are formed. They talk about vertical (rule-based) and horizontal (relational-based) accountability types. Types 1 and 2 as shown in Figure 3.1 below refer to the more traditionally focused accountability types in the literature where accounting information remains vital (Jacobs and Walker, 2004). The accountability type here is more formal and hierarchical directed towards fund providers (Hilhorst, 2003). It is here that accountability for explicit performance methods and procedures is usually imposed on organisations by external stakeholders (Kearns, 1994; Dixon, et al., 2006). Lewis and Madon (2004) summarise Types 1 and 2 by pointing out that accountability mainly involves rule-bound responses. Accountability in this case, as mentioned in Section 3.5.1 refers to those 'held responsible' (Ebrahim, 2003).

Types 3 and 4 horizontally embrace the idea that all institutions are occupied by social agents where the relationship with one another cannot be ignored (Hilhorst, 2003; O'Dwyer and Unerman, 2007). Others have viewed Type 3 as a daily, spoken, unrecorded and taken-for-granted type of accountability which does not have any formal roles (Hilhorst, 2003; Ritchie and Richardson, 2000; Sinclair, 1995). Type 4, on the other hand, comes from different social networks which add to the accountability process.

FIGURE 3.1: Types of Accountability

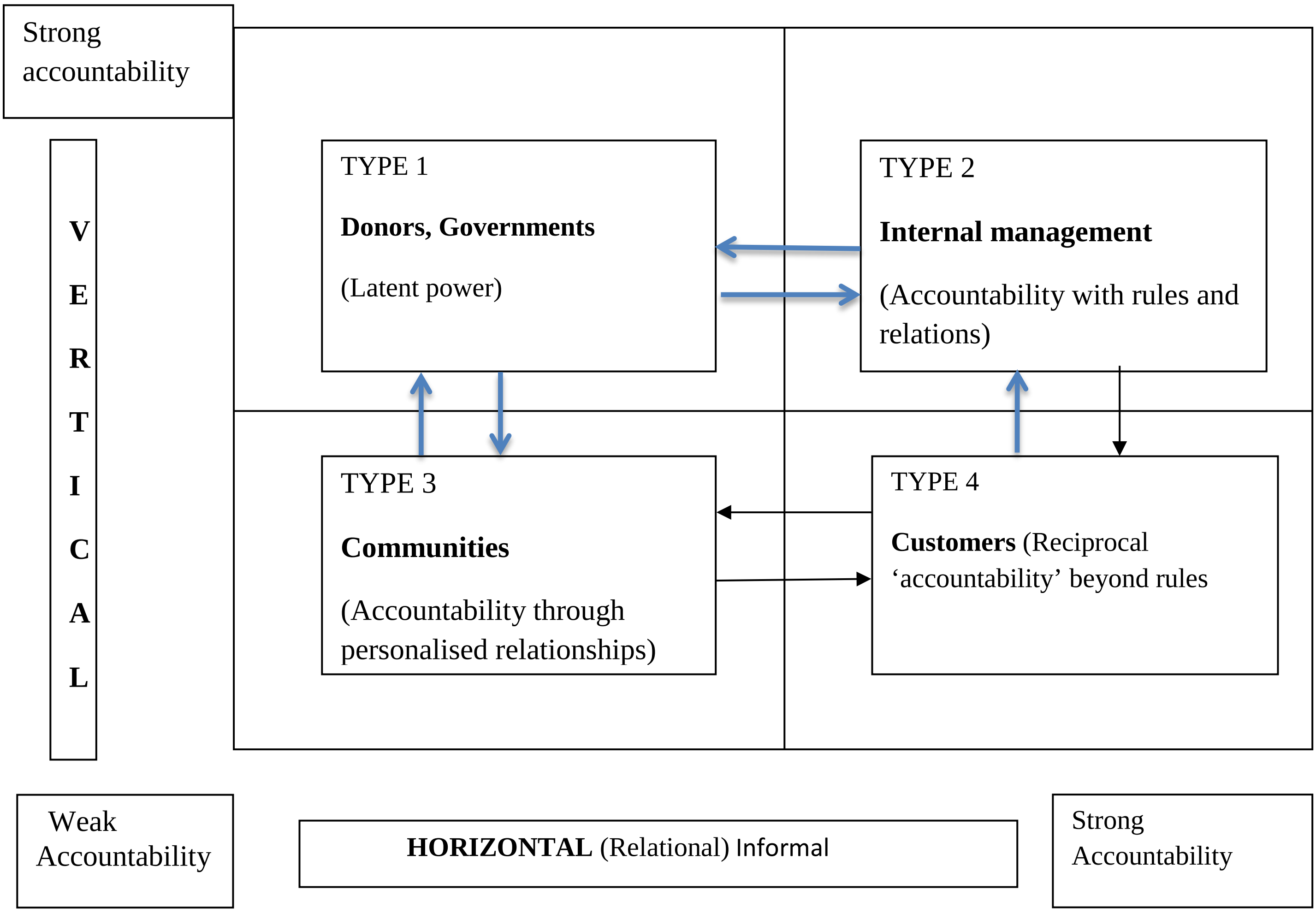


Source: Ritchie and Richardson (2000: 454)

Ritchie and Richardson's (2000) accountability framework, however, fails to incorporate the dual relationship between the various actors (agency and power) in designing the system of accountability. Dixon et al. (2006) have attempted to address this issue of agency and power by providing a comparative accountability framework (Figure 3.2). Dixon et al.'s (2006) accountability framework embraces the relationship between the various actors to an extent and the grassroots, the community and groups, as shown in Types 3 and 4 respectively. Dixon et al. (2006) see Type 1 as accountability from the MFIs to its *donors* (upwards) with pressure from these donors (held responsible), Type 2 looks at the *internal management* acting as donors or own agents imposing tighter forms of control and accountability strategies, thus accountability to management. Both Types 1 and 2 are rule-based, Type 1 on external and Type 2 on internal rules, seen as the bottom-up (upwards) formal accountability approach.

Types 3 and 4 rather embrace the top-down (downwards) informal forms of accountability. Type 3 looks at the *community* through personalised, informal relationships while Type 4 focuses on the *client* group with more informal relationships, taking into consideration cultural values and beliefs, public sentiments and trust amongst other social factors in the accountability process (Ebrahim, 2003). Type 4 is a typical reflection of the Bangladesh typology of MFIs, where the primary intention is on poverty alleviation focusing on customers or grassroots, and is in line with what Roberts (1996) calls ‘socialised accountability’. However, this Type 4 conflicts with the Type 2 hierarchical or formal accountability. In summary, Types 3 and 4 give a clearer explanation as to why Types 1 and 2 increasingly become problematic to MFIs. Hardy and Marguire (2008) add that ‘power’ is embedded in Types 1 and 2 but the ideas for development step up from Types 3 and 4

FIGURE 3.2: Typical Microfinance Accountability Environment



Source: Dixon et al. (2006: 418)

Hopwood (1984) and Jacobs (2000) point out that accountability has the ability to bring about 'changes'[2]. This argument has been supported by Jacobs (2000). However, the fundamental questions of how, why, when and in what way these rules and resources are drawn upon need to be answered for this visibility process as they vary with time, organisation, situation and person (Roberts and Scapens, 1985; Jacobs, 2000). Just who is made visible to whom? Are the patterns of visibility symmetrical or otherwise? Can only the centre observe the local? Or can the local

[2] See Chapter 4 for the meaning of change and its application in the study.

also observe the centre? The nature of this accountability visibility, origins and consequences is also very important in understanding accounting practices (Roberts and Scapens, 1985). Hopwood (1990) emphasises the role of accounting technologies in creating visibilities within organisations. Jacobs (2000) adds that bookkeeping can bring about the creation of indirect means of visibility.

3.2.3 Practical Accountability in MFIs – Review of Empirical Evidence

Often in practice, accountability approaches tend to concentrate solely on upwards accountability to funders, ignoring downwards accountability to stakeholders receiving microfinance services such as customers and community groups (Ebrahim, 2003; Dixon et al., 2006; Unerman and O'Dwyer, 2006; Edwards and Hulme, 1996b). However, few attempts have been made in practice to study downward accountability to recipients (Ahmed et al., 2012) and mechanisms (Ebrahim, 2003) particularly in organisations with a social mission (social accountability). Even when bottom-up accountability is studied, the accountability relationship between MFIs and its customers is often missing (Dixon et al., 2006).

In Dixon, et al.'s (2006) accountability framework, an emerging tension surfaces between vertical (formal or hierarchical) and horizontal (informal) accountability mechanisms. The findings reveal that such tensions can lead to dysfunctional consequences which are not good for the organisation. Dixon, et al. (2006) point out how upward formal accountability mechanisms have been imposed on microfinance NGOs and how the NGOs began to suffer following rapid growth. From the individual perspective, loan officers have been targeted as they operate in the field, mediating the relationship between the NGO and its customers. The focus on loan officers can also be partially explained by the fact that the initial formal and procedural accountability mechanisms needed them to provide daily accountability reports to managers and donors.

Furthermore, Dixon et al. (2006) explain that there seems to be an informal, horizontal or downward accountability type between the loan officers and microfinance NGO customers. This mutual accountability between loan officers and managers or donors and between loan officers and microfinance customers has been argued to remain essential for the success of MFIs (Unerman and O'Dwyer, 2006). Moreover, informal accountability works not just between the loan officer and customers but between the lending group members registered in the MFI (Unerman and O'Dwyer, 2006). Trust has been argued to be the key binding factor in informal accountability relationships, which seemed not to be the case in the Zambian microfinance NGO studied by Dixon et al. (2006). Loan officers can sometimes find it hard to maintain upward accountability to their manager or funders while at the same time maintaining a trust-based informal accountability relationship with their customers, as in Dixon et al.'s (2006) study. The implication here is inappropriateness in the accountability mechanism or imposition of rigid hierarchical and procedural accountability mechanisms can lead to inefficiency and even threaten the success of the organisation, leading to potential social damage. Even though there has been strong emphasis requiring organisations such as MFIs to be accountable, Unerman and O'Dwyer (2006) and Ebrahim (2003) argue that identifying and developing a suitable accountability mechanism is very important for the survival and socio-economic life of these organisations.

Goddard and Assad (2006) share a similar view from a study on three Tanzanian NGOs. They argue that even though formal accountability and accounting mechanisms served as an important factor in establishing legitimacy to the donors, it had no impact on the internal decision-making process, thereby threatening the activist mission of some NGOs. Ahmed et al. (2012) examine accountability in a large NGO in Bangladesh. They conclude that both functional and social accountability are pertinent for organisational success. Accountability in practice is much more problematic than it appears, especially in sub-Saharan African, where the concept has not been fully absorbed (Dixon et al., 2006).

3.2.4 Accountability Mechanisms

Different mechanisms have been pointed out in the accountability literature (Ebrahim, 2003; Tsamenyi and Uddin, 2008; Jordan, 2009). Ebrahim (2003), for example, focuses on five broad categories: reports and disclosure statements, performance measurement and impacts, participation, self-regulation, and social audits. The discussion of accountability mechanisms is led by the different organisational management elements (missions or vision statement and organisational governing boards for example) set to assure internal accountability.

Before elaborating on accountability mechanisms, it is important to differentiate between 'tool' and 'process'-based accountability mechanisms (Jordan, 2009). Tools are used to mean the discrete instruments or strategies used to arrive at accountability, usually for a short timeframe. Process accountability emphasises the course of an action, most often for a longer time. Following the above classes of accountability, Ebrahim (2003) regroups reports and disclosure statements under tools, as they are often used on a monthly, quarterly or yearly basis. Also, performance evaluations are usually done at particular periods (usually by the end of the project), which means they can also fall under tool accountability. Participation and self-regulation, on the other hand, fall under process accountability mechanisms. The fact that these take more time, with complicated broad requirements, besides their intangibility, render them process mechanisms.

3.2.4.1 Disclosure statements and reports

Gray (2001) points out that the law on disclosure, particularly on issues surrounding organisational governance, has steadily increased over the years. In line with government regulations (Chen, 2011), Gray (2001) points out that organisations are always increasing the level of voluntary disclosures made about consumers, product safety and interactions with the community. Disclosure (financial) statements and reports remain widely adopted accountability tools as they can expose vital basic organisational information. Such information is usually in demand by different users, to include the government for regulatory purposes in many countries, particularly in less developed and emerging economies (Ebrahim, 2003; Tsamenyi and Uddin, 2008). Such information also helps regulators to ensure that regulated organisations are operating in conformity to set standards and regulations at the external level.

Legal or formal mandated reports are also usually required by funders or donors from institutions which invest funds in order to assess the achievements of funded projects. However, such accountability tools do not encourage internal responsibility in order to promote the missions, performance or ethics of the organisation. In line with decision-making and performance measurement, reports and financial statements can also be of substantial aid in providing basic information. Gray (2001) concludes that the collation of social reports with other organisational reports will boost the organisation's image, making it seen as more than simply an economic entity, especially if that is the purpose of the organisation.

3.2.4.2 Participation

Participation seems quite distinct from evaluation, disclosure statements and reports, due to its process nature (Ebrahim, 2003). It is seen as part of the organisational on-going routines. Building on Adnan (1992), Jayasinghe and Wickramasinghe (2006) and Jayasinghe and Wickramasinghe (2011), four different types of participations are discussed. First, participation is seen as a situation where planned organisational projects are exposed to the public through public meetings, surveys or formal dialogue about the projects. Here participation involves *consulting* the community (leaders and or members) while the power over decision-making still rests with the project planners (Ebrahim, 2003). Second, participation could mean greater levels of community *involvement* in the project through labour or funds for implementing and maintaining it. Third, the community can *negotiate* and talk about details of the project with the MFIs, hence exercising more control over such developmental projects. Last is a situation where individuals in the community use their *own initiatives* independent of microfinance projects, for example organised social movements to fight against civil disobedience in the community. The first two types, where little decision is vested on the community, usually come from government authorities, donors and MFIs where there is an assumption that increasing community access to resources and service will help in alleviating poverty. The last two forms of participation can actually mean integrating the views of the community in the organisation's governance structure.

3.2.4.3 Self-regulation and Social Audits

Self-regulation simply focuses on a case where an organisation develops its codes of conduct, ethics or behaviour to measure performance and usually theses codes give a picture of the organisation in terms of it missions and objectives amongst other features: it is seen as a process than simply a mechanism (Ebrahim, 2003).

Social auditing looks at the process whereby bodies independent of an organisation are involved in assessing organisational reports, usually without full knowledge of the organisation concerned, in order to improve organisational performance and ethical behaviour (Gonella et al., 1998; Gray, 2001; Belal, 2002; Owen et al., 2010). The argument raised in performing social audits (particularly external social audits) is:

> If organisations fail to act appropriately and fail to discharge its account to society, the social audit may well appear and do the job for them. (Gray, 2001: 10)

Social audits as an accountability mechanism assure organisational trust, reputation and growth (Swift, 2001). Social auditing also helps in developing organisational goals and serves as a valuable tool for strategic planning when the information gathered about various stakeholders' views (Belal, 2002) and performance is fed back into the decision-making process (Ebrahim, 2003). However, the drawbacks of social auditing cannot be ignored. Among other matters, social auditing is costly in terms of time and money. Ebrahim (2003) concludes that,

> Social audits can improve upward and downward accountability only if its users seek systematically to incorporate stakeholders into dialogue, indicator development and performance assessment. (p. 824)

Gray (2001) adds that social audits remain founded on issues around power/information asymmetries, different interests and conflicts, and that the lack of theoretical rigour and clarity of purpose (objectives) has triggered the mix of stakeholder dialogue, sustainability reporting and community reporting.

3.2.4.4 Performance Evaluation versus Impact

Performance evaluation can be external and internal. Internal performance evaluations are done with a focus on the organisational mission, objectives or goals and are usually conducted by internal management employee, while external evaluations are geared at judging the organisation's achievements that will stimulate and determine future funding, and are usually conducted by donors (Jordan, 2009). Donors usually focus on organisational output or activities such as training workshops or impacts such as increase in customers' income, health, and academic/professional experience. Nevertheless, both internal and external audits encounter a series of relevance and measurement problems. Conflicting ideas on how go about these issues have often been raised, however, it has been argued that aid and developmental organisations like MFIs and NGOs need not focus on conducting time-consuming and costly evaluations, but focus on helping the poor (Ebrahim, 2003).

Evaluations have the potential for bringing about organisational change at a broader level, particularly in the areas of capacity building and learning (Jayasinghe and Wickramasinghe, 2011). Thus, it can be argued that donors or regulators can enhance microfinance accountability by building microfinance organisations' capacity to carry out self-evaluations and encourage them to understand its drawbacks as a means of learning, besides assessing its performance.

- *Microfinance Impact Assessment*

An impact assessment, according to Afrane (2002) is a management process geared at measuring the success of projects (usually social) in terms of the intended client group. The main reason for doing this is to determine if invested resources can yield expected results l and contribute towards achieving the organisation's missions, which can arguably be seen as giving an account. Thus, in the review of accountability mechanisms especially in a socially orientated MFI where grassroots accountability is pertinent, impact assessment issues cannot be overlooked. The traditional approach to impact assessment has been criticised for being extractive (with neutral outsiders' views incorporated), monolithic in form and above all failing to embrace different responses to the changing needs of customers and project impact. Away from the functional approach, impact assessments, especially when driven by donor intervention, have been suggested to assure the sustainability and growth of MFIs, more importantly, when the process involves the participation of the targeted client group (Afrane, 2002) – again, grassroots accountability is here proposed. The sustainability of MFIs is vital for further impact (Littlefield et al., 2003) which induces different forms of accountability. Before proceeding to review the impacts of MFIs on society it is worth looking at how the MFIs themselves are surviving (financial sustainability). Hence, the financial sustainability of MFIs has been reviewed, particularly in regard to microfinance performance.

- *Understanding the Financial Impact of Microfinance*

MFIs continuously view financial sustainability as a major element or backbone of their business strategy for financial, social and developmental impacts to be assured. In line with performance measurement, it has been argued that profit-orientated microfinance relies on its financial indicators to determine its performance (Hermes et al, 2011, Copestake, 2007). Kereta (2007) adds that financial sustainability remains a vital performance indicator for MFIs.

Measuring financial sustainability, according to Meyer (2002), requires MFIs to keep good accounting records in accordance with recognised and applicable accounting practices (standards and principles) in order to assure "transparency in income, expenses, loans and potential losses disclosed" (p. 4). MFIs' operational sustainability can be measured via returns on asset, returns on equity and the industry's profit (Kereta, 2007). The dependency ratio over a given period also indicates how sustainable, profitable and socially focused an MFI is (Kereta, 2007). Loan repayment rate (measured by default rate) is one of the indicators for financial sustainability in MFIs (Khandker et al., 1995).

Ledgerwood (1999) points out that at the heart of an accounting system lies the general ledger, within which lie the 'charts of accounts', which are there to show a number of fundamental decisions that can be taken by the organisation. Financial statements could be seen as a reflection of the financial performance of a firm. Thus, adjustments made on such financial statements must not be ignored when evaluating microfinance financial sustainability (Ledgerwood, 1999; Helms, 1998). Adjustments such as accounting for losses, depreciation of fixed assets, accrued interest and interest expense, subsidies and inflation and restating financial statements in constant currency terms must be paid attention in order to remain prudent (Ledgerwood, 1999).

Any sound financial management entails a periodic analysis of financial performance (Ledgerwood, 1999). Financial performance indicators help to obtain and retrieve financial data that can be used to provide information to interested parties such as investors on the financial performance of MFIs. Hence, using these indicators to measure performance can help donors, practitioners and consultants to understand the viability, outreach (impact) and level of efficiency of an MFI. The financial performance indicators mostly used by financial institutions such as MFIs include portfolio quality, productivity and efficiency, financial viability, profitability, leverage and capital adequacy (Helms, 1998).

In order to ensure proper financial management of MFIs, there is a need to focus on their performance (Ledgerwood, 1999). Brau and Woller (2004) add that measuring the financial performance of MFIs is a relatively straightforward concept where financial ratios are calculated and used as a guide to measure its performance. Ledgerwood (1999) adds that financial performance ratios are only appropriately calculated when the financial statements have been adjusted to reflect the true situation of the MFI. Measuring, reporting and managing the impacts that MFIs have on society has become another interesting and vital function in MFIs: an impact assessment that cannot be dodged in a review of microfinance accountability.

- *Beyond Microfinance Financial Impacts: Socio-economic Impacts*

Social performance measurement is becoming another crucial management tool in organisations like MFIs (Ebrahim, 2003), with scale, outreach, depth and growth of social projects being key social performance (impact) indicators, for example. Social impact (return) is often argued to be a difficult concept to measure (Simanowitz, 2001; Brau and Woller, 2004). Besides measuring the impact that MFIs have on themselves (sustainability: continual existence via donors, shareholders or customers), there is a need to go beyond the institution to embrace its impact on its customers. Littlefield et al. (2003) add that donor agencies working via microfinance programmes are now focused on the attainment of developmental goals and are mobilising resources to reduce high levels of poverty and disease, empower women, increase education and lower child mortality rates. However, measuring such social and developmental impacts involves high costs that most MFIs often are not able to attempt, except when there seems to be special interest in doing so (assessing social returns from social investments or projects, as suggested by Brau and Woller (2004)). An impact assessment is not only out to prove to donors how its interventions have been helpful but to further provide information that will help MFIs improve on the services they provide and have more impact (Simanowitz, 2001). The following discussion focuses on the impact that MFIs have on society via projects, loans, etc.

In order to estimate the depth of outreach through loans, Copestake et al. (2001) suggest focusing on the borrowers, their businesses and their households. Pitt and Khandker (1998) reported that loans given to poor customers (especially women) impacted positively on the well-being of poor households. In support of the above statement, Copestake et al. (2001) state that lenders with more than one loan experienced more profit from their business and increased household income. It follows that the impact of microfinance goes beyond just business loans to include impacts on health, education and management of household emergencies. Littlefield et al. (2003) point out that the rate of school dropouts in microfinance client households is lower compared to non-microfinance client households. Thus microfinance is seen as a unique form of developmental intervention delivering social benefits on an on-going, permanent and larger-scale basis, especially in rural areas (developing countries) where formal finance is only dreamt of (Littlefield et al., 2003).

- *Case Study Examples*

Littlefield et al. (2003) point out that the participation of customers in a Zimbabwean MFI led to a positive impact on the consumption of high protein food by extremely poor client households, especially in the late 1990s when there was a downward trend in food expenditure in Zimbabwe (or when the cost of living was high and people were managing cash in order to adapt to the increasing cost of living).

Littlefield et al. (2003) also report that the USAID-AIMS project in Uganda showed that microfinance client households turn to use the finances entrusted to them by such organisations (either as loans or other means) to invest more in educating their children and those of non-household members than do non-microfinance customer households.

A comprehensive longitudinal study of BRAC customers, as highlighted by Littlefield et al. (2003) shows that insignificant client groups suffered malnutrition, but the longer the period of time spent by members in microfinance, the lower their rates of malnutrition.

- *Measuring Social Impact: Methodologies*

Ledgerwood (1999) suggests the use of loan tracking systems and portfolio systems (credit and savings monitoring systems) to assess social impact, even though it may complicate the generation of information to be reported. In attempting to obtain socio-economic and impact data, Ledgerwood (1999) points out that client impact systems should be used in order to easily track vital information such as the number of customers moving out of poverty and the development involved (for instance through increased education, employment and so on) as a result of customers' participation in microfinance schemes. However, this client impact tracking brings more challenges for MFIs to continue to search for appropriate accounting software packages, as it is far less standardised compared the credit and savings monitoring systems.

Bateman (2010) argues that the microfinance industry has largely failed to pay attention to its customers' microenterprise, particularly in terms of profit measurement, cost minimisation, accountability (mainly to donors/ shareholders) and performance (especially non-financial or social) measurement (monitoring) and management. More focus has always been on the MFI and its shareholders (Dixon et al, 2006). Fleisher (2003) adds that managing the grassroots is a complicated business which cannot be ignored by aid and developmental organisations, especially those with a poverty reduction mission. Bateman (2010) points out that "the poor register because of its strong desire for traditional small business loans with lowest cost not microfinance institution per se” (p. 37). Hammill (2008) further lays emphasis on the need for MFIs to make sure such customers’ businesses result in poverty reduction through stabilising consumption and cost minimisation, amongst other strategies.

Furthermore, in assessing the impact of MFIs on poor customers in a bid to measure the depth of outreach, Simanowitz (2001) argues that client loyalty should be used, as client satisfaction simply means a positive impact and further assessment remains irrelevant- hence there is little cost incurred. Microfinance participation has also been argued to increase societal awareness and impact positively on small, labour-intensive and growing enterprises.

Afrane (2002) presents various indicators (quantitative and qualitative) that could be used to evaluate or analyse the level of change that credit interventions impact on customers as a resulting of being a member of the MFI.

TABLE 3.1: Microfinance Impact Assessment Indicators

	Indicators	Quantitative	Qualitative
1	**Economic**	- Number of employees - Increase in revenue or turnover - Equipment and tools - Market opportunities - Income and expenditure	- Quality of business premises - Household/personal assets - Business diversification - Business skills and techniques - Business opportunities
2	**Access to social services**	- Water - Toilet - Health facility - Children out of school - Number of rooms occupied	- Housing conditions - Health conditions - Food and nutrition - Meeting educational needs
3	**Social**		- Family bond and relations - Quality time with the family - Family acceptance and respect - Social involvement - Public respect and acceptance - Attendance of social meetings - Financial independence of women
4	**Psychological**		- Personal dignity and self-esteem - Self-worth - Confidence for the future, self-actualisation
5	**Spiritual**		- Church attendance - Donation to church - Participation in church activities - Prayer and devotional life

Source: Afrane (2002: 45)

Moving towards a sustainable reporting system, Kolk (2008) points out that sustainability reporting broadly includes ethical, environmental and or social dimensions also known as CSR reporting. In this case, reports are seen to include not only governance issues but also sustainability, codes of conduct/ethics, complaints procedures and the involvement of auditors in assessing such sustainability reporting. Owen (2007) adds that if organisations do not provide external verification or assurance of their reports, they are bound to encounter credibility problems with many users. The auditing of financial accounting reports is therefore very crucial. Owen (2007) adds that better assurance of sustainability reporting is vital in an organisation in order to provide greater accountability. Willis (2003) points out that sustainability reporting holds high potential to significantly improve the quality and usefulness of the information reported by organisations in line with their socio-economic and developmental impacts and performance. The aim of most organisations will be to develop a voluntary reporting system in order to reach a sustainable reporting practice in terms of rigour, comparability, auditability and general acceptance – going beyond financial reporting standards.

Chec (2011) adds that other strategies used for determining accountability include reputation improvement, competitive advantage and stakeholder pressures, depending on the purpose of the organisation.

TABLE 3.2: Characteristics of MFIs'Accountability Mechanisms

Accountability mechanism (tool or process)	**Accountability types - to whom? (upwards or downwards or to self)**	**Drivers (internal or external)**	**Organisational response (functional or strategic)**
Disclosure/ Reports (tool)	- Upwards to funders and oversight agencies - Downwards (to a lesser degree) to customers or members who read the reports	- Legal requirements - Tax status - Funding requirement(external threat of loss of funding or tax status)	- Primarily functional with a focus on short-term results
Performance assessment and evaluation (tool)	- Upwards to funders - Significant potential for downwards from NGOs to communities and from funders to NGOs	- Funding requirements (external) - Potential to become a learning tool (internal)	- Primarily functional at present, with possibilities for longer-term strategic assessments
Participation (process)	- Downwards from NGOs to customers and communities - Internally to NGOs themselves - Significant potential for downwards from funders to NGOs	- Organisational values (internal) - Funding requirements (external)	- Primarily functional if participation is limited to consultation and implementation - Strategic if it involves the bargaining power of customers vis a vis NGOs and NGOs vis a vis funders
Self-regulation (process)	- To NGOs themselves, as a sector - Potentially to customers and donors	- Erosion of public confidence due to scandals and exaggeration of accomplishments (external loss of funds; internal loss of reputation)	- Strategic in that it concerns long-term change involving codes of conduct
Social auditing (tool and process)	- To NGOs themselves (by linking values to strategy and performance) - Downwards and upwards to stakeholders	- Erosion of public confidence (external) - Valuation of social, environmental and ethical performance on par with economic performance (internal)	- Functional to the extent that it affects the behaviour of a single organisation - Strategic to the extent that it affects NGO-stakeholder interaction, promotes longer-term planning, becomes adopted sector-wide

Source: Ebrahim (2003: 825)

3.3 Linking Accounting Systems and Accountability

The practice of accounting falls instantaneously under accountability, especially where accountability is seen to include the relationship between actor and forum, as argued by Bovens (2007), and to mean the thoughts of various stakeholders. The implication here is that accountability necessitates a form of accounting. Gray (2001) further seeks to understand the relationship between social accounting and accountability with more insights gained from understanding the tension between accountability and control. Gray (2001) looks at social audits, showing how organisations are subject to compulsory democratic upwards accountability (held responsible). One of the major challenges found in practising accounting or designing an accountability relationship is to determine who is responsible for a particular action and who should therefore be responsible/held accountable in line with the organisation's missions and objectives (Roberts and Scapens, 1985).

Roberts and Scapens (1985) focus on how the intended and actual impacts derived from the use of accounting information could bring particular accountability patterns within various organisations. Issues on trust, culture and legitimacy, for example, are vital for the design and use of accounting systems (Hopwood, 1983; Roberts and Scapens, 1985). This means establishing a connection between technical and interpersonal/social accounting, as suggested by Roberts and Scapens (1985). It can be concluded here that accounting systems can influence organisational objectives and accountability.

The practice of accounting, according to Roberts and Scapens (1985), is much more than just production and reproduction. This implies that social, political/domination (power) and legitimacy/moral issues, amongst others, cannot be ignored when talking about accounting practices or accountability.

Giddens' (1979) conceptualisation of power relations is used by Roberts and Scapens (1985) to explore accounting and accountability practices in the broad and narrow sense. Furthermore, Bachrach and Baratz's (1962) analysis of power suggest that accountability may also operate as a system of domination when a particular accountability framework is imposed on employee, especially by donors. However, Roberts and Scapens (1985) argue that the real power in accounting occurs when a decision can be made as to what shall or shall not be seen as important within the organisation. Burns (2000) further refers to power as the power over resources and decision-making, as discussed in Chapter 4 and applied in the study.

Long-term accountability implications cannot be under-emphasised, as this remains a very important aspect in the understanding of accounting in every organisation, especially those incorporating social welfare. Control plays a very important role in the accountability process (Gray et al., 1996). Burns and Scapens (2000) argue that changes in accountability could follow changes in an organisation's accounting systems.

In its broad spectrum, an accounting system is an evaluation (control and performance management) system. These types of systems are put in place to satisfy demands from two main structural accountability types: short-term functional accountability and strategic accountability (Ebrahim, 2003; Ahmed, 2004). Strategic accountability requirements include reporting on the organisation's social impact (Ebrahim, 2003). However, there could be instances of mismanagement, particularly in developing countries where there are high levels of political instability, social disorder, religious strife and economic malaise (Ahmed 2004).

3.4 Chapter Summary

This chapter has reviewed accountability in a broader context, where is it seen as inseparable from accounting (accounting discussed as a part of accountability), the meaning of accountability, accountability types, mechanisms, and impacts from aid and developmental institutions, particularly MFIs.

The chapter's discussion stems from the view that accounting and accountability have moved beyond the narrow traditional perspective to embrace the 'alternative' view of incorporating social, cultural, political and economic aspects in microfinance impact assessment (Afrane, 2002): in particular, the relationship between actors and grassroots accountability (Dixon et al., 2006) cannot be ignored. It has been argued in the chapter that accountability requirements are often shaped by the mission and objectives of the organisation. It can again be reiterated that accountability has both an external (held responsible) and an internal (felt responsibility) dimension.

Furthermore, the review has pointed out that for a MFI to cater for the needs of its customers, it must first of all be financially sustainable. Following the argument above, it has been suggested that the financial performance of such MFI needs to be reviewed. Going beyond the financial sustainability of MFIs, the chapter has looked at the socio- economic impacts that MFIs are bringing to society. Microfinance impact assessments have further been reviewed, in line with health, education, gender and other socio- economic impact domains, in line with its poverty alleviation objective.

In line with the accountability review, the key conclusion to noted is the fact that grassroots accountability, as suggested by Dixon et al. (2006), is pertinent for MFIs aiming at reaching the poor with their financial services, which remains missing in practice. The next chapter gives a detailed exploration of the issues around accounting change/stability or resistance, based on theories borrowing from institutional entrepreneurship theory.

CHAPTER FOUR

THEORETICAL FRAMEWORK

4.0 Introduction

Accounting and accountability practices do change, however, little is known about the pressures, process and the results surrounding such organisational changes. Building on Jayasinge's (2006), Jayasinge et al. (2008) and Jayasinghe and Thomas (2009) suggestion for the need for alternative research frameworks, with the implication of adopting different social theories to understand such entrepreneurial and accounting issues, an alternative framework has been adopted in the study. This chapter draws on institutional entrepreneurship theory to conceptualise the changes surrounding accounting and accountability practices. Prior studies have drawn on different strands of institutional theory to explain accounting change (Hyvönen, 2012; Burns and Scapens, 2000; Tsamenyi et al., 2006).

Contributions towards 'old' (OIE) and 'new' (NIS) institutional theory are used to better understand how certain changes come about. The chapter further incorporates institutional entrepreneurship theory, a social action theory, to explain actors' interests and position as agents of change. The change vision and results discussed here come as a result of collaborative social actions as opposed to isolated individuals (Dorado, 2013). Following from Seo and Creed's (2002) subjective conception that actors' interests and power are institutionally shaped, various issues surrounding institutional change are further explored in the chapter.

OIE is concerned about actors' behaviour in line with their organisation's internal rules and routines (Burns and Scapens, 2000; Scapens, 2006); however, OIE has been criticised for ignoring the macro level (external) factors (Scapens, 2006) in analysing accounting change. In an attempt to fill in the gap, Scapens (2006) suggests that macro/ external-level pressures should also be considered in studying accounting change: the birth of NIS (Tsamenyi et al., 2006; Scapens, 2006; Leca et al., 2008). NIS offers an explanation for the similarities found within organisations in the same field (Scapens, 2006). Nevertheless, both theories have still received further criticism, particularly for the fact that they ignore agency issues. However, another new phase of institutional theory is institutional entrepreneurship theory (IET), which has stepped in to address some of the criticisms of institutional theory to include the role of actors in institutional change.

The discussion on institutional entrepreneurship theory in this chapter starts by using the contributions of OIE with further insights from NIS. The study adopts a 'processual' approach to understanding the role of actors in institutional change given different prevailing environmental pressures (Hardy and Maguire, 2008). It should be noted that the interest here is not primarily to look at the relationship between institutions and agents, as suggested in Giddens' (1979) structuration theory, but to include the role of these agents (including individuals) in studying the change process from an institutional entrepreneurship point of view, where the starting point of the focus is on the environmental and organisational pressures. The thesis framework therefore integrates the contributions of new and old institutionalism with the roles of actors and their relative power,[3] in exploring the process of accounting and accountability change.

Organisational divergent changes (Battilana et al., 2009) have thus been examined from inter- and intra-organisational perspectives. It is argued in the chapter that actors can affect the patterns of already established rules, norms and relationships in and outside an organisation (Battilana et al., 2009; Sharma et al., 2010; Hyvönen et al., 2012). The chapter also looks at the conceptualisation of 'change'. The chapter is thus divided into five main sections: following the introduction is a discussion on the concept of 'institutional theory', incorporating OIE and NIS,

[3] Power to influence decision-making and over resources, as argued by Burns (2000), for example.

which then moves on to a more practical theory, institutional entrepreneurship theory, used in the rest of the chapter. Third, the process of institutional entrepreneurship is further discussed. The exploration of such a process is structured and discussed around certain themes in order to be able to answer the research questions ‘why’ and ‘how’ (see page 7). The themes discussed in the chapter and the rest of the study includes; institutional pressures, actors, change drivers, enabling conditions, institutional contradictions and implementation. Before reviewing issues around the themes, the chapter clearly defines ‘change’ as used in the study with its roots in the literature. Fourth, following the contributions from existing literature on the process model of institutional entrepreneurship, this section develops the thesis’ theoretical framework (a modification) and explains it, with the chapter summary coming last.

4.1 The Concept of Institutional Theory

Accounting studies on institutional theory have so far shown how accounting change occurs, especially when more than just the organisational norms take place, which can either override or incorporate existing organisational practices with neglected practices (Burns and Scapens, 2000; Hyvönen et al., 2012). Institutional theory so far has still proven to be very useful, however its use has been criticised in accounting research, especially its wide-ranging application.

Institutional theory; the theory known for understanding organisational stability, also seeks to explain how different organisational groups can reserve their jobs and legitimacy by obeying the internal rules and regulations (Burns and Scapens, 2000; Bruton et al., 2010; Scott, 2008). Institutional theory has also been known to be one of the most prominent theories frequently used in the past to explore a wide range of topics from different fields (Dacin et al., 2002, Leca et al., 2008). These fields range from institutional economics and political sciences to organisational analysis (Bruton et al., 2010). That is, institutional theory often poses questions on how societal choices are build, mediated and made visible by the institutional environment (Hoffman, 1999).

Institutional theory is a highly utilised theoretical lens in accounting research (Burns, 2000; Burns and Scapens, 2000; Grandlund, 2001), through which issues like culture, legal environment, tradition, history of the institution, economic incentives and resources that impact on organisational success are examined (Bruton et al., 2010). Institutional theory also gives greater attention to aspects of social structure (Scott, 2005). It looks at the processes in which various structures become established, serving as authoritative guidelines for social behaviour in terms of the scheme, rules, norms, and routines of the organisation. It looks at how such elements come about, their adoption and how they are adapted with time. Battilana et al. (2009) add that early institutional theory mainly focused on the effects of institutions on actors.

Institutional theory has increasingly been seen as a theoretical lens for exploring different concepts, particularly in the field of accounting; see, for example, the area of management accounting change explored by scholars such as Burns and Scapen (2000), and Granlund (2001). It plays a major role in explaining the forces or reasons behind the adoption of organisational practices such as accounting practices (Burns, 2000; Burns and Scapen, 2000; Granlund, 2001). Burns and Scapens (2000) point out that an organisation's accounting practices play a major part in shaping its rules and routines. They use a framework that explores the complex relationship between actors and institutions and then demonstrate how an organisation's rules and routine can shape the process of accounting changes. Thus, there is a need for organisational research to extend its boundaries beyond the constraints under which actors act or institutional effects on actors to include actors' effects on institutions, which the rest of the chapter goes on to look at (Battilana et al., 2009).

4.1.1 Towards an Action Theory- Institutional Entrepreneurship Theory

Despite the importance of institutional theory in organisational analysis, its use in research has gradually been questioned. In the early 1980s, more focus was placed on mimetic organisational processes through which the same kind of behaviour becomes incorporated (Leca et al., 2008). However, such emphasis has gradually shifted over the years to give more focus on external pressures (Tsamenyi et al., 2006; Leca et al., 2008), engagement of individuals' agency (see for example Dacin et al., 2002; Garud et al., 2007; Sharma et al., 2010) and organisational power relations (Mosse, 2004). Power, according to Hinings et al. (2004), is the ability to determine outcomes.

Old institutional theory has thus been criticised for its lack of focus on change and dynamism, as it heavily concentrates on explaining the stability, persistence and homogeneity of a particular situation (Dacin et al., 2002; Lounsbury, 2008; Sharma et al., 2010). New institutional (Institutional entrepreneurship) theory has arisen, offering a powerful explanation for the actions of both an organisation and individuals (Dacin et al., 2002). New institutional theory embraces both the external coercive pressures (Tsamenyi et al., 2006; Leca et al., 2008) and the internal organisational pressures resulting to either change, resistance and or decoupling (Oliver, 1991).

Recent institutional studies have been able to examine how actors at such external or internal institutional levels (Hyvönen et al., 2012) bring about institutional change (Dacin et al., 2002). It has been argued that institutions are dynamic, belong to specific situations, are challenged and are highly contested (Dacin et al., 2002; Garud et al., 2007). The shift from old institutional theory led to the birth of institutional entrepreneurship, initially proposed by DiMaggio (1988) - a theory that recognises the role of actors in institutional change process. Even though few early institutional studies such as Selznick (1957) did recognise human agency in institutional change, this was largely de-emphasised in later studies (Leca et al., 2008). According to later research, the idea of institutional change result was initiated by exogenous shocks (Leca et al., 2008).

Pressures exerted from coercive, normative and mimetic processes (institutional isomorphism) were singled out as the drivers of institutional change, not agency as such. Given the gap in research recent studies, this study acknowledges the presence and role of agency in institutional research (Dillard et al., 2004).

Despite the shift identified above, Garud et al. (2007) argue that some recent institutional literature still focuses on issues around the stability, persistence and isomorphic change of institutional fields. Scott (2001) however points out that despite the attention on stability and isomorphic change, more emphasis is about developing new institutional and convergent change processes: deinstitutionalisation.

Deinstitutionalisation is “the processes by which institutions weaken and disappear” (Scott, 2001: 182). The weakening and disappearance here refers to the introduction of new sets of rules and practices (Dacin et al., 2002). Oliver (1991) points out that pressure on institutionalised practices may also be another reason why actors initiate change.

The change discussed in the study could either be to create, maintain somehow or transform the existing institution (Garud et al., 2007; Hardy and Maguire, 2008). The notion of institutional entrepreneurship aims to build an action theory with a foundation rooted in the tenets of institutional theory (Fligstein, 1997, Leca et al., 2008). Institutional entrepreneurship theory thus broadens the field of organisational studies (Battilana et al., 2009). Before exploring the process of institutional entrepreneurship, it must be acknowledged that the notion of institutional entrepreneurship is in itself problematic (Leca et al., 2008): the paradox of embedded theory.

4.1.2 Paradox of Embedded Theory

It is in line with the "classical debate on structure versus agency" (Leca et al., 2008: 4) that Seo and Creed (2002) criticise Barley and Tolbert (1997) for not considering institutional paradox. Hardy and Maguire (2008) identify some of the critical theoretical puzzles that need addressing, including the fact that it is not clear how actors who are embedded in an institutional field can bring about change or new practices in such an institutional field and eventually get others to adopt it. This is the puzzle of how new institutions emerge and become changed eventually by individuals or firms (Seo and Creed, 2002; Bruton et al., 2010). Traditionally, the changes that take place within an institution are usually those behind the idea of maintaining congruence with existing environmental pressures, but recently, the idea has changed.

The institutional entrepreneurship literature argues that individuals or groups of individuals are now able to break through the constraints of existing institutional order and establish their own institutional change, and still gain support from people (Seo and Creed, 2002; Hardy and Maguire, 2008). The implication here is that actors can in a way disconnect themselves from their social background and even react in a way that will bring about change in it (Holm 1995; Seo and Creed, 2002). This brings in great tension: how can actors innovate or bring in positive changes if their culture or beliefs and actions are brought about by the institutional environment in which they live and would like to change? This issue, especially resolving it, remains a challenge in institutional entrepreneurship. Even though Leca et al. (2008) point out that studies on institutional entrepreneurship have so far not been able to resolve the embedded agency paradox, Bruton et al. (2010) argue that the concept of institutional entrepreneurship has arisen to answer these theoretical puzzles. Sharma et al. (2010) add that the paradox of embedded agency is to an extent resolved by institutional entrepreneurs, who are seen as change initiators.

In order to address such issues, two broad questions need to be explored: *how are entrepreneurs (interested actors) able to modify existing or create new fields and/or norms, rules and principles in an organisation: how may change be created or integrated?* Secondly, *how are these changes institutionalised in practice?* The specific questions further addressed include: *where does the pressure for change originate? Who are the entrepreneurs and their roles in the change process? What condition(s) can favour the change? What were the strategies/mechanisms used to effect and institutionalise the change(s)?* Seo and Creed (2002) and Hardy and Maguire (2008), amongst others, have sought to address these questions in discussing institutional entrepreneurship as a process in detail.

The question as to where new practices or organisational forms come from has been largely ignored in the literature until relatively recently (Garud et al. (2007; Lounsbury and Crumley, 2007). Lounsbury and Crumley (2007) argue that institutional entrepreneurship theory has not offered much help in addressing the question, as it focuses more on the role of (powerful) actors in bringing in new practices. Even then, the actors that have been focused on in the literature are mostly those at the organisational and individual level. Actors at the organisational field level have been given little attention (Hyvönen et al., 2012). The argument of Lounsbury and Crumley (2007) on new organisational practices re-emphasises the vital need for cooperation between actors in order to interactively create a change. Institutional entrepreneurship theory is further explored in the chapter as a process, as previously stated.

Before understanding the processes involved in institutional change under the discourse on institutional entrepreneurship process, the meaning of an 'institution' must be clarified. In organisational analysis, an institution is the

> rules, norms and beliefs that describe the reality for the organisation, explaining what is and is not, what can be acted upon and what cannot. (Hoffman, 1999: 351)

Whilst there remains no universal meaning of an institution, Burns and Scapens' (2000) definition of institution has been adopted in the study as commonly used in OIE – a way of thought or behaviours that originate from habits or customs of people: a subjective view.

4.2 The Process of Institutional Entrepreneurship

DiMaggio (1988) argues that institutional entrepreneurship cannot be well examined without focusing on pertinent issues surrounding it. For a better understanding of what institutional entrepreneurship involves, it is explored in the study as a process, as recommended for accounting research (Burns, 2000). This approach brings out the characteristics of accounting and accountability to mean a *process* rather than an *outcome* (Burns, 2000). In particular, the processual approach to accounting has important implications for both practitioners and researchers of accounting, especially through understanding the various processes of accounting change whereby actors can easily influence the change direction or predict future problems within their organisation (Burns, 2000). Therefore, the study explores accounting and accountability change practices as a process rather than a snapshot of various outcome analyses. This implies going beyond 'rational' or traditional accounting, focusing more on the process of such change (Burns, 2000), of which the outcome must not necessarily be the change but can be stability as a result of decoupling and or resistance (Oliver, 1991; Ribeiro and Scapens, 2006). Even though the approach mainly takes into consideration intra-organisational level factors, inter-organisational pressures cannot be ignored. The later part of the chapter takes into consideration both level pressures shaping the process of accounting change.

Unlike structuration theory (Giddens, 1979; 1983), which focuses on the relationship between the actor and the institution, institutional entrepreneurship theory goes a step ahead to look at the role of actors (Smets et al., 2012) in changing an institution. Institutional entrepreneurship therefore is

> activities of actors who have an interest in particular institutional arrangement and who put their resources together in order to create new institutions or change existing ones. (Hardy and Maguire, 2008: 198)

Battilana et al. (2009) further define institutional entrepreneurship in a more comprehensive way to mean agents who initiate and actively follow up the implementation process of the change that distinguishes them from existing institutions, no matter whether the change was meant to change the institutional environment or was successfully instituted/ implemented. The central idea behind institutional entrepreneurship theory is that of the reintroduction of the relationship between interests, agency, power and institutions (Maguire et al., 2004; Garud et al., 2007). Hence, more emphasis in the existing literature on institutional entrepreneurship is given to actors and their role played in the institutional change processes (Sharma, 2011).

The use of discursive strategy has been argued in the literature to be very crucial in the process of institutional entrepreneurship (Fligstein, 1997; Dorado, 2005; Maguire et al., 2004; Leca et al., 2008; Seo and Creed, 2002). It has further been argued that the process of institutional entrepreneurship is all about discourse, with heavy use of texts which in turn affect the social constructive processes that underlie institutions (Leca et al., 2008; Phillips et al., 2004). The discursive strategy follows the research philosophy underpinning the study, as further discussed in Chapter 5. Before looking at the process of institutional entrepreneurship, it is worth pausing and clearly defining ‘change’.

- The Meaning of ‘Change’

Theorisation of accounting or accountability change with insights from institutional entrepreneurship literature remains scarce (Burns and Scapens, 2000; Burns and Baldvinsdottir, 2005). Most studies have been on broader-level institutional change (Seo and Creed, 2002; Dacin et al., 2002) and attempts to narrow such change have only ended at the organisational change level (Quattrone and Hopper, 2001). Accounting and accountability change is still a new field that needs to be exploited, as it has been argued that accounting and accountability practices do change. The starting point for understanding such changes is to answer the question *what therefore is change?*

Quattrone and Hopper (2001) refer to change as the movement from one noticeable specific stage to another, and Sulaiman and Mitchell (2005) further suggest different types of change to include an addition, replacement, modification of output or operations and reduction. The definition and classification of change here provides useful insights for the study of the accounting and accountability change process.

Arguably, the complex process of accounting change being inter-related to other forces shaping its organisational practices implies that accounting and accountability change cannot be explained in isolation from its immediate internal and external environment (Scapens, 2006; Burns and Baldvinsdottir, 2005) and independent from actors (Smets et al., 2012). Burns and Scapens (2000) argue that management accounting change is seen as a continuous process rather than a discrete movement from one position to another. Their emphasis is on the relationship established between actors and their actions, rules and routines and the underlying taken-for-granted organisational assumptions. However, Burns and Scapens (2000) only focus on management accounting change and at the level of individual organisations (intra-organisational processes of change). Scapens (2006) adds that Burns and Scapens' (2000) framework did not recognise external institutions which contribute in shaping organisational accounting practices, which the study embraces (See Figure 4.4 for a summary).

The process of institutional entrepreneurship discussed here covers all of its different phases, from the emergence of institutional entrepreneurs to the implementation of institutional change. The discussion covers identifying what pressures are being exerted, who institutional entrepreneurs are, the field of analysis, institutional contradictions, enabling conditions in which institutional entrepreneurship can occur, the implementation stage, where actors with a divergent and non-isomorphic change in mind visualise it and mobilise allies to support their change project, and lastly the challenges institutional entrepreneurs encounter. The application of the institutional change process is further discussed.

4.2.1 Institutional Pressures

Organisations do exist in an environment of institutions that exert pressure on them to an extent (Dillard et al. 2004; Garud et al., 2007). Recent literature has however added that there is a need to recognise the fact that institutions exist in three different pressure areas: the field, the organisation and the individuals (Hyvönen et al., 2012). Oliver (1991) suggests functional, political and social pressures to be the gateway to institutional change. Functional pressure, she argues, is associated with institutional operational or utility. Such pressures may also be related to environmental changes, for example competition (Thornton, 2002). Political pressure, according to Oliver (1991), results primarily from shifts in the interest and underlying power of stakeholders that have supported and legitimated such existing institutional arrangements.

Two approaches to accountability change have often been proposed in the literature. Organisational and accounting studies for example Dillard et al. (2004) argue that change within an organisation is usually shaped by the pressures received from outside (exogenous) (Hyvönen et al., 2012 and Quattrone and Hopper, 2001) or within the organisation itself (endogenous) (Burns and Scapens, 2000; Tsamenyi et al., 2006; Leca et al., 2008). Exogenous shocks include shifts in social values, regulatory policies or technological regimes, which force actors to reflect upon existing institutional logics or think about other possibilities (Smets et al., 2012). Endogenous shocks, on the other hand could be argued to include the triggering role of field-level contradictions (Seo and Creed, 2002) as explained further in Section 4.2.5. The elaboration of rules and requirements which individual organisations are obliged to obey is a major characteristic of institutional environments (Scott, 2001).

Di Maggio and Powell (1983), Scott (2008a) and Garud et al. (2007) have talked about three main institutional forces that drive change. While Scott (2008a) talks about *regulative, normative, cognitive pillars*, Di Maggio and Powell (1983) use the terms *coercive*, to mean regulative, *mimetic* and *normative* pressures.

Regulative (coercive) pressure is concerned with organisational behaviour that is based on sanctions and conformity. Institutions guide behaviour by means of rules, norms, monitoring and enforcement. Such regulative institutional forces arise primarily from government legislation and industrial agreements/ standards or rules (Bruton et al., 2010). The second type of institutional pillar is of a normative nature and is based on obligatory or social, professional and organisational reactions. The institution guides and directs behaviour towards what is expected in social and commercial environments. Bruton et al. (2010) add that such normative practices are mainly composed of values (what is considered right) and norms (how things are to be done in the organisation in line with the values). Hence, the normative or institutional pillar is that which guides actions through the organisational norms, making sure these norms are accepted and respected morally and ethically. The cognitive pillar talks about individual behaviour based on subjectivity and constructed rules and meanings that restrict the right beliefs and actions. It operates more at an individual level, in line with *culture* and *language* (Bruton et al., 2010; Scott, 2007). Action is guided by the various ways in which people see and interpret the world. Other research has also mentioned a mimetic pillar, which simply means copying what others are doing (DiMaggio and Powell, 1991).

Even though Smets et al. (2012) only clearly mention three approaches to institutional change, they however acknowledge the fact that change "may also originate from individuals" (p. 7), particularly those at the front line, although there is no model yet to show how such change moves to the field.

4.2.2 Actors

Early institutional studies did not focus on actors' agency (Selznick, 1957). Later studies have looked at actors and their roles in creating divergent change with more focus on exogenous forces, ignoring endogenous explanations for the change (Dillard et al. 2004; Battilana et al., 2009). Recent literature in institutional entrepreneurship urges that the 'old' and 'new' institutionalisms be bridged by reconsidering the introduction of agency, power and interests and roles when analysing institutional fields (Hirsch and Lounsbury, 1997, Dillard et al. 2004; Hinings et al., 2004; Hardy and Maguire, 2008). This means that institutional entrepreneurship is a concept that "reintroduces agency, interests and power into institutional analyses of organisations" (Garud et al., 2007: 2). Institutional entrepreneurship is thus argued to be a political process which reflects the power and interests of actors (Garud et al., 2002; Seo and Creed, 2002; Dillard et al. 2004; Hinings et al., 2004), and its conceptualisation has been noted to be a major step towards the modification of institutional theory through the introduction of agency (Dorado, 2005; 2013).

Smets et al. (2012) add that institutional change is inherent in praxis, where not just the people involved in the activity are considered, but more importantly, the act of 'performing' the activity. The person performing such an activity in a bid to bring about change is the initiator (institutional entrepreneur) and must fulfil certain conditions. They must initiate divergent change: change that breaks or brings in possibilities of transforming the existing institution or create new ones. Secondly, these change agents must take active part in the implementation of the change(s).

Battilana et al. (2009) defines institutional entrepreneurs as

> change agents who, whether or not they initially intended to change their institutional environment, initiate, and actively participate in the implementation of, changes that diverge from existing institutions. (p. 70)

That is, institutional entrepreneurs are actors (seen as rational actors) that deviate from their scripted ways of behaviour (Dorado, 2005) and move towards building new strategies in order to shape institution(s) (Lecca and Nccache, 2006). Schumpter (1991) describes an entrepreneur simply as an innovator who makes sure that certain rules and routines are instituted to respond creatively to any changes. Fligstein (1997) further defines institutional entrepreneurs as

> actors who have social skills, that is, the ability to motivate cooperation of other actors by providing them with common meanings and identities. (p. 397)

Institutional entrepreneurs are individuals or different organised groups of actors who can bring about influential change in an institutional field (Hardy and Maguire, 2008).

Sarma (2011) supports the meaning of institutional entrepreneurs, specifying that institutional entrepreneurs can be an organisation or an individual or group of organisations or individuals. They are initiators of institutional change and can impact on some key aspects during the implementation of such changes (Sharma et al., 2010; Hyvönen et al., 2012). Battilana et al. (2009) states that institutional entrepreneurs are change agents, but not all change agents are institutional entrepreneurs. Hyvönen et al. (2012) and Sharma et al. (2010) add that an institutional entrepreneur could be the organisation’s manager, or even a consultant who performs their duties at either the organisational field level, organisational level or individual level.

Furthermore, Hardy and Maguire (2008) argue at the very basic level that actors include individuals, organisations especially those in professions, networks, associations or social groups. Scholars have examined the various types of actors that can bring about institutional change and eventually act as institutional entrepreneurs: that is, individuals (Fligstein, 2001b; Maguire et al., 2004; Dew, 2006), organisations (Garud et al., 2002; Dejean et al., 2004), especially those in professions (Greenwood et al., 2002; 2005; 2006, Lounsbury, 2002); networks (Dorado, 2005); associations (Demil and Bensedrine, 2005); and social movements (Lounsbury et al., 2003).

Rao et al. (2000) and Leca et al. (2008) point out that institutional entrepreneurs are only able to mobilise available resources when they have framed the problem, seen if they are interested in resolving the problem or grievance, identified the cause of the problem, assigned its blames and been able to provide a solution and implement their solution. The discursive frame is argued by Leca et al. (2008) to include two main dimensions. Firstly, there is a need to specify the failings of existing institutional practices, which involves tracing the cause and assigning the blame for it. Secondly they must justify why the present project to be carried out will yield better results than the already existing one.

Fligstein (1997) argues that the problem embedded in the role of actors under institutional theory can actually be addressed by considering institutional entrepreneurship theory. Thus, in exploring institutional entrepreneurship theory, knowing where change pressure originates and who an institutional entrepreneur is, does not give a better and clearer picture. Institutional entrepreneurs together with the other actors and their roles in the change process remain vital.

Dorado (2013) argues that change does not rest in the hands of an isolated individual but as a group-bounded effort of social action, given that organisations like MFIs are inhabited by individuals who motivate, inspire and enable the vision of each other for the common good of the organisation. In order to move towards the success of institutional entrepreneurship there is need to examine the manner in which interested parties incorporate the intended change project into organisational activities and get field actors to be interested; that is, building their projects to suit the field conditions. Fligstein (1997) shows how the president of the European Union with minimal support received from the European countries, brought in change in terms of institutional reform and monetary union. However, cases of resistance and or decoupling (Oliver, 1992) have been recorded, as further discussed later in the chapter.

In line with the different types of forces and agents or actors involved in bringing in accounting change, such a change process can be said to be a complex process (Battilana et al., 2009). Acknowledging the fact that institutional/ accounting change is a complicated or complex process, it will be very important to explore the concept, explaining not only how these institutions can influence the actions of actors but also how these agents can impact on these institutions and if possible change them (Battilana et al., 2009; Leca et al., 2008).

The role of institutional entrepreneurs, as argued by Sharma et al. (2010) can be to initiate organisational change or even to influence the implementation of such organisational change, as suggested by Hyvönen et al. (2012). Few studies have attempted to explain how actors can become institutional entrepreneurs despite institutional pressures and in a way resolve the embedded agency paradox (Leca et al., 2008; Battilana et al., 2009; Hardy and Maguire, 2008).

Fields consists of dominant and dominated actors who strive to usurp, exclude and bring in monopoly over the mechanisms of the field’s reproduction and the type of power effective in it (Bourdieu and Wacquant, 1992; Maguire et al., 2004), and in some situations change can be brought about by actors that are not in powerful positions (Maguire et al., 2004).

Dorado (2005) throws more light on institutional opportunities by referring to opportunities to mean the probability that an organisational field will allow actors to explore and identify opportunities for change, introducing new or modifying existing combinations which will facilitate the movement of resources needed for it to succeed. That is, opportunities arise when actors imagine and convince others to welcome them.

4.2.3 Change drivers

Drivers of change can originate from any angle. They could be internal or external, but are usually a result of observed institutional contradictions. In Yazdifar and Tsamenyi's (2005) comparative study on 'Management accounting change and the changing roles of management accountants' change drivers ranked in order of importance were information technology, organisational restructuring, customer initiatives, e-commerce/ electronic business, new accounting software, external reporting requirements, new management styles, core competency aims, globalisation, quality-orientated initiatives, new accounting techniques, takeovers/ mergers, external consultants' advice and production technologies. Innes and Mitchell (1999) from their seven field studies in the electronic sector also point out that factors such as a competitive and changing market environment, organisational structure, product cost structure, production technology, deteriorating financial performance and managerial influences can result in change.

Organisational routines besides institutional pressures and isomorphism are one of the main drivers of institutional change (Quattrone and Hopper, 2001). In order to continue the exploration of the process model of institutional entrepreneurship, some other key issues such as enabling field conditions need to be considered, besides understanding who institutional entrepreneurs are, their roles and interest.

4.2.4 Enabling Conditions

Few studies have attempted to explain how certain conditions surrounding an institution can force actors to act and become institutional entrepreneurs despite institutional pressures (Leca et al., 2008; Battilana et al., 2009; Hardy and Maguire, 2008). Hardy and Maguire et al. (2008) identify some initiating field conditions. They mention stimuli which appear to trigger institutional entrepreneurship and the field stages. In line with the stimuli they identified, uncertainty, tensions and contradictions do exist in the institutional field. In order to explore such stimuli, actors are seen as rational where they react to reduce any uncertainty in the field. Institutional entrepreneurship is somehow seen as an attempt to solve problems embedded in a field. For example the adverse performance of major accounting firms in Canada called for dropping the traditional organisational form and adopting a new multi-divisional form (Greenwood and Suddaby, 2006). Once such new practices have been adopted, there is usually evidence to show whether they are improving, for example positive or negative market feedback, increase or decrease in legitimacy amongst other field actors and so on. Thus, new institutional arrangements, according to Hardy and Maguire (2008) are only promoted by actors attempting to reach a solution to a problem such as minimising uncertainty in organisational fields. It helps if actors are rational in an uncertain situation, as they will be able to predict if the change that they want is going to be beneficial before pursuing the action.

Two main groups of enabling field conditions have so far received greater attention in the literature that also attempt to resolve the paradox of embedded agency: field-level conditions and the actor's position in the organisational field (Leca et al., 2008). One major opportunity for institutional entrepreneurship to occur is through the organisational field. Dorado (2005) points out that institutional opportunity may arise as an objective condition of organisational fields. He adds that “fields may be opportunity opaque, transparent, or hazy and such opportunities, of course, only become real when perceived by actors” (p. 385).

Dorado (2005) further concludes from his findings that the perception of actors about fields being transparent giving them an opportunity is based on their orientation and social networks. The institutional entrepreneurship process does differ in the case where institutional entrepreneurs intend to develop an emerging field. In the case of an emerging field, they come up with a specific discourse in which they intend to establish a common form of identity made specifically for those who will take part in developing the new/emerging field. The two strategies can be used when dealing with emerging fields (Leca et al., 2008). Zimmerman and Zeitz (2002) suggest that institutional entrepreneurs should use rhetorical strategies in promoting new venture growth.

Hyvönen et al. (2012) and Sarma (2011) further argue that institutional entrepreneurship opportunity arises not only when a new organisational field is created (emerging field) but also when institutional contradictions arise in a matured field. In the latter situation, institutional entrepreneurs often question the institutional arrangements and strive to create new ones or come up with solutions that will replace such existing arrangements (Hyvönen et al., 2012).

However, Bruton et al. (2010) point out that institutional studies have given more attention to mature organisational fields (Greenwood et al., 2006; Lounsbury, 2002), omitting to accept the fact that institutional entrepreneurship also occurs in emerging fields (Maguire et al., 2004; Sharma, 2011). Hardy and Maguire (2008) added that emerging fields are more conducive for institutional entrepreneurship than existing or stable fields. It has been argued that emerging fields are usually those in crisis, even though others have argued that uncertainty, problems, tensions and contradictions are features of all fields, including matured ones (Hardy and

Maguire, 2008). Hence, the state of fields, whether mature, emerging or stable, is very important and striking in such discourse (Hardy and Maguire, 2008; Fligstein, 1997).

DiMaggio and Powell (1983) define a field from the institutional perspective to mean organisational sets made up of the institutional life where resources, product consumers, suppliers, regulatory bodies and other types of organisations that offer similar services are considered. Greenwood et al. (2002) point back to the definition, emphasising the main focus being ‘sets’ or ‘communities’. Maguire et al. (2004: 658) refer to Bourdieu’s (1990) definition of organisational fields, supported by Scott (1994), as “structured practices of social positions within which struggles take place over resources, stakes and access”. The implication is that the struggles and manner in which interested actors affect an institution must also be considered in institutional entrepreneurship (Fligstein, 1997). The words ‘resources’ and ‘social position’ are further discussed below as enabling conditions for which institutional change can occur. Properties and positions linked with specific actors will be further examined.

- *Properties*

‘Properties’, according to Hardy and Maguire (2008), means the distinct features, characteristics, qualities and skills that differentiate institutional entrepreneurs in a field, allowing them to change institutions. The properties perspective works more at the level of an individual. Smets et al. (2012) add that organisational properties are very important in a change process: they affect the manner in which individuals experience institutional pressures and shape how practice improvisations become absorbed at the field level. Properties help in “mediating the emergence, justification and diffusion of change” (Smets et al., 2012: 4). In order to further examine who institutional entrepreneurs are, the mutually constitutive nature of actors and fields needs to be considered (Hardy and Maguire, 2008; Leca et al., 2008).

- *Actors' Positions*

Actors' position in the field is very important in understanding the roles of actors in institutional change. Garud et al. (2002), Maguire et al. (2004) and Smets et al. (2012) point out that institutional entrepreneurs or institutional change actors must be able to occupy certain position(s) in order for them to see themselves as champions, assume collective action role and be able to establish stable sequences of interactions with other field actors. The position could be of a social (Dorado, 2005; Battilana, 2006) or subject (Maguire et al., 2001) nature from which change action could be taken (Bourdieu, 1990). The role of an actor in a field or organisation is influenced by the actor's position (Maguire et al., 2004). This actor's position could either be social or subject in nature as explained below.

- *Social Position*

Social position, being an individual-level enabling condition for institutional entrepreneurship (Hardy and Maguire, 2008; Leca et al., 2008; Battilana, 2006), is a key factor that might influence the actor's perception in the field (Dorado, 2005; Leca et al., 2008) and access to resources needed to involve themselves (Lawrence, 1999; Leca et al., 2008; Hardy and Maguire, 2008). Social position is the "position in the structure of social networks" (Dorado, 2005:397) which conforms to the group of people directly linked to and affects their thinking about organisational fields, thereby forcing them to act as institutional entrepreneurs.

Institutional entrepreneurs need to have enough social skills, which include interpreting, analysing situations and assessing how the field is configured and then act according to their social and or subject positions to bring about change (Leca et al., 2008; Fligstein, 1997; 1999). Context is of vital importance when using a discursive dimension in institutional entrepreneurship. Research has suggested that actors operating in matured fields prefer to come up with discourses that will match the interests of dominant coalition members (Leca et al., 2008). However, if the field is made up of diverse dominant field actors, institutional entrepreneurs need to come to a compromise or take a common stand that will satisfy the interests and values of the various actors (Fligstein, 1997).

Leca et al. (2008) and Hardy and Maguire (2008) argue that actors at the periphery (margins) of organisational fields or interstices of various organisational fields are likely to act as institutional entrepreneurs. However, it has been argued that institutional entrepreneurs can also be found at the centre of organisational fields (Leca et al., 2008; Hardy and Maguire, 2008). Smets et al. (2012) add that "practice-driven change is significantly advanced by the location of a practice within rather than across the boundaries of the organisation" (p. 37).

Dorado (2005), Wijen and Ansari (2007) and Hardy and Maguire (2008), in discussing various actors and their roles as institutional entrepreneurs, point out that there needs to be an interactive relationship between entrepreneurs or actors in order to bring about change. Leca at al. (2008) refer to the interactive relationship between actors as having special characteristics such as social skills. The social skill they add rotates around empathy. This means that institutional entrepreneurs give room for cooperation in an attempt to relate to the situations surrounding other actors. Social skills help to distinguish actors in an institutional field, implying an opportunity for institutional entrepreneurs to be able to line up their skills and execute certain projects (Leca et al., 2008).

Bruton et al. (2010) add that entrepreneurs with such skills may collaborate in building new institutions or develop existing ones, evident in an emerging society where legal institutions are weak with newly established professional and business norms (Bruton et al., 2010). In such a situation, the role of non-governmental organisations (NGOs) and civil society is not always the best in terms of development (Ahlstrom et al., 2008). Bruton et al. (2010) further argue that in such a scenario where entrepreneurs do not have the legitimacy they need in a weak institutional environment, they may function as institutional entrepreneurs in order to develop the weak environment and create new institutions or modify existing ones that can help their business to grow. Unlike actors in the subject position discussed below, the social position of an actor can give them the power to bring about institutional change (Hinings et al., 2004; Hardy and Maguire, 2008).

- *Subject Position and Power*

Subject position does not only mean formal, bureaucratic positions but also socially constructed and legitimate identities in a field (Maguire et al., 2004; Oakes et al., 1998). Most work on institutional entrepreneurship tends to see agency as belonging to actors who occupy dominant subject positions (Hoffman, 1999) and can influence other field actors to change their activities due to their profession, socialisation and bureaucracy (Maguire et al., 2004). Maguire et al. (2004) in their emerging organisational field study were able to identify actors with subject positions which gave them legitimacy in the eyes of various stakeholders and the power (ability) to bridge these stakeholders, especially those who wanted them "to access dispersed sets of resources" (Leca et al., 2008:10). Hence the subject position as used in their study refers to a formal position which is socially constructed with legitimate identities that can be found in the field. This implies that power level relations amongst field actors, capital or resources and sense of social game can be said to be embedded in the field (Fligstein., 2001a; Hinings et al., 2004).

The question *Does institutional entrepreneurship brings about a strategic face of power?* (Garud et al., 2007) has been highly contested in the literature; see for example Levy and Scully (2007) who argue for it. The concept of institutional entrepreneurship also lays emphasis on the fact that not all actors have the opportunity to produce desired outcomes (Maguire et al., 2004; Fligstein, 1997).The has been argued to be due to the nature of the organisational field. Hardy and Maguire (2008) add that the meaning of fields according to Bourdieu (1990) is that actors do not have the power but rather occupy (or fail to occupy) subject positions which permit them to exercise power. By subject position we mean what Oakes et al. (1998) refer to as the socially constructed and legitimated identities besides formal, bureaucratic positions available in a field. Some organisational fields have a limited number of subject positions from which interest parties can act (Bourdieu, 1990). In line with Oakes et al.'s (1998) definition of subject position, Maguire el al. (2004) together with other scholars, are of the view that power can come from the subject position, not that actors have power without subject positions.

Recent studies have found that despite the presence of the paradox of embedded agency, powerful actors located in dominant positions can bring about institutional change. Institutional fields can have dominant and dominated actors (Maguire et al., 2004) "both of which can attempt to usurp, exclude and establish monopoly over the mechanisms of the field's reproduction and the type of power effective in it" (Bourdieu and Wacquant, 1992: 106) and on some occasions institutional change can result from actors that are not in certain power positions (Hensman's (2003) study of the American music industry).

Garud et al. (2007) seek to examine a challenging question: *what role do powerful actors play in a bid to bring about change?* Child et al. (2007) throw some light onto the question. They argue in their study that the state was the main institutional entrepreneur in an unstable economy at the time which made them receive foreign aid but at the same time they used their international experience to bring about changes. These changes occurred during economic reforms that led to the decentralisation of their practices.

- *Resources and Power*

Phillips et al. (2000) point out that the decision to engage in institutional entrepreneurship or become an institutional entrepreneur is not an easy one, as it is quite a demanding process. The efforts of such actors involved in the process can both be resource-intensive and risky. Hence, the potential way in which organisational actors can manage institutional structures will highly depend on the institutional context and the resources made available to those interested actors (Lawrence, 1999). Garud et al. (2004) argue that the capital or resources for actors to exercise the power they have in the field at any given point in time when deemed necessary cannot be ignored. DiMaggio's (1988) definition of institutional entrepreneurship points clearly to the need for enough resource for institutional change to take place.

Hardy and Maguire (2008) argue that different types of resource have been discussed in the literature, including the use of finance, knowledge and/or the actor's social position within a social network, political, financial and organisational resources (Greenwood and Suddaby, 2006); material resources (Lawrence and Suddaby, 2006); cultural resources, and discursive resources. Dorado (2005) argues that actors need resources in order to take the risk of diverting from already established organisational norms, especially in situations where such new forms divert from legal orders and form a threat to dominant positions. However, it is very rare to find powerful actors with sufficient resources to bring about institutional change on the field.

The success of institutional change depends heavily on access to scarce and critical resources and the skills needed to leverage such resources (Dorado, 2005; Leca et al., 2008). Three distinct resources mobilisation processes have been reviewed so far in the literature: leveraging, accumulating and convening (Dorado, 2005; Leca et al., 2008).

Leveraging steps out from the collective work done by scholars who are interested in changing organisational forms. DiMaggio (1988), supported by Dorado (2005), lays down a good description of the leveraging process. They talk about firstly defining the project, secondly making sure to gain support for that project from other actors and finally striving to gain support and acceptance from external agents who have a share or stake in the affected field. These external constituencies could be individuals or organisations. The talents or skills of such actors are of vital importance (at least to convince others to see the need for change) for such projects to succeed (Fligstein, 1997; Dorado, 2005).

Resource mobilisation, according to Hardy and Maguire (2008), is central to the notion of institutional entrepreneurship. The resource mobilisation process is that of accumulating the work of innovative supporters (Van de Ven et al., 1999; Dorado, 2005). They argue that the origin of new industries cannot be traced back to a few entrepreneurs. There must be a collective interactive action of individuals over a certain time frame which will in turn accumulate probabilistically over time, resulting in a dominant design (Dorado, 2005). The design is then diffused and replicated. Hardy and Maguire (2008) point out that material resource are usually mobilised by institutional entrepreneurs or field actors, using them to serve as a lever against other subsidiary field actors. That is, institutional entrepreneurship will step in when there are material rewards for supporters and opponents are punished.

Lastly, convening is inspired by the studies of scholars interested in the processes that can lead to solving complex social problems (Dorado, 2005). Such processes usually include establishing cooperative inter-organisational relationships; that is, field reorganisation in order to define the institutional arrangements that will help solve complex social problems. Convening studies have given greater attention to institutional change: the type of change that solves complex social problems. The change process requires the creation of inter-organisational arrangement for it to commerce. Scholars have thus attempted to study organisational arrangements that rotate around social or environmental problems; see for example the refugee problem (Lawrence and Hardy, 1999). Having mentioned the need for collaborative action in the field, it is worth stressing that such collaborative initiatives do not mean convincing the actors in the field about the desirability and viability of the project, but the desirability and viability of collaborating with other actors to reach a solution to a social or environmental problem (Dorado, 2005).

The study highlights ‘power’ to be that over resources and decision-making, which has been argued in the literature to be the key facilitator in attempting to implement accounting change (Burns, 2000).

- *Emotions*

Recent studies on institutional change have contested the nature and origin of change in attempting to offer explanations for such changes. It is argued that change is not only driven by organisational external factors but can originate at field level through daily individual works which can be justified and diffused within the organisation: the movement towards a practice-driven nature of change (Smets et al., 2012). Lawrence et al. (2011) add that such micro-level origins for change within an organisation can also be due to individual behaviours, which can be deliberate or, as suggested by Jayasinghe and Soobaroyen (2009) and Soobaroyen et al. (2009) due to the bounded emotions of individuals in the organisation from the subjective point of view.

Jayasinghe et al. (2008), Jayasinghe and Soobaroyen (2009) and Soobaroyen et al. (2009) argue that the role of actors in a subjective study like this cannot be ruled out. Objective ontology and functionalistic epistemology see the entrepreneur as an economic actor (independent) detached from organisational social practices or relationships. The entrepreneur is assumed to be receptive to any ideas such as training, changes or developments surrounding the organisation. The functionalist methodological assumption and rationality in terms of human behaviour suggest an epistemological tradition that neglects the social and cultural contexts within which these actors function. Far from this nature of reality, the study argues towards a more subjective reasoning where actors cannot be detached from environmental/organisational practices. Subjective reasoning takes into consideration actors' emotions and culture besides other social norms in the change process. Jayasinghe et al. (2008), Jayasinghe and Soobaroyen (2009) and Soobaroyen et al. (2009) support the argument that the concept and study of bounded emotionality in entrepreneurial or organisational studies gives room for the relationship or link between the actions of actors and social structure to be established. Hence, it is important to explicitly treat "the emotional aspects of entrepreneurial behaviour that operate outside the consciousness of individual agency" (Jayasinghe et al., 2008: 243).

In order for institutional change to occur, resources besides other enabling field conditions are of vital importance (Hardy and Maguire, 2008). The formal authority, for example, the state and or any professional body, are needed to bring about institutional change: these formal authorities can be classified as a resource to support change. Garud et al. (2002) further note that legal practice can also assist in making new rules or enforcing existing ones. Greenwood et al. (2002) show how professional associations used their authority to assist elite accounting firms in their struggle to adopt a new organisational form (a multi-divisional one) and how the state helped them legislation-wise to experiment such multi-divisional organisational forms.

It has been further argued that institutional entrepreneurs cannot act to initiate change with certain enabling conditions alone. There must be certain institutional contradictions for actors to take advantage of and proceed to initiate and implement change within the institution (Seo and Creed, 2002).

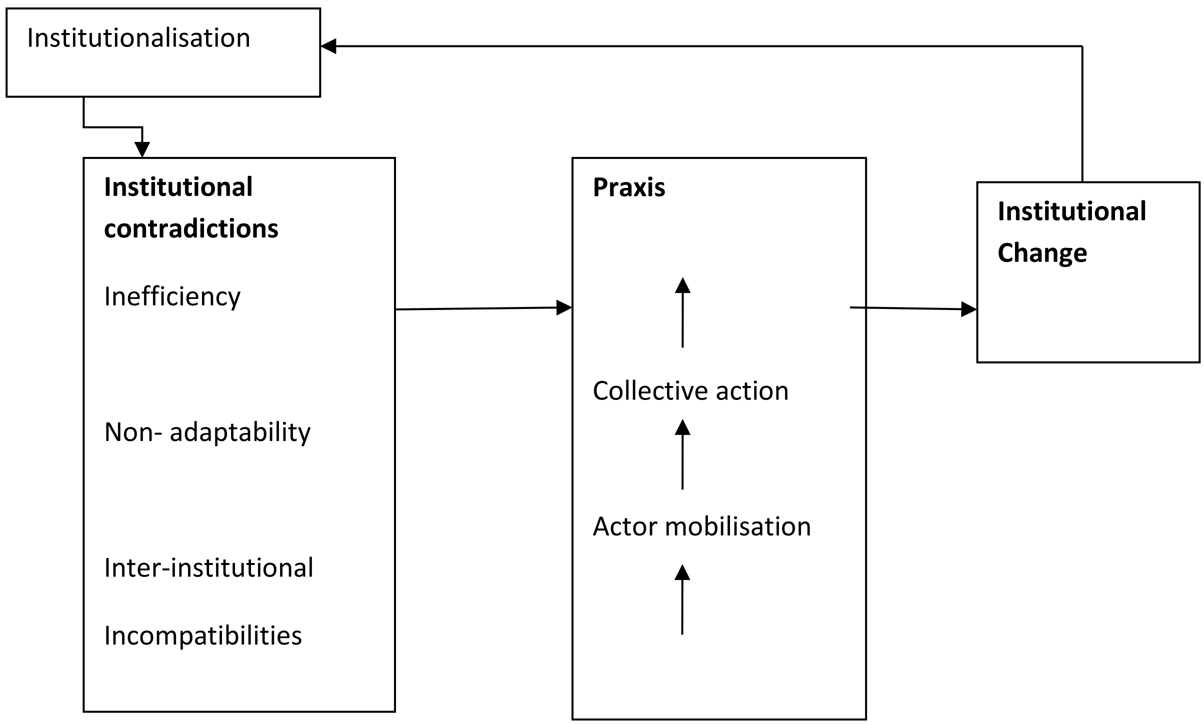
4.2.5 Institutional Contradictions

Borrowing from Seo and Creed's (2002) discussion on how embedded social actors can subsequently become change agents of the same institutional arrangement, the following section explores the various institutional possibilities. The sources of institutional contradictions include inefficiency, non-adaptability, inter-institutional incompatibilities/ inconsistency, resource asymmetry and misaligned interest (Seo and Creed, 2002; Greenwood and Suddaby, 2006), also seen as the impetus for institutional change The argument here is that institutional contradictions are not necessary bound to occur in institutions, but that various social relationships and actions that take place in institutions can lead to one or more of such contradictions. Thus, Seo and Creed (2002) further claim that the introduction of organisational legitimacy may create room for contradictions or undermine functional inefficiency, meaning that a place for inefficiency in the organisation where actors with a change vision can take advantage and explore as the success of the organisation also depends heavily on legitimacy, besides technical efficiency. In order to avoid such inefficiency produced as a result of liaising and abiding with the instituted rules and regulations, the resistance issue steps in.

Organisational actors could be seen to resist adapting to the introduction of new sets of rules and routines or practices, as they are so used to the old ways of carrying out their functions and because there are huge investments made on economic resources in the organisation, hence, non-adaptability to changes in the organisation. The implication is that another institutional contradiction can occur not only amongst individuals within the organisation but also between or with other organisations and the external environment at large. Furthermore, attempts to meet the demands of external environmental parties might give room for more inconsistency/incompatibility with existing organisational demands; that is, a conflict between the external parties' demand and those of the said organisation itself or within the organisation at different levels.

Note should be made of the fact that the introduction of institutional contradictions on its own does not introduce agency (Beckert, 1999). There is a need to explore how agency comes into the institutional entrepreneurship picture, as institutional contradictions on its own cannot lead to institutional change. Human praxis is a very important mediating mechanism between institutional contradictions, also known as enabling conditions and institutional change (Seo and Creed, 2002). They also add that such contradictions will give potential change actors the power to explore, and hence greater changes for the praxis of institutional change. These change agents will reflect on what they intend to change and mobilise other actors to support them in their mission, and with such collective efforts, hopefully their change mission will be accomplished (Figure 4.1).

FIGURE 4.1: Institutionalisation



Source: Adapted from Seo and Creed (2002: 232)

4.2.6 Implementation of Change

Another major challenge that institutional entrepreneurs face, besides how to create or modify existing practices, is how to implement the institutional change they advocate, as most institutions, especially those that benefit from their current practices, will prefer to maintain these already established privileges/practices (Leca et al., 2008: Levy and Scully, 2007). Battilana et al. (2009) argue that actors need not be successful in their attempt to implement change in order to be known as institutional entrepreneurs. For example, if actors who mobilise resources and want to introduce the use of new accounting practices/ practice in turn fail to convince the actors who might be using it to change their routines, they will still be known as institutional entrepreneurs, even though the changes which they initiated were not successfully adopted (Battilana et al., 2009). Again, the concept of entrepreneurship and institutional entrepreneurship might seem confusing to many people. Note should be made of the fact that only when entrepreneurs generate new business models or create new ventures can they be known as institutional entrepreneurs (Battilana et al., 2009).

Wijen and Ansari (2007) point out that the implementation of institutional change can only be effective if there is collaboration from various actors with divergent interests. Often it has been argued that institutional entrepreneurs sometimes do not seek the opinion of or convince dissenting actors to see reason with them and go ahead to impose institutional change on them (Dorado, 2005; Battilana and Leca, 2008). However, such situations are rare, given the fact that most dominant actors, especially those who benefit from the current institution and its ways, strive to support its maintenance rather than promoting changes (DiMaggio, 1988; Leca et al., 2008).

Furthermore, because such actors can rarely change institutions on their own, suggestions have been made in the literature pointing towards the need to mobilise allies, especially highly embedded actors (Lawrence et al., 2002), professionals and experts (Greenwood et al., 2002; Fligstein, 1997; Leca et al., 2008). There is also a need to develop alliances and induce cooperation amongst actors in order to bring about change on the field (Lawrence et al., 2002; Wijen and Ansari, 2007; Leca et al., 2008). Thus, the need to mobilise different types of social skills makes institutional entrepreneurship a complicated cultural and political process, depending on what type of project they intend to carry out (Fligstein, 1997; Leca et al., 2008). The process in which institutional entrepreneurs can use available resources to bring about institutional change and its implementation has been argued to involve mainly strategies and skills (Dorado, 2005; Leca et al., 2008).

4.2.7 Resistance and Decoupling

So many challenges are set to arise in a bid to bring in institutional change (divergent change). Battilana et al. (2009) argued that implementing change that will build an already existing institution is very challenging, not to mention that which will break the existing institutions. Institutional entrepreneurs encounter more challenges compared to other change agents, especially when it comes to developing and mobilising support for a vision of change (Battilana et al., 2009). The fact that these institutional entrepreneurs are more concerned with initiating divergent change means that they are more likely to encounter challenges from opposing actors. The resistance or refusal of other institutional actors to welcome new changes has been a major challenge for institutional entrepreneurs (Gralund et al., 2004).

Oliver (1992) argues that firms are sometime strategic in the way they respond to institutional pressures exerted or imposed on them. These organisations comply with regulations and adopt and apply formal procedures but in a more manipulative way for better legitimacy, securing grants, resources and so on which they sometime heavily depend on (Ribeiro and Scapens, 2006). This brings in the idea of 'decoupling' and 'window-dressing', where actors accept certain institutionalised procedures but intentionally fail to put them into practice (Oliver, 1992).

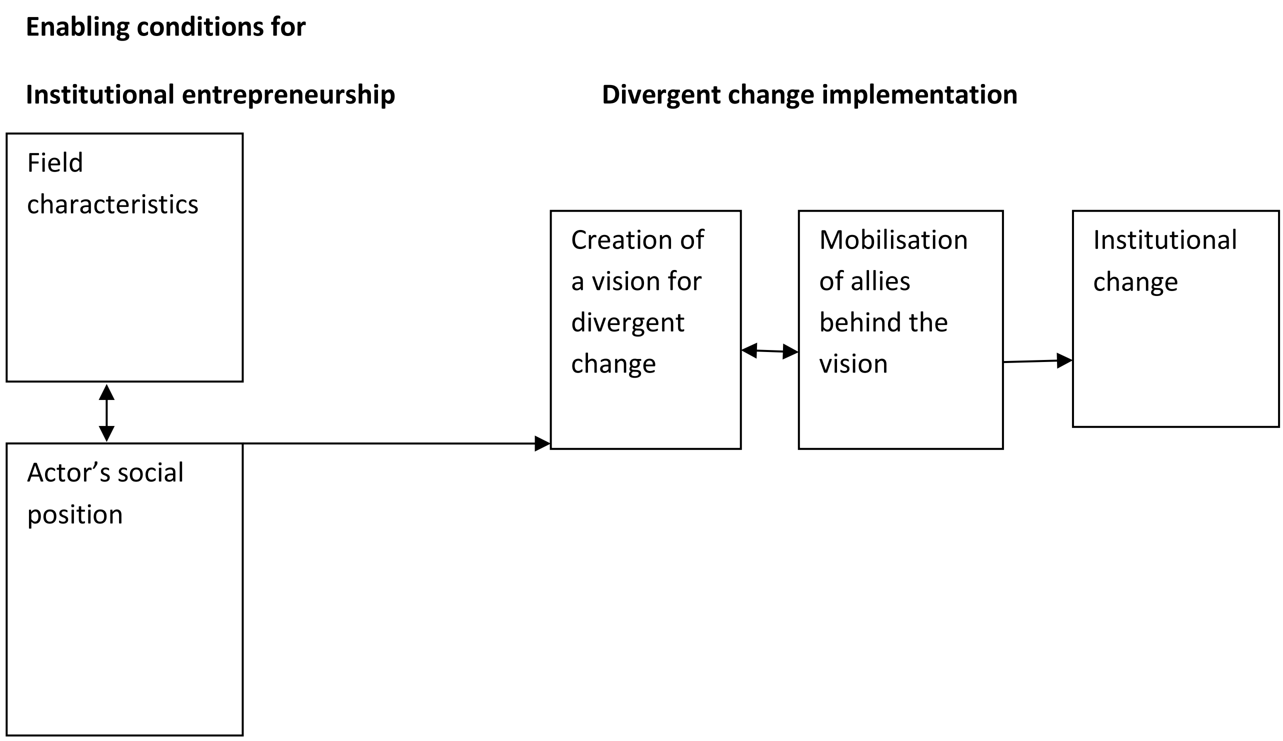
Scapens (1994) adds that accounting practices are generally slow or resistant to change with the changing environment.

Gralund et al. (2004) attempt to examine the reason behind the resistance of institutional accounting practices to change, explaining the stability in and around management accounting practices. Their in-depth longitudinal study focused on improving product costing practices, paying particular attention to the concepts of ‘change’ and ‘stability’. Even though the existence of such resistance to new accounting practices is widely known in financial institutions, it has so far been poorly understood. Gralund et al. (2004) argue that it is not because institutions must not adjust their practices, but simply because the environment is changing.

It is further argued that the cause –effect relationship between accounting change and the environment are of vital importance in institutional studies (Kaplan, 1985). It is often argued that management accounting change is difficult to implement (Kaplan, 1985; Johnson and Kaplan, 1987; Bromwich and Bhimani, 1994). A good example in line with the argument is ABC, or Activity Based Costing. ABC has been argued to be a very complex practice, with the problems associated with it ranging from lack of managerial support to difficulty in identifying cost drivers (Drury et al., 1993; Gralund et al., 2004). It is therefore possible that after identifying the actors who initiate accounting changes and the reasons why institutions are resistant to such accounting changes, it is then possible to look for solutions as to what needs doing in order to implement or institutionalise such changes in practice. For example, it has been argued in the literature that winning actors over, especially dissenting actors, regarding institutional change is very important for an institutional entrepreneur (Leca et al., 2008; Dorado, 2005).

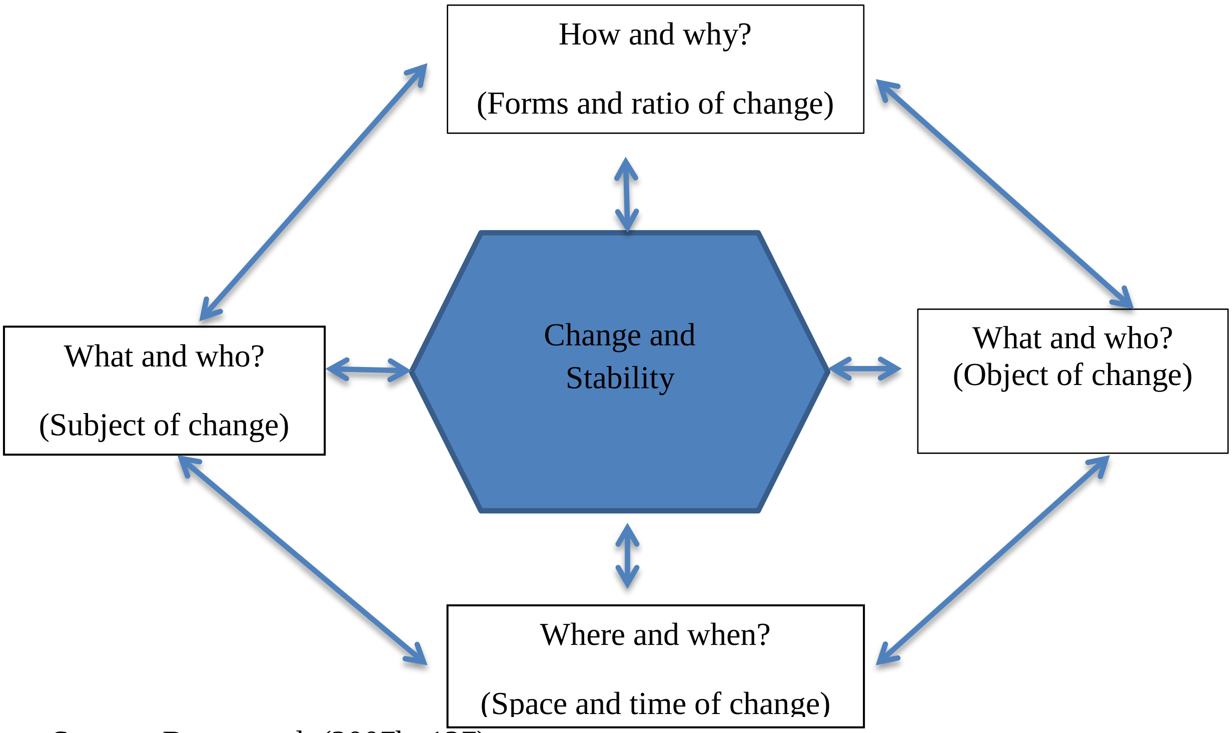
Deinstitutionalisation is likely to occur after repeated practices of decoupling. Deinstitutionalisation refers here to “the erosion or discontinuity of an institution allied organisational activity or practice" (Oliver, 1992: 563). Oliver (1992) further identifies certain organisational and environmental factors that are likely to explain why institutionalised organisational procedures or behaviours will be vulnerable such erosion over time. Oliver's (1992) argument is contrary to the emphasis placed by institutional sociology on cultural persistence and the endurance of such institutionalised organisational behaviours. Rather it has been suggested that such behaviours will be highly susceptible to dissipation, rejection or replacement following a variety of other conditions (be it internally or externally). Battilana et al. (2009) further demonstrate the process model of institutional entrepreneurship in Figure 4.2, summarised in question form by Busco et al. (2007b) in Figure 4.3 below.

FIGURE 4.2: Process Model of Institutional Entrepreneurship



Source: Battilana et al. (2009:87)

FIGURE 4.3: Institutional Change (Stability) guide

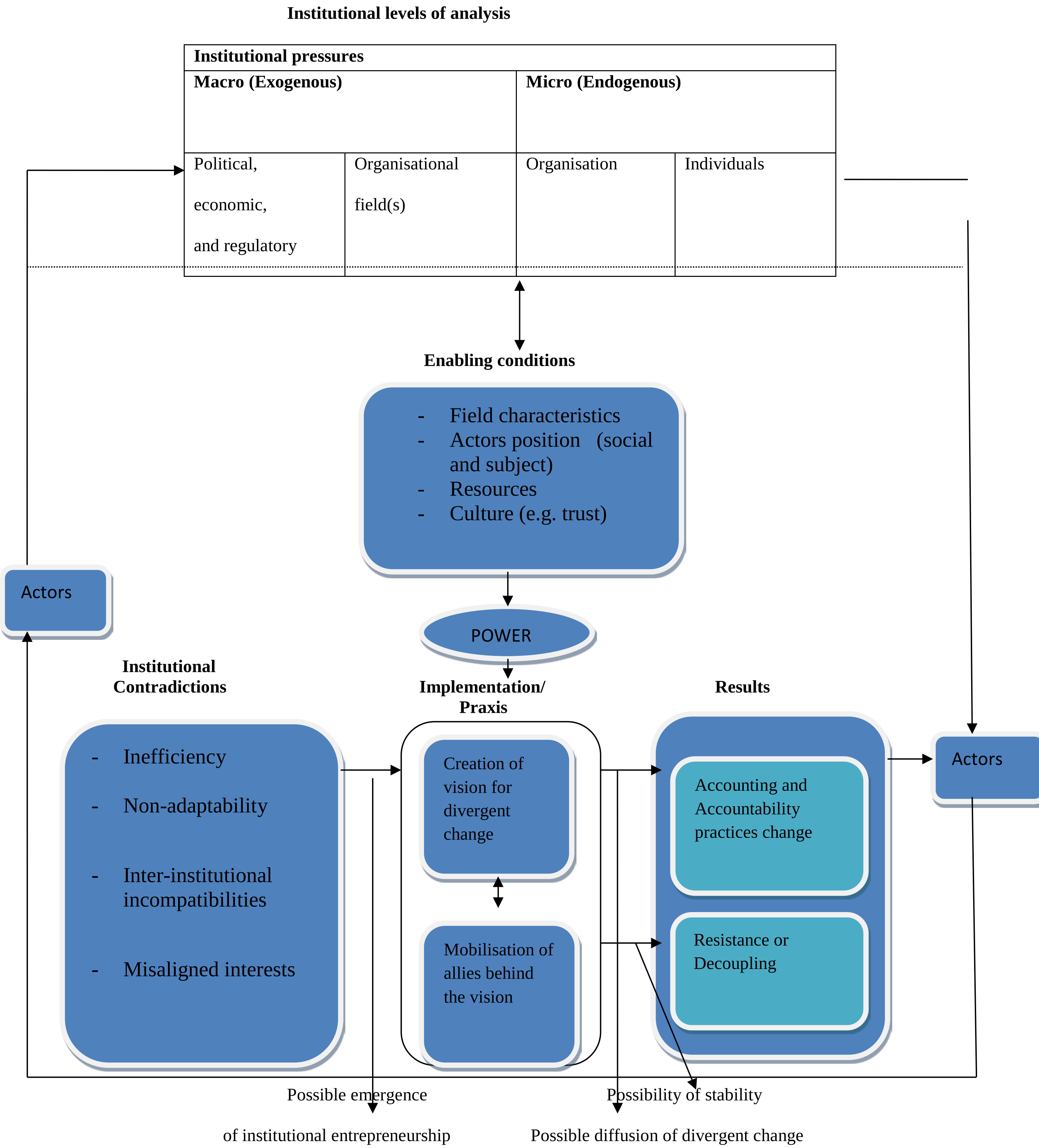


Source: Busco et al. (2007b: 127)

4.3 Theoretical Framework

In line with the theoretical framework of the thesis, the following questions serve as guidelines for the research questions to be further answered. The question *what needs to be changed?* Rao et al. (2000) and Leca et al. (2008) point out that actors can only mobilise resources only after framing the problem and identifying the failings of existing institutional practices. It is from identifying the problem that we can begin to talk about 'change'. Secondly, more insights on *why and how* the change is taking place is obtained from the exogenous and endogenous pressures or forces, which, as argued by DiMaggio and Powell (1983) and Scott (2008she) could be normative, coercive, mimetic and/or cognitive. The origin or direction of the change answers the question where is the change coming from? The questions above tally with the contributions made by OIE and NIS. The framework moves on to embrace issues around agents. The question *who is initiating the change?* is answered by referring to these agents as institutional entrepreneurs, and *who are those accepting and practicing the change?* as the disseminating or participating actors. However, the framework also later embraces issues around resistance and/or decoupling. Another series of important questions addressed by the framework is: what makes change possible to initiate (institutional contradictions discussed), what makes the change continue to exist (enabling conditions and drivers of change), when did the change take place (time and space), how is the change instituted (implementation or praxis) and lastly, the results.

FIGURE 4.4 Modified Theoretical Framework



4.3.1 Framework Justification

Over the past couple of decades, institutional theory has become one of the most prominent theories in organisational analysis (leca et al., 2008). Institutional theory thus serves as a theoretical lens from which the understanding of the study started.

Focused in the 1980s on the mimetic process whereby organisations eventually adopt the same kind of behaviour within a field of activity, the emphasis has shifted over the past decade to include issues of institutional change and agency (e.g., Dacin et al., 2002; Dillard et al., 2004). In as much as early institutional studies (Selznick, 1957) did account for actors' agency, subsequent institutional studies tended to overlook the role of actors in institutional change (leca et al., 2008). According to these latter studies, institutional change was caused by exogenous shocks that challenged existing institutions in a field of activity.

The emergence of OIE has been argued by Scapens (2006) to have concentrated on internal pressures that leads to organisational change (Burns and Scapens, 2000) whilst NIS focuses on the external pressures (Tsamenyi et al., 2006). Central to this line of research, the notion of institutional entrepreneurship initially introduced by DiMaggio (1988) emerged as a possible new research avenue to provide not only endogenous explanations in institutional change analysis but also as a way to reintroduce the actors' agency to institutional change analysis (the research area).

The thesis framework is a modification of Battilana et al. (2009) in line with Scapens (2004) suggestion that it is necessary to modify existing theories if they fail to provide satisfactory explanations. The framework conceptualises the research idea of change with more emphasis on the role of actors in bringing about change. The framework is therefore an ideal one to use in answering the research questions especially the 'how' and 'why' questions (see chapter one). In order to better understand how institutional entrepreneurship theory best fits in theorising the study, OIE has been used as a starting point of the study where Burns and Scapens' (2000) idea of originality is welcomed. OIE theory looks at how management accounting practices are shaped by the taken-for-granted assumptions (rules and routines which inform and shape the operations of individual actors) as previously explained in the chapter. However, Burns and Scapens (2000) also point out that not all newly introduced rules and routines eventually become institutionalised. Here, the themes of environmental (external) pressures, enabling conditions and power surface (failure of OIE).

Arguably, certain environmental pressures need to drive in change (Dillard et al., 2004; Scapens, 2006; Hyvönen et al., 2012) and this is explained by NIS which also serves as a base in order to better answer the research questions. NIS (Scapens, 2006) could have been used to explain why change occurs but it fails to embrace the rules, social norms and expectations internal to the organisation and it also does not embrace actors hence the need to look further for a framework that will address such limitations. Institutional entrepreneurship addresses such limitations likewise answer all the research questions in this study. Institutional entrepreneurship theory embraces the fact that actors need to have certain position, resources and strategies to mobilise power (Scapens and Ribeiro, 2006), without which issues of resistance are assured. It has been extensively argued that actors operating in and around an organisation can exert pressures that will drive individuals to follow certain structures and procedures (actors as change agents).

4.4 Chapter Summary

This chapter has explored issues surrounding the process of institutional change. The chapter reviewed institutional theory, starting with contributions from OIE and NIS. It has gone beyond the theoretical lens to embrace discussions on practice where the concept of institutional entrepreneurship is embraced as an action theory simply because it welcomes the role of agency.

The chapter has also explored action theory, following a thematic approach supported by existing literature from different fields in which ‘change’ is explored as a process. The emerging themes explored include pressure levels, actors, change drivers, enabling conditions, contradictions, implementation and the challenge of resistance to change and decoupling issues mentioned.

Scapens (2006) suggests a need to address the limitations of Burns and Scapens (2000), who failed to incorporate the external environment in their study. Hyvönen et al. (2012) suggest four pressure levels on which actors can act, especially in a divergent change process. Seo and Creed’s (2002) contribution on institutional contradictions remains that an impetus acted upon by human praxis to enable institutional change cannot be ignored. Furthermore, based on Leca et al. (2008)’s argument, the process of institutional entrepreneurs should begin by identifying who are the institutional entrepreneurs: the process model suggested by Battilana et al. (2009) attempts to identify and include institutional actors (Figure 4.2). Together with suggestions from Hardy and Maguire (2008) on the need for certain conditions to enable change to take place, the theoretical framework for the thesis was suggested (Figure 4.4). Figure 4.4 is therefore a modification of Figures 4.1, 4.2 and 4.3. Smets et al. (2012) emphasises the need to study the origin of change not just from the external organisational environment but also from the within the organisation itself. They lay more emphasis on including practice-driven institutional change in studying the origin of institutional change, which the study takes on board given the neglect in past research.

The chapter has yielded considerable insights as to why, where and how changes in organisational structures and practices might occur, together with answering questions such as who, what, and when in line with institutional changes. The next chapter explains the research methodology used in the study.

CHAPTER FIVE

RESEARCH METHODOLOGY

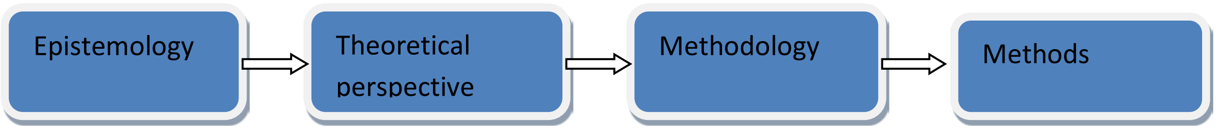
5.0 Introduction

The chapter looks at the process by which the study will be carried out. Ahrens (2008) argues that:

> …a growing body of interpretive management accounting studies, often based on fieldwork, is continuing to develop approaches that seek to overcome distinction between objective and subjective research by exploring the various ways in which accounting can become part of the contexts in which it operates. (p. 292)

The philosophical assumption underpinning any study helps to shape its research methodology. The choice of research methods depends on the methodology underpinned by a particular philosophical assumption (Saunders et al., 2011; Gray, 2013). Like any other research, social sciences research must consider the manner in which the world is viewed; that is, the nature of beliefs and values should be consistent with the philosophical assumptions before embarking on any research process (Hopper and Power, 1985; Scapens, 2004; Gray, 2013). In order to adhere with such a claim, a review of previous research methodology sorrounding accounting and accountability practices and MFIs has been made. Figure 5.1 shows a summary of the claims discussed in this paragraph and further applied in the study.

FIGURE 5.1 Relationship between Research Philosophy, Methodology and Methods



• Objectivism	- Positivism	- Survey Research	- Sampling
• Constructivism	- Interpretivism	- Grounded Theory	- Questionnaires
• Subjectivism	- Critical inquiry etc.	- Action Research etc.	- Interviews etc.

Source: Gray (2013: 19)

Social construction, which falls under the subjective ontological position, has been chosen for the study. This is where reality is seen as socially constructed. Unlike symbolic discourse ,where the meanings and norms structure the social practices of individual human actors, with social construction reality is seen as the recreation of the social world by these actors with every encounter. Reality in this case is further seen as the accomplishment of individual sense-making - thus the term ‘individual construction’- reality only exists in individuals’ imaginations.

Ryan et al. (2002) define research as a process of intellectual discovery with the goal of eventually transforming the knowledge and understanding we have about the world. This implies that accounting research will be the focus of discovering, interpreting, understanding and transforming knowledge regarding such accounting issues and in the case study we aim at discovering, understanding, interpreting and transforming our understanding of the accounting and accountability change process in CSMFI.

Some problems have now become critical for accounting researchers in line with other issues such as the nature of social reality, the role of the researcher and the social nature of any research process. All of these concerns have shaped the alternative approaches adopted in accounting research. Social science researchers have particularly been interested in epistemology and ontology (Hollis, 1994; How, 2003).

The chapter begins with the discussion of philosophical underpinnings in accounting research which are still contestable and debatable as argued by Gray (2013). The research philosophy tells us the way in which the world is viewed, understanding knowledge and how it is created (Saunders et al., 2011). The second section focuses on the research methodology underpinning the research process. The research methodology adopted in the chapter serves as a gateway to answering the research questions stated in Chapter 1 in order to arrive at the research aim and objectives of the study. Under the research methodology section, the research approach and strategy are also discussed. Third, the research method section explains the distinction between research methodologies and further looks at issues around research design and the reason for adopting a particular design deemed suitable for the study. Fourth, data collection is discussed as a process from preparation to final gathering of data before its analysis. Fifth is the data collation/analysis section. Research credibility remains vital in research and takes the chapter to the sixth section. Last is the chapter summary.

5.1 Philosophical Assumptions

Even though philosophical ideas remain widely ‘hidden’ in social science research today, their significance has still been argued for, particularly in designing research (Guba and Lincoln, 1994; Creswell, 2012). Meyers (1997) adds that any research is guided by certain underlying assumptions as to what makes ‘valid’ research and deciding which methodology and methods are suitable to carry out such research. As with any other study, it is therefore important to unveil any such hidden assumptions.

The classification of philosophical assumptions has been suggested by different scholars. Crotty (1998) and Gray (2013) for example suggest four main questions in designing a study which include two main issues on philosophy and knowledge claims: that is, issues around Epistemology and Ontology. Epistemology informs the research (for example the objective or subjective nature of the research) while ontology talks about “the study of being that is the nature of existence and what constitutes reality” (Gray, 2013:19). Saunders et al. (2011) suggest that epistemology refers to the assumptions about the best ways of understanding the nature of reality, knowing how knowledge is created and what makes up acceptable knowledge - that is positivism, realism or interpretivism - while ontology looks at the nature of reality.

Generally speaking, the aim of philosophy in designing research is to uncover and make sense of the various principles and assumptions that underlie various practices and beliefs (Huges, 1997). Starting research with a knowledge claim means that certain assumptions have been made which shape what will be learned and gained from the inquiry (Creswell, 2009). These claims or assumptions used in designing research are often referred to as research paradigms (Guba and Lincoln, 1994) or philosophical assumptions, with the two main ones being epistemology and ontology (Crotty, 1998; Grary, 2013), which broadly determine the research methodology adopted (Neuman, 2000).

Kakkuri-Knuuttila et al. (2008) argue the use of universal laws to confirm certain causes of social action, which is highly discredited in social research. The same situation holds for purely subjective accounts, in line with which the use of accounting cannot be claimed to contribute to understanding accounting from a contextual point of view. Following the argument, Kakkuri-Knuuttila et al. (2008) conclude that interpretive research in accounting remains a ‘straddle paradigm’, meaning that it borrows from both subjective and objective schools of thought. The researcher believes that Kakkuri-Knuuttila et al.’s (2008) point is useful, however, the existing accounting (management) literature has developed a number of responses to challenge such an idea of merging subjectivist perspectives with objectivist postures, leading to new innovative research in accounting. Conclusively, there has been substantial work on the debates to show "how social reality emerges from subjective understandings and is objectified through interaction lie at the heart of interpretive accounting research" (Ahrens 2008: 292). Vaivio and Sirén (2010) add that Interpretive accounting research appears to be undergoing a kind of critical self-reflection.

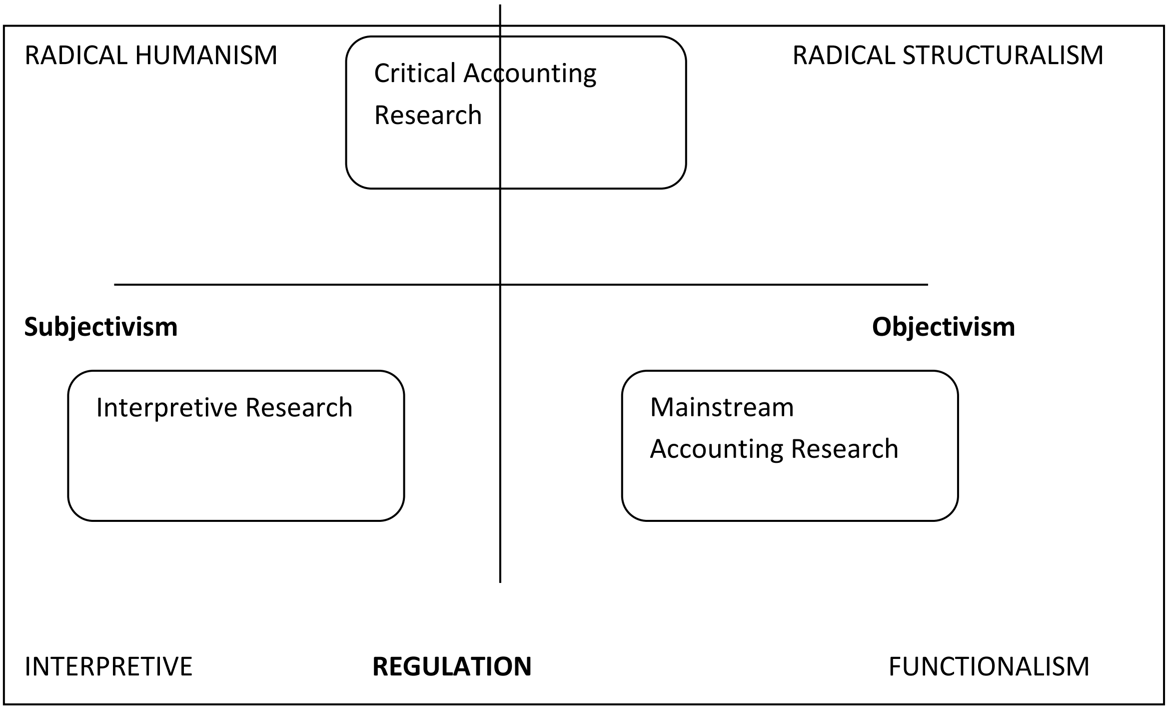
The ontological assumption (Saunders et al., 2011) is further explored. Social construction has been argued to rather refer to an umbrella of all subjective reasoning approaches (Saunders et al., 2011). The social actions under the category will be the focus of such research and not the meanings and norms that make up a particular structure, as the case may be with other ontological approaches. Researchers who share the view are therefore interested in the procedures through which individual actors make meaning/sense out of what is happening. The implication here is the possibility to have different realities, but researchers are only concerned with how these individuals make sense of their daily being. In this respect, Boland (1993) adds that accounting researchers can for example be concerned with how these individuals make sense from the accounting information they receive.

Hopper et al. (2002) argue that in more subjectivist research, other means in which knowledge is gained are of vital importance while making sure that all of them reflect a particular ontological assumption of the researcher. Tomkins and Groves (2002) step in at this juncture with the naturalistic methods.

The epistemological objective view, on the other hand, assumes that there is a theory and because of that it is possible to see the world from an objective angle of neutral observation. The subjectivists, on the other side, rather refuse to see the neutral observation: the best way to understand the world is to gain in-depth knowledge on the inquiry (Hopper and Powell, 1985; Gray, 2013). Social research does not exist independent of human actions and its environment.

Hopper and Powell (1985) came up with the taxonomy of accounting research, classifying accounting and organisational research into mainstream, interpretive and critical accounting research, as shown in Figure 5.1.

FIGURE 5.2: The Taxonomy of Accounting Research



Source: Adapted from Hopper and Powell (1985: 432)

Even though the above framework has received criticisms in the literature (Willmott, 1990), it is an important starting point in discussing various social science approaches to accounting research. With the growing interest in seeking to understand the nature and changes of accounting and accountability practices within MFIs, different thoughts have been borrowed from social and political backgrounds and this has resulted in drawing on different schools of thought in accounting research (Scapens, 2004; Saunders et al., 2011).

Furthermore, the two main debates in accounting research have often arisen when making inquiries about the nature of the world (Epistemology) from the positivism (mainstream) and social constructionist (interpretive approach) point of view (See Figure 5.2). Mainstream accounting research, also referred to as the functionalist/ positivist approach, is mainly concerned about the functioning of accounting, where a natural science philosophical stance is adopted, with observable social reality dealing with 'facts' rather than impressions or feelings and with end product being a law-like generalisation similar to those produced by natural/physical scientists (Saunders et al., 2011; Gray, 2013). The view of the world is more objective, seeing individuals' behaviour as deterministic, and uses empirical and a positive research methodology. Positivists or mainstream accounting research often see reality as external and objective. They assume knowledge is only significant if it can be measured, tested and observed (Hollis, 1994). However, this view of reality has been criticised by other researchers, including Collis and Hussey (2013), who argue that it is impossible to treat and understand people independent of their social life. It is argued that research needs to be subjective because reality is determined by people (Collis and Hussey, 2013).

Gray (2013) describes the dominant alternative assumption to mainstream research as interpretive. Interpretive research is about understanding the social world (Hopper et al., 2002; Scapens, 2004). It seeks to make sense of the social character involved in everyday life and obtain people's impressions and feeling not facts (Saunders et al., 2011). Unlike mainstream accounting research, interpretive research's belief about knowledge is that theory is used to give explanations of human intentions (Hopper et al., 2002).

5.2 Research Methodology

5.2.1 Research Approach

Saunders et al. (2011) point out that the degree of theory clarification at the start gives an idea of the research design: a deductive or an inductive approach. The question often asked is *which approach is better?* Deductive research owes more to positivists' epistemological position while inductive owes more to interpretivists' epistemological position.

After explaining the ontological and epistemological assumptions that underpin social science, particularly accounting research, it can be concluded that the study will be located within a subjective reasoning paradigm of an interpretive nature, given the aim of the study (see Chapter one, section 1.1) and based on the claim that the world is socially constructed and thus should be treated as such. This implies that the study is not seen as natural science, where there are universal laws and generalisations, and hence no predictions of possible theories are undertaken as the case with a positivist study.

The study involves people via channels such as semi-structured interviews and informal discussions. Accounting does not occur naturally, as it is affected by individuals' actions and societal forces at large. Thus, using the interpretive approach implies that the actions of individuals in society can better be understood by focusing on their perceptions. Thus, in reality it would be practically impossible to understand these actors in the microfinance field without examining what they think about microfinance and the world around them. Organisations such as MFIs are not passive but dynamic and bound to change, like the practices embodied in them, such as the accounting and accountability practices. Their accounting systems are socially constructed and thus, need to be understood from a social point of view. Human actions are deliberate and are surrounded by a social and historical reality (Chua, 1986; Collis and Hussey, 2013). Moll et al. (2006) add that the world can better be understood by looking at the shared realities of various social (institutional/organisational) actors, which the research draws attention to.

The study aims to identify the rules and patterns which have brought about certain social changes in the case studied organisation. For this to be done, the organisational practices/ norms need to be situated in the world surrounding them (political, historical, economic, social) and in their organisational and individual context. This implies a rich understanding of the case study's external and internal environment, hence, the adoption of a qualitative research strategy.

5.2.2 Research Strategy

Before deciding what research strategy to use in any piece of research, it is always good to start with the research questions to be answered followed by the research objective(s) (Saunders et al., 2011). No matter the type of research embarked on, a clear research strategy is needed (that which has a clear research design). The research strategy could be qualitative or quantitative in nature (Creswell, 2012). Qualitative and quantitative research tends to ask different types of casual questions. Qualitative research, for example, often asks how 'a' plays a role in causing 'b' and how we understand the process that brings 'a' and 'b' together. Quantitative research, on the other hand, is interested in whether and to what extent 'a' causes a variance in 'b' (Maxwell, 2005).

A qualitative research strategy emphasises words rather than quantification, as opposed to quantitative research (Bryman, 2006). It could be inductivist, constructionist (ontological position) or interpretivist (epistemological position). Qualitative research is a non- numeric research technique and a field of inquiry which cuts across several research disciplines and subject matters (Saunders et al., 2011).

5.2.2.1 Why Qualitative Research?

Unlike quantitative data analysis, there is generally no standardised approach used when analysing qualitative data. Four basic approaches that correspond to the strategies of data collection have been suggested by Saunders et al. (2011);

- Understanding the characteristics of language
- Discovering regularities
- Comprehending the meaning of text or action
- Reflection

The first two categories suggest that in order to achieve an aim, a detailed structure with a formal set of procedures should be laid out which leads onto a more deductive data analysis approach, unlike the last two, which seem more flexible, loosely formatted and can easily follow inductive reasoning. By inductive reasoning we mean thinking way beyond the surroundings of current evidence or knowledge to draw conclusions about the unknown (Holyoak and Morrison, 2005). Hence, the researcher has adopted the last two categories in analysing the data gathered from the fieldwork. The researcher transcribed the details of the semi-structured interviews (tapes and field notes) and informal discussions (notes), converting the data into meaningful information for better analysis.

The study seeks to give an explanation of changes that have taken place in the case study MFI, who the change initiators are and the process of instituting/implementing such changes. Thus, using a qualitative research technique will be more appropriate here, as it deals with explaining the roles of actors and how the change process was organised, with particular focus on accounting changes that have come about, as opposed to a quantitative research technique, which deals with the scientific exploration of events that can be represented numerically (Bryman, 2006; Saunders et al., 2011).

Furthermore, quantitative research aims at constructing and applying scientific models, statistical analysis and theories in order to prove some stated hypothesis (Saunders et al., 2011). This current study did not adopt a quantitative approach, as it is believed by the researcher that the outcome from the research cannot be represented numerically, but with words offering explanations. For instance, exploring the nature of microfinance accounting and accountability practices means understanding and explaining how such systems function, together with the challenges involved. This can be better communicated through a combination of words, numbers and diagrams to present a clearer picture of what the environment looks like. Thus, the data obtained would be in the form of words or sentences, which implies that adopting a qualitative research strategy is best when answering such questions. Thus, in order to conduct the analysis in this study, conceptualisations rather than statistical analyses are deemed necessary to understand how accounting and accountability practices unfold in MFIs.

Qualitative research gives room for an open-minded interactive research approach between the researcher and those or the phenomenon to be researched (Ahrens and Chapman, 2006), yielding rich information which otherwise cannot be collected quantitatively. After discussing and adopting a particular research strategy like the case here, the next question is *what method is best suited to that research strategy with particular philosophical assumptions?*

5.3 Research Methods

The term ‘research methods’ refers to the particular techniques used in conducting research, for example statistical techniques, while methodology is the process of doing the research, which includes the techniques and approaches used in collecting and analysing data and the implicit ontological and epistemological assumptions followed in conducting the research. Methods are therefore a subset of methodology. Ahrens and Chapman (2006) point out that the problems of methodology are sometimes reduced to those of method. A particular research method can be adopted for different methodologies (Ahrens and Chapman, 2006). Interviews, for example, can be used in qualitative or quantitative (by a positivist) research, depending how reality is conceptualised and explored. After deciding how to carry out the research, it is also very important to use a particular design or structure or situate the research.

5.3.1 Research Design

De Vaus (2001) argues that there is need for every social research to have a structure (design) before commencing data collection and analysis. A good design is one in which the

> components work harmoniously together, promotes efficient and successful functioning while a poor research design leads to poor operation. (Maxwell, 2005:2)

Surprisingly, most researchers dealing with research design have come up with different conceptions of design (Maxwell, 2005, De Vaus, 2001). Marshall and Rossman (2010) point out that while some views of design have been noted to be circular; others still remain recursive. Harmmersley and Atkinson (1995) suggest that research design should be “a reflexive process operating through every stage of a project” (p. 24), especially in qualitative research. Creswell (2012) further suggests the use of literature sparingly at the beginning of a plan in qualitative research in order to convey an inductive design, unless the qualitative strategy type requires a substantial literature orientation at the outset. It is important to note that ‘research design’ deals more with a logical problem and not a logistic problem (Yin, 1989: De Vaus, 2001; Robson1993; Booth et al., 2003).

A case study design has been chosen for the research. A case study is

> … a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence, (Robson, 2002: 178)

Moll et al. (2006) point out that three main research designs best fit into yielding satisfactory qualitative research results: case study, field study and field experiments. The case study has however been adopted in this qualitative study for the reasons discussed in Section 5.3.2 below. The case study adopted will be of an explanatory nature.

5.3.2 Why Case Study?

Case study design can answer key research questions via interviews, to include ‘how’ and ‘why’ (Yin, 1984). The thesis involves ‘how’ and ‘why’ questions which are best answerable through the use of a case study. According to Yin (2003), the how and why questions involve relational links that can only be enquired upon with time, not instantly. The case study is a design that seeks to explore past and current issues that affect an organisation(s), and its future is determined based on existing data. A case study design enriches the researcher with an in-depth understanding of the study, focusing on the specific problem area (Saunders et al., 2011). This confirms the argument of Sue (1997) that a case study design offers a holistic view of the research question and allows the researcher and reader to gain a comprehensive and thorough understanding of the research. Case studies are used to achieve high understanding of organisational practices (Morris and Wood, 1991), as is the case with this study. Case studies are not necessarily on individuals but also institutions, neighbourhood, innovations, decisions, services, and programmes, amongst others (De Vaus, 2001).

In line with understanding organisational practices, Scapens (2004) adds that it will be necessary to modify existing theories if they fail to provide satisfactory explanations. Thus, the explanatory case study used in the research aims at modifying some existing unsatisfactory theories in order to yield satisfactory explanatory results of the phenomenon studied: accounting and accountability practices in MFIs.

Ryan et al. (2002) discuss the differences that exist in case study research (See Table 5.1 below) and Yin (2003) explains when case study research design is preferred (see Table 5.2).

TABLE 5.1: Differences in Case Study Research

Type of research	**Positive**	**Interpretive √**
View of the world	External and objective	Social construction
Type of study	Exploratory	Explanatory
Nature of explanation	Deductive	Pattern
Nature of generalisation	Statistical	Theoretical
Role of theory	Hypothesis generalisation	Understand
Nature of accounting	Economic: decision making	Objective of study

Source: Ryan et al. (2002: 146)

TABLE 5.2: When Case Study Research is Preferred

Strategy/ Design	**Type of research question**	**Required control of behavioural events**	**Focus on contemporary issues**
Case study	How, why	No	Yes

Source: Yin (2003: 5)

The case study design adopted in this study follows an interpretive approach with subjective and inductive reasoning, as those with a positivist approach fail to situate accounting practices within their historical, socio-economic and political context (Ryan et al., 2002).

The case study research steps suggested by Ryan et al. (2002) and Yin (2003) discussed below have been followed in the present study. These steps include as a first step preparation (through review of existing literature as Scapens (1990) argues, research training courses and field work/case work preparation, plotting, ethical review process, development of research instruments, for example interview questions, and so on). These preparatory steps increase the research reliability by guiding the researcher through the data collection stage (Yin, 2003).

The collection of evidence is done through the gathering of data using various instruments. In the study, both primary and secondary data collection methods have been used. A triangulated data collection approach was used through semi-structured interviews, informal discussions and documentation. The approach allowed the researcher to gain an in-depth understanding and allows them to explain the changes inherent in the case study MFI's accounting and accountability practices as well as the process and actors involved in the change. The use of in-depth semi-structured interviews allowed the researcher to 'probe' the respondents' answers when there was a need to, and vice versa (Saunders and Thornhill, 2007).

Third, the assessment of the evidence collected is vital, as further discussed below. Reliability, as argued by Ahrens and Chapman (2006), is not easily separated from validity. The idea of research validity was initially developed for quantitative research with objective reasoning about the nature of reality, and this has been argued to be unsuitable for qualitative studies like the present one. This argument is supported by Chua (1986), who points out that, "social reality is emergent, subjectively created and objectified through human interaction" (p. 615). Furthermore, we cannot pretend to study the reality of how, for example, the case study MFI accounting and accountability practices function or have changed if we do not understand the roles of the actors initiating the changes or operating in the environment and independent of the theoretical interest of the researcher (Ahrens and Chapman, 2006). Hence the idea of obtaining replication in qualitative studies is inappropriate, and as Ahrens and Chapman (2006) point out, the same results should not be expected when two different researchers study the same organisation but we would rather expect their descriptions to be compatible, where the conclusion drawn by one person should not contradict that of the other. Hence, agreeing with the suggestions made by

Ahrens and Chapman (2006), Scapens (2004) is of the view that interpretive case studies should follow procedural reliability (where the correct and reliable research method and procedures are followed) and contextual validity. A proper research plan was developed for the study in order to pursue procedural reliability. Nearly all of the interviews that were conducted were recorded and transcribed. Field notes were also taken in addition to gathering further evidence from documents and informal discussions. The aim is to show reliability in the eventual findings, such that if the same procedure was followed by another researcher, the same/similar results will be obtained. Ryan et al. (2002) see the triangulation of research as very useful in achieving contextual validity. The aim of triangulation is to enrich the understanding of the researcher by collecting data on the same issue from alternative sources. As mentioned above, this study uses semi-structured interviews, informal discussion and documentation in order to achieve some sort of contextual validity.

Fourth is the identification and explanation of various patterns found. For more details on this step, see Section 5.5. The researcher was able to identify and explain key patterns found during the study. Miles and Huberman's (1994) data analysis method was adopted in the study. The data analysis method consists of three complementary flows of activities: data reduction, data display and conclusion drawing and verification, as further explained in Section 5.6 below.

The fifth step is about theory development. Scapens (1990) suggests that in cases where existing theories cannot be used to justify or explain the research, a modification of existing theories can be embraced to suit the new areas under investigation. The study has therefore modified some existing institutional theories and has also done so following some suggestions/contributions from the existing literature.

The last step to be followed is writing up the thesis. At this point the case results and findings are discussed; making sure it is authentic, plausible and critical.

5.4 Data Collection

5.4.1 Preparation: Review of Literature

In line with preparing for data collection, a substantial literature was critically reviewed in order to gain in-depth knowledge on the area to be researched and identify questions that should be investigated and collect adequate data to enable these questions to be answered. After thoroughly and carefully reviewing the relevant literature in the area, interview questions were framed in such a way as to cover both the areas that were mentioned in the literature and those lacking from the literature. Hence, the initial review of existing literature served as a foundation for the research findings and also shaped the transcription and interpretation of the data.

5.4.2 Preparation: Access Negotiation/ Research Technique

Before collecting the data, access was negotiated with the case study organisation. The researcher was able to leverage informal contacts with key people in the case organisation to arrange formal access for the study. Final access was granted for the study after presenting a letter from the University introducing the research and the objectives of the study.

5.4.3 Preparation: Ethical process

The study went through the University of Birmingham ethical review process. This required the submission of an ethics application to the University ethics committee detailing what ethical issues are likely to be faced during the study and how these issues will be handled. The ethics process also required the submission of the interview guide and participant information sheet.

5.4.4 Conducting: Data Collection/ Ethical issues

Interviews are one of the main social science data collection methods. Information in the case is obtained mainly by asking a variety of questions from different contexts through direct interaction between the researcher and the participant (Saunders et al., 2006; Mathews and Ross, 2010). Data for the study was collected through semi-structured interviews, informal discussions and documentation. The triangulation of data collection helps to strengthen the research internal validity (Miles and Huberman, 1994). The data collection instrument was carefully designed to gather information about the case study firm, its context, accounting and accountability practices and the various changes that occurred in the organisation.

Semi-structured interviews usually follow a common set of interview questions, but these questions may be introduced in different ways to best fit the situation and allow participants to approach these questions in their own way, using their own words. This approach is particularly important as these participants have experience and practical knowledge in the area under investigation. Structured interviews were considered inappropriate because these would have asked questions in exactly the same way using the same words and presenting lists of answers from which the participant can choose, thereby limiting the flexibility of the study (Mathews and Ross, 2010).

The semi-structured interviews were conducted face to face and by telephone. The researcher spent four months in the field to gather rich sets of data from the case study MFI. The semi-structured interviews were held with employee, regulators, Board members, and clients of the organisation. A purposive sampling technique was used to select participants. The participants chosen were those who had knowledge and some experience in the topic area under research, especially regarding with the changes that had taken place within the organisation. This was done based on lists provided by the organisation of employee members who had worked there for at least two years, and this was double checked during the interview.

Only three branches and the head office were visited due to cost and time constraints. The clients were informed through the client care representative and those who were willing to participate were interviewed at their branches. Some clients preferred to have informal discussions and their decision was respected by the researcher. Regulators were notified/ informed through a letter seeking an appointment sent on the researcher's behalf by the general manager of the case study organisation.

Just before the interviews were conducted, participants were given consent and participant information sheets (see Appendix) which stated and explained their roles and that of the researcher, what was expected from them, and what the research is about. The interview only started once the participant had read and signed to confirm they were willing to participate. The interview lasted on average one and half hours, most of which was recorded with the participant's signed consent. The semi-structured interview gave both the interviewer and interviewee an opportunity to express their opinions at any time during the interview process, thus an opportunity for both parties to remain open minded. New questions based on the answers from the interviewees were asked (probing).

The atmosphere was made such that there could be freedom of opinion. The researcher was provided with a quiet room where the interview took place. They were conducted on a one-to-one basis (just the interviewer and the interviewee). These made the participants feel at ease to express their opinions and share their observations about the case study organisation. Overall, 49 people were interviewed besides informal discussions. Among these 49 participants, 1 was a regulator, 1 a supervisory representative, 2 were board members/ shareholders, 25 head office employee, 9 branch employee and 11 clients. At any point when the researcher felt the interview question was not well framed or did not suit the participant, the question was either dropped or modified to suit the interviewee. On many occasions probing took place during the interview, after explaining issues of confidentiality at the beginning through the use of the participant information sheet. Forty-five of the interviews were audio recoded with accompanying notes. Four participants refused to have their interviews recorded, which was complied with by the researcher for ethical reasons.

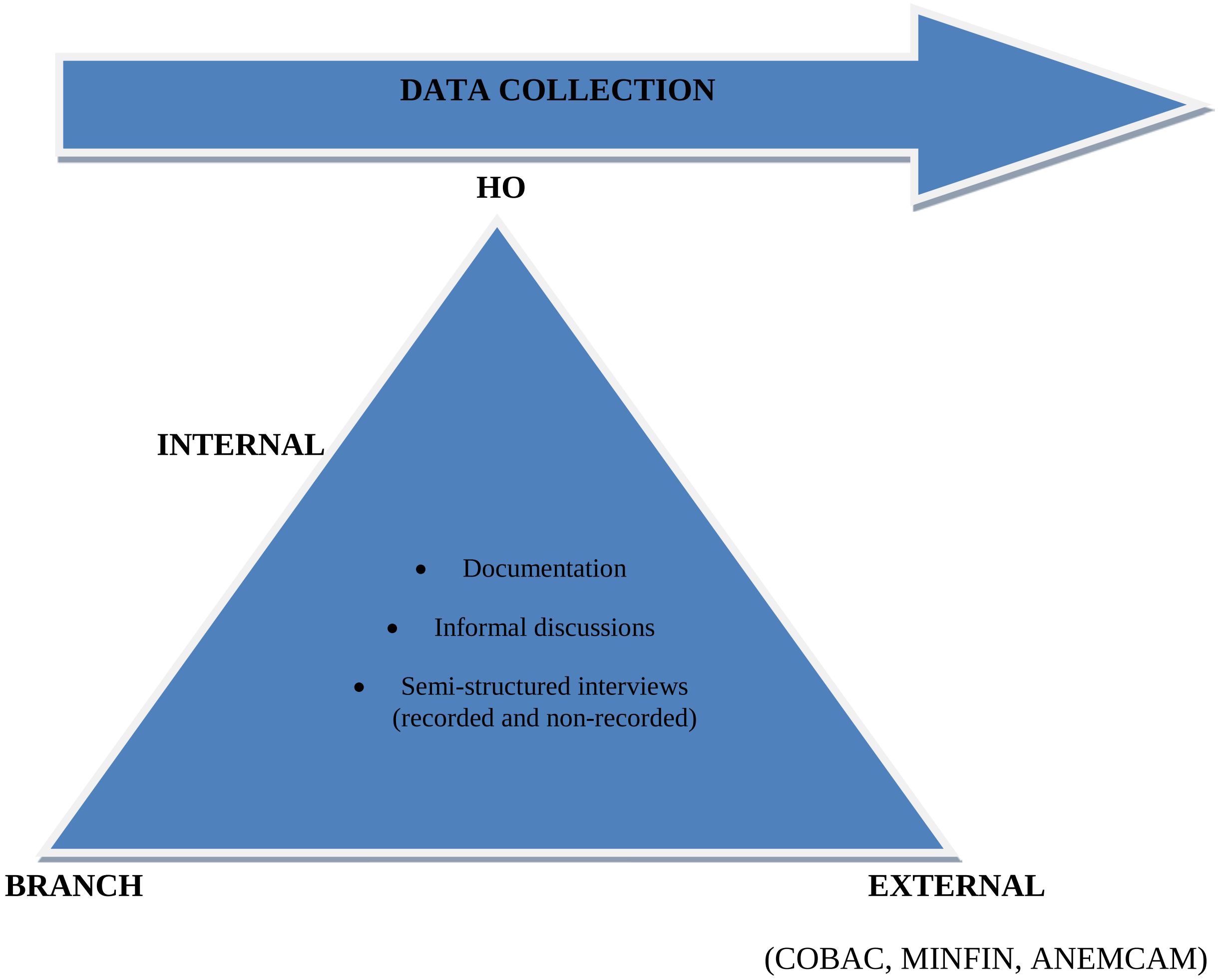
Participants who refused to have their interviews recorded confirmed the main reason to be that they were not comfortable with the tapes, and in such cases notes were taken exhaustively. Notes were also taken in order to complement the recording. These notes helped the researcher to prepare follow-up questions and probe further in order to capture some issues under investigation and facilitate data analysis. The interviewer decided to end the interview when the participant did not seem to know anything about the questions being asked, the reason being that some participants were new to the case organisation or had refused to acquire knowledge in certain areas. Even though the participant information sheet (see Appendix) stated that the interview would last for a maximum of 30 minutes, some participants' interviews extended to 90minutes and above due to probing and the fact that these participants wanted to explain themselves more. This was permitted by the interviewee while maintaining the right ethics.

The researcher noticed that many key organisational employee who were in a better position to talk about the changes that had occurred in the organisation, especially changes that impacted on the firm's accounting and accountability practices, could not be traced (they had resigned or been dismissed). This presented some challenges but was overcome with the use of evidence from other sources such as documents. The interviews were held at different organisational/management levels in order to obtain a complete true picture of the nature of the MFI's accounting and accountability practices.

Furthermore, data was also collected through informal discussions. 13 informal discussions were held with 8 employee members and 5 clients. These informal discussions were mostly arranged between the participant and the researcher with negotiating help and consent from higher authorities within the organisation. This followed a purposive sampling technique, where participants with experience, knowledge and opinions on the research topic were chosen. The researcher was given a list by the DGM in charge of operations and control, from which the researcher conducted the discussion based on those who were willing and had time to do so. The longest discussions lasted for about 2 hours 30 minutes. Documentary evidence was gathered from the organisation's documents such as annual/semester reports, flyers, brochures, job descriptions, minutes of meetings and other publications. Problems such as participants failing to turn up, postponing interviews and incomplete interviews due to urgent meetings led to further rescheduling to suit the participants.

Questions about and around the changes in the case study's accounting and accountability practices were mostly directed to the employee concerned (especially the accounting department). After exhausting the period for which the field work was scheduled, contact details were taken from some participants for follow-up interviews. These were conducted through Skype, the telephone and by email, to clarify certain issues within the study area.

FIGURE 5.3: Data Collection Triangle



5.5 Data Collation/Analysis

The process of ordering and making sense from large sets of data is referred to as data analysis (Marshall and Rossman, 2010). Modes of qualitative data analysis usually provide the means to explore and interpret meaningful patterns identified from data collected in a piece of research (Mile et al., 2013). Meanings can only be determined following the research aims and objectives and guided by the research question(s).

Different scholars have argued that this stage in conducting research particularly in using case study research design is very difficult and challenging (see for example Miles and Huberman, 1994; Yin, 2003). Various approaches have been suggested in analysing qualitative research including thematic, discourse, textual, content analysis, all corresponding to the type of data, disciplinary tradition, objectives and philosophical assumptions underpinning that research (Mathews and Ross, 2010). Robson (1993) argues that the main trick as to which data analysis method to use lies in the type of research questions to be answered. He adds that for trustworthy answers to be generated, the analysis has to treat the evidence fairly without any bias of any sort: there must be some degree of rigour in the analysis especially when analysing qualitative data. Following Robson's (1993) argument, a thematic data analysis method was adopted.

Thematic analysis seeks to uncover the themes that are hidden in a text at various levels and facilitate the structuring and depiction of these themes. A "thematic analysis is a process working with raw data to identify and interpret key ideas or themes" (Mathews and Ross, 2010: 373). Thematic analysis is all about segmenting, categorising and rethinking different angles of the data before drawing final conclusions. What the qualitative study intends to do is to understand, interpret and be able to explain the words and stories of all participants and the information gathered from documents. This implies describing the data, deducing the meaning out of it and exploring (answering the why and how questions) the data for meaning or information (Mathews and Ross, 2010; Miles et al., 2013).

In order to undertake a good rigorous thematic analysis, different approaches have been further suggested in the literature. Most notable are those of Miles and Huberman (1994); Yin (2003) and Miles et al. (2013), who attempt to achieve a corresponding degree of rigor in qualitative data analysis. Miles and Huberman's (1994) framework has been adopted in the study. According to Miles and Huberman (1994), data reduction refers to the process of choosing, focusing, sampling, abstracting and transforming data from field work, tapes, etc., into transcripts. The data reduction process started at the early stages of fieldwork, when the researcher undertook sample/material selection, focused on the target case/groups and research questions. The researcher also conducted some simplification of terms in the interview questions, explaining to the participants what some of these terms meant. This was followed by the transformation of data into field notes and interview transcripts. These transcripts, field notes and tapes were then restudied carefully, reflected upon and remarks made. Possible emergent themes from field notes and interview transcripts were noted. Participants were contacted for follow-up when needed. It took the researcher four months to collate the data collected ready for analysis. All interviews were transcribed and coded within the four month period.

The process of coding then followed, whereby broad codes were initially produced based on the questions under investigation and data gathered. As the research process continued, these broad codes were narrowed down into sub-codes and at the end of the data analysis 33 codes were produced. The transcription and coding were conducted both manually using Microsoft Word and Excel and using the qualitative data analysis software NVivo to help arrange the data. The manual transcription and some coding was done in order to give the researcher the opportunity to feel, understand and become more familiar with the data for better interpretation/ analysis. The NVivo software was used to show clearly the categorisation/organisation of the data for clearer and better interpretation/analysis.

The study was conducted in both the English and French-speaking regions of Cameroon, so some interviews were conducted in French and some in English. For fear of losing data, the French interviews were not translated as such as the researcher understands French (No need for an external translator). Emerging themes were identified as a result of continuously reviewing the interview transcripts, field notes and documents gathered in the field. The emerging themes that were in French were translated into English to match the other English ones. The researcher attempted to identify convergent and divergent views of various participants and/or from documents.

In line with Miles and Huberman's (1994) framework, data display is the second phase of qualitative data analysis. This phase goes beyond data reduction to organise, compress and transform data into information that allows conclusion drawing. A display could mean an extended piece of text, diagram or chart that gives a new way of conceptualising textual data. The data display can either be in words or in a diagrammatic format that will permit the analyst to easily extrapolate meanings from the data to start creating systematic patterns or interrelationships. Further higher categories of themes might emerge at the data display stage. In the study, the various data sets gathered were further organised and displayed in diagrams, charts and tables for further analysis. The data display was performed using Microsoft Word and Excel.

Finally, at the conclusion drawing level, the researcher needs to step back and see what the analysed data means and its implications, given the research questions under investigation. Verification means revisiting the data frequently and cross-checking to see if the emerging conclusion actually follows what the data says. The "meanings emerging from the data have to be tested for their plausibility, their sturdiness, 'confirmability' or validity" (Miles and Huberman, 1994: 11).

The validity issue takes us to the next section on research credibility. Conclusions were drawn following the data collected, emerging themes and analysis. Verification was made by revisiting the data sets many times, listening to tapes frequently, going through the field notes, studying emerging themes and so on. The conclusions drawn followed the patterns, themes and categories identified. Explanations of the results stemmed from linking the findings with the modified theory in the theoretical framework of the thesis (Chapter 4).

5.6 Research Credibility

The value of social science research is usually owing to its degree of validity (internal validity), reliability and generalisability (external validity) (Johnson et al., 2006). Credibility aims at making sure that the subject of the enquiry has been well identified, described and explained (Robson, 1993). In order to ensure that the findings, interpretations and conclusions drawn from a study are credible and trustworthy, the research issues of validity and reliability cannot be ignored. Research validity owes more to the manner in which we interpret our data, while reliability looks at the manner in which data was collected and if a study repeated by different people following the same setting and using the same data collection methods arrives at the same conclusions. Lukka and Modell (2010) clearly define validity as making sure readers are convinced about the authenticity of the research, at the same time ensuring that the explanations from the research are deemed plausible.

These two issues cannot be discussed separately. If data was poorly collected it will not be reliable and thus the interpretations will not be valid. Thus, the degree to which research findings are accurately interpreted is referred to as research validity.

Internal validity relates to issues of research design: it focuses on the question *is the research design arriving at the conclusions that we claim it arrives at?* The validity of the measures used in the study also needs to be evaluated (De Vaus, 2001). The triangulation of data, as with the case in this study, helps to enhance research credibility. Data collected from semi-structured interviews, informal discussion and documentation enhances the understanding of the research area and the case, hence making the study more internally valid. External validity on the other hand refers to the level of generalisability of the results beyond the study to include other similar studies, while internal validity only applies to a particular study/investigation (De Vaus, 2001).

Content validity looks at how the well the measures tap the different aspects under investigation, whereas construct validity examines how well the results obtained from the study suit or fit the theoretical framework. The study has been able to achieve not only internal validity, as argued above, but also content and construct validity. External validity is somewhat wanting in the study, as the changes that occur in the particular case study cannot be the same in another case study or country: this is a limitation of case study research (Hakim, 1992; De Vaus, 2001). The idea that research is valuable when the same results can be reproduced in another similar study/context is true in quantitative studies with a positivistic approach where there is objective reality. However, qualitative studies with an interpretive approach like the case in this study see reality as being constructed, and can be reconstructed given changes inherent in the environment. Meanings are seen in the case to be changing with time. Thus, generalising the case study results will not be valid here. Reliability is:

> The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable. (Joppe, 2000:1)

De Vaus (2001) adds, “a reliable measure is that which gives the same reading when used on repeated occasions” (p. 30). It is worth noting here that research credibility owing to reliability and validity may vary from one study to another depending on the study’s philosophical assumptions, methodology and theoretical underpinnings. Thus, imposing particular criteria to follow in order to evaluate research credibility, particularly in qualitative studies, may be misleading.

5.7 Chapter Summary

The chapter has discussed issues on various philosophical assumptions and methodological and ethical issues. The discussion on the philosophical assumptions underpinning social science research focused on accounting and was followed by the research methodology, where the research approach and strategy were discussed. The chapter then narrowed down to look at the research methods used in social science, mentioning various research design and adopting a case study approach, explaining why this suited the study. It further looked at the practicality of doing the research in terms of data collection: preparation, the field work process and after field work. It concluded by discussing the credibility of the research, exploring issues around research validity and reliability.

It has been emphasised in the chapter that the word 'qualitative' should not be used as a synonym for 'interpretive', which are often confused. Qualitative research may or may not be interpretive, depending on the underlying philosophical assumptions of the researcher in the study. Qualitative research can not only be interpretive, it could be positivist or critical. The chapter has pointed out that the choice of research method is independent of its underlying philosophical standpoint: case study research might not be interpretive but could also follow a positivist or critical approach. These three philosophical perspectives have been discussed within the chapter. The next chapter looks at the case study environment which might impact on the institution, resulting in changes.

CHAPTER SIX

CSMFI'S ACCOUNTING AND ACCOUNTABILITY PRACTICES

6.0 Introduction

In order to understand the nature of CSMFI's[4] accountability practices (in line with its mission and objectives), it is argued that such practices cannot be understood separately from its accounting system. Such accounting and accountability practices in organisations like MFIs have further been argued to have been shaped by internal and/or external pressures (Robert and Scapens, 1996; Burns and Scapens, 2000; Dillard et al., 2004; Tsamenyi et al., 2006). The chapter first looks at the overview of CSMFI and then further analyses the case study's accounting and accountability practices under sub-headings of the external, internal and social environment.

The chapter is divided into eight sections. Following the introduction, the chapter begins with the case context, which also attempts to understand the type of products and services that CSMFI offers in line with its mission in order to assess whether it actually alleviates poverty as it is thought of in the literature. The chapter also seeks to understand the concept of accountability according to CSMFI. The third section discusses the nature of CSMFI's internal control and internal accountability system. The fourth section focuses on the external environment to do with external control and external accountability practices surrounding CSMFI. The firth section is on the social sphere, where social control and the social nature of accountability practices in CSMFI are explored. Last comes the chapter summary.

[4] Anonymised for confidentiality purposes

6.1 The Case Context

CSMFI is one of Cameroon's fastest-growing MFIs[5]. The company started as an association in the early 2000s but later converted into a Co-operative Society.[6] CSMFI as an organisation was initiated by a group of Cameroonians from a particular small village. These individuals had different experiences and various professional backgrounds. The idea to set up the organisation was brought up in the early 2000s, when the concept of microfinance was still new and warmly received in Cameroon. The original members are today either part of CSMFI's BOD or shareholders. Initially, they formed an association with the aim of assisting individual poor farmers with farming products within the local village. As time went by, the association thought it wise to extend a helping hand to other neighbouring villages. One of the pioneers of CSMFI and also a member of the BOD commented on the rationale for setting up the organisation

> We just learnt about the concept at that time and as Christians who wanted to respect one of the Ten Commandments that say you should love your neighbour as yourself, we decided to help the poor farmers in our village and later on expanded to other neighbouring villages and today in urban areas offering lots of products and services.

In a bid to continuously assist these rural farmers, the association decided to move to urban areas, where they could seek funding for their project from rich urban dwellers. While seeking funds, they discovered that there are also poor people resident in urban areas and thus decided to extend their 'financial hand' to such areas. The DGM added that;

> After a year of embracing the urban regions, CSMFI became a co-operative society and was classified under Category 1, following the classification structure of MFIs in Cameroon . That is, CSMFI was accredited in early 2000 and officially registered to start functioning as an MFI in late 2000. CSMFI today is part of an association of MFIs in Cameroon known as ANEMCAM.

ANEMCAM is charged with providing general information on all MFIs within the CEMAC zone and in Cameroon particularly. Over the years, CSMFI has continuously grown bigger, employing more Cameroonians and embracing different objectives and missions which have

[5]From CSMFI's website not reference for ethical (confidential) reasons

[6] See Table 2.2 for a guide to the various categories of MFIs. The researcher could not get the document to proof the classification of MFI in Cameroon so relied on interview quotes.

changed some of the structures and processes of the organisation (as will be discussed later in the chapter). To sum up, CSMFI, is today in the process of becoming a Category 2[7] MFI (with a focus on becoming a fully-fledged bank).

CSMFI, besides poverty alleviation, also seeks to harness the power of its human capital integrated in its mission in order to build a financially sound world-class institution and promote the development of Cameroon's economy. CSMFI has more than 100 employee delivering financial services to its customers. CSMFI embarks on employee training; development opportunities that will in turn provide an empowering and motivating work environment. The Human Resource Manager confirmed this statement, adding that,

> We make sure we employ young talented experienced people who can easily digest our trainings and use their expertise knowledge to implement them. This will solve the problem we have been having where old employee get trained but tend not to implement such trainings for some low educational level, pioneer employee or cultural organisational reasons amongst others. Employing our young talented citizens with open minds will make it easy for us to train them. This way we will not be spending money on such indirect costs in vain. This is usually the case where we cannot get already banking trained employee.

CSMFI is one of those financial institutions that aim at maintaining a diverse, resourceful and dynamic workforce while at the same time providing customers with quality services (through training employee to their best levels of client service, for example). In a bid to maintain a diverse workforce, CSMFI aims to become the first 100% bilingual bank in Cameroon. The Board Chairman added that,

> In order to succeed we believe in embarking on sourcing, attracting, developing and retaining the best talents. We provide an environment that identifies, encourages, and rewards excellence, innovation and quality client service. Besides focusing on our customers, we embark on developing our main assets – our employees.

[7]Owned by members and non-members and operate like micro- banks (see Fotabong, 2012). The categorisation of MFIs in Cameroon where CSMFI falls does not follow the categorisation according to Lafourcade et al. (2005) and Greuning et al. (1998), as discussed in Section 2.3.

He further reiterated that,

> CSMFI is the most diverse and international microfinance in Cameroon, welcoming people from different cultural backgrounds. However, English and French are the main official languages spoken at CSMFI. Also, our workforce is 46% female following our belief that a mixed workforce gives us an upper hand in meeting our ever changing customers' needs.

CSMFI adopts a holistic approach to investment, giving it the advantage of benefiting from operational synergies and efficiencies and in effect realising its business expansion plans.

Since its creation, CSMFI has had changes in its missions over the years. The MFI started as an association with the mission of extending a financial hand to poor people within the local community. After succeeding in achieving this mission, the association expanded its financial services to other neighbouring villages (rural areas) with the mission/vision of becoming a cooperative[8] in the near future. It later became a cooperative or Category 1 MFI in which the urban areas (urban poor people) were also visited. During the years of operating as a Category 1 MFI, CSMFI had the vision of becoming a formal financial institution, especially when it was formally accepted to operate as a Category 2 MFI.

In line with such a formal finance (banking) mission, today CSMFI is in transition to becoming a fully and officially recognised Category 2 MFI. CSMFI's present mission of transforming into a fully-fledged modern bank with strategic partnerships has impacted on its organisational and governance structure, which is discussed later in the chapter. Despite the continuous drift (change) in CSMFI's mission, the organisation today still embarks on creating wealth and contributing to the improvement of the sustainable livelihoods of its members. This shows that the future of CSMFI might be more challenging, especially as competition is becoming stiffer, with several foreign and local banks operating in the country. CSMFI's strategy for the coming years therefore takes into consideration both the potential opportunities offered by a booming sector and the real challenges faced by the banking industry. Today, CSMFI is taking some

[8] a type of MFI, see Chapter 2 for more details.

measures on how to remain competitive and adapt to various environmental (market) changes. In order for the organisation to remain competitive, it has decided to embrace the general public and started moving from operating just as a microfinance organisation to operating more like a bank in a bid to accomplish its mission of becoming a banking institution in the near future.

In line with the company's mission, the Head of the Marketing Department in the 2012 marketing and research report pointed out several things that the company has attempted to do in order to accomplish their mission:

> … everywhere we find ourselves, we make efforts to be known for the good price/quality ratio of our services. We capitalise on that awareness and do what's necessary to create further awareness nationwide. It is in that light that it is believed that the success of any marketing strategy lies in the strength and integrity of the products and services offered and the brand elements.

Furthermore,

> There is a need to have more investment in publicity and marketing and useful content and features on the website. There should also be some work done on the face view of our branches, many of which still need renovations and all need new sign boards. This would make our sales points more marketable. The website and various adverts could then stand as vehicles for promoting our services and facilities. Once these things are worked out, marketing CSMFI would be relatively simple and inexpensive.

The report also talked about gaining the confidence and trust of customers gradually over the years, and ensured that communication is being conducted properly, both internally and externally, when the need arises.

CSMFI today is charged with the provision of financial services and providing reliable, efficient and trustworthy solutions to its customers, who it claims are the poor. For example, CSMFI helps customers to set up their own business or increase their profits in their already existing business. This implies that CSMFI operates a reverse methodology to that of the formal financial sector (including banks). One BOD member pointed out that:

> Traditional formal finance or banking sector operates on the idea that more is given to those who have more and nothing to those who have nothing, but we do not

> operate on this basis. We are out to give more to those who have less or to the less privileged in terms of finance and social support.

At CSMFI, credit is seen as a human right where honest people who possess nothing are given priority. CSMFI's aim is to explore and groom the potential of their customers and not exploit their possessions. This confirms what the Managing Director said:

> At CSMFI we see our Customers as opportunities not burdens and the belief here is that people including the poor are blessed with endless potential, the reason why we do not focus on assessing customers' material possessions but their potential and groom them in our own way.

Like the Grameen bank of Bangladesh with its social mission (Bateman, 2010), CSMFI from its creation was geared towards poverty alleviation, targeting mostly rural farmers. They originally aimed at farmers and other low income earners in villages who they could lend to in order to enable them to finance their social mission. After two small-scale operational years in the mid-2000s, CSMFI started moving towards becoming an agricultural MFI cooperative, still focusing on farmers and small-scale traders referred to in Cameroon as 'buyam-sellams' amongst many other client groups. By the late 2000s, the focus and vision of CSMFI had started changing to include financial sustainability (long-term finances). CSMFI then began to pursue its financial sustainability objective with the idea of becoming a commercial microfinance. Dorado (2013) argued that it is at this point that MFIs become focused on profitability. This is especially true with CSMFI after it gained its accreditation. CSMFI further expanded its branches to include some in urban areas, still targeting both the poor and middle income groups (members and non-members: the general public) even though in theory today operating as a Category 1 MFI (serving only members). The idea of moving from being a MFI with solely a social mission to one which includes both social and profitability missions was in order to remain financially sustainable and in return finance small and medium sized businesses and reach the poor with its financial services. In this way, long-term finances are assured and continuously help the poor to improve their standards (more under the dual mission and objective argument). In a nutshell, CSMFI in practice serves both members and non-members, thus operating informally[9] as a Category 2 MFI.

The poverty alleviation objective of CMFI agrees with what the Board Chairman said in the mid-2000 annual report after appreciating their customers, employee, shareholders and the state for their efforts towards the success of CSMFI:

> Our main objective is to provide the poorest with financial services that will help them fight against poverty, stay profitable and financially sound. We believe in and aim at a poverty-free world.

Diverse views were expressed during the interviews about what interviewees think the objective of the organisation is. It became evident that the views of the interviewees were based on the changes that they had seen the organisation going through over the years. Despite differences in opinion, it can however be noted that the majority of the interviewees were still of the opinion that the objective of CSMFI is primarily poverty alleviation.

The Marketing Manager, for example, unequivocally pointed out that, "CSMFI aims at poverty alleviation, employment and the financing of projects". One of the internal auditors said,

> CSMFI provide loans to poor sector and embrace world round customers including the rich in order to raise capital. Thus the objective of CSMFI is to make profit besides growth and poverty alleviation.

These views are consistent with the arguments in the microfinance literature that the key objective of MFIs is to reach low-income, poor and excluded people with financial services, leading to an increase in income and standards (Hammill et al, 2008; Parikh, 2006; Rhyne, 2001). However, even though poverty alleviation remains the publicised objective of CSMFI up until today, in practice however profitability has become a major focus, with poverty alleviation being relegated to the background.

One of the Board of Directors members pointed out that,

[9] Application not yet approved as at 2013 but submitted for approval to COBAC and MINFIN.

> Our main objective is to assist those with limited finance - the poor, and in the process of doing so we also want to be profitable and encourage people to save more, this will give us more room to make profits and grow.

The Head of Risk Management was of the view that CSMFI has many objectives, mainly:

> Efficient and rapid services to society, alleviation of poverty through the creation of wealth, financial micro projects with the aim of promoting small and medium size enterprises, encourages customers to save through attractive increase rates and out for development projects through the provision of funds through loans to customers and indirectly to non- customers.

One of the branch customers interviewed added,

> I don't know the objectives of CSMFI but think they are out to make profits as they no longer come to collect our little savings like when they started. My friend who works in the bank tells me how the marketing agents from CSMFI come to his house or sometimes his business place encouraging him to save and reduce his transportation cost. They visit him and collect the money he intends to set aside for savings and save it at CSMFI for their future use.

It could be argued at this point that CSMFI now combines dual objectives of social development through provision of financial services to the poor and profitability objectives that lead to self-sufficiency and sustained services. This conforms the argument for dual mission argued by Hermes et al. (2011), who are of the view that microfinance's commercialisation objective may bring it greater amount of funds, which can be used in assisting the poor who cannot afford to bank with banks, thus increasing the outreach goal of such MFIs. This implies that the amount of loans provided to these poor customers will increase and for a longer secured period of time, unlike when they receive funds from foreign aid bodies which might not be guaranteed long-term funding for the MFI. This being the case, efficiency is assured and more poor people can access the services of the MFI. It is in such scenarios as the case may be with CSMFI that outreach, financial sustainability and efficiency remain compatible objectives.

CSMFI has also demonstrated its social contribution by embarking on providing educational, health and other social support through loans and other projects. CSMFI has a section under the

Human Resource Department known as Corporate Social Responsibility (CSR) where all social engagement projects are carried out. Customers with health issues can, for example, apply for speedy loans, which usually have lower rates of interest and a quicker approval process. There are also loans set out to support customers who want to start up a business and many more, as later discussed in chapter.

CSMFI also carries out educational campaigns in order to sensitise the community about the services it renders. This is geared towards motivating low-income earners to be able to save regularly, borrow wisely and repay promptly. CSMFI's dual objective therefore strives to balance its social and financial objectives.

CSMFI has new banking software that permits it to carry out timely, fast and accurate transactions within the country and oversee new products such as Western Union Money transfer and other organisational restructuring. CSMFI also offers a wide range of other products and services that help to foster its growth. These products and services offered by CSMFI clearly show how it has moved from solely poverty alleviation objectives to include that of profitability, especially when the different account types are examined. These product and service types are further discussed in the next section.

The dual objective argument with a drift from the original and to the up-to-date documented mission is supported by the comments of the Head of Client (Retail) and Client Care (General). He pointed out,

> CSMFI has a dual objective of poverty alleviation and financial sustainability. The missions of CSMFI were initially more customers orientated (poverty alleviation in terms of outreach) but now more commercial orientated, making profits even though not stated in the books. In theory CSMFI has a sole objective of poverty alleviation. Well to me all I need do is perform my duties and maintain my job no matter the objective of the MFI. We can only make suggestions but cannot make decisions and whatever the decision from top management is, we follow it even if you are of the opinion or not.

Furthermore, a member of the Board of Directors pointed out during the interview that,

> Even though we are seeking to make profits, we are also striving to achieve our initially stated objective of poverty alleviation. This is reflected in a glance at our client base which clearly shows that we have got all sorts of customers, the majority of who come from the lower base with lower spectrum of business. That is people earning between 30,000 FRS[10] and 50,000 FRS. Thus, by empowering this class financially I think we are already helping to reduce the level of poverty in our society. However we also strive to make profits by bringing the rich to bank with us in order to remain competitive in today's business environment where MFIs are adding up on daily basis while some are closely down due partially or mainly due to the fact that they are not financially viable.

Furthermore, the stated values of CSMFI remain respect for individuals, responsiveness and accountability, accessibility, confidentiality, convenience and safety. The products and services offered by CSMFI solely depend on its objectives and mission at the time.

6.1.1 CSMFI's Mission vs. Products and Services

In line with its sole objective of poverty alleviation, the main products offered by CSMFI in the early 2000s (as an association) were agricultural products and small loans to help farmers improve their crops. By the mid-2000s, when CSMFI became a cooperative, it offered many other services and products in addition to these agricultural products and loans to include training programmes tailored for farmers and small-scale traders in order to improve farmers' farm products or small businesses. The aim here was not just business improvement but also improvement in standard of living from the intended gains or profits. Insurance and payment for services (including daily collection ('dayness'[11] and 'futuris'[12]), money transfers and deposits) were also introduced to help farmers and small traders.

By 2010, when CSMFI included profitability (long-term financial sustainability) to its social (poverty alleviation) mission, more and different additional products and services were offered.

[10] Where, £1 = 755.97 CFA as at 22/03/13 on http://www.ukforex.co.uk/currency-converter

[11] Very small amounts of money saved on daily basis and available for withdrawal at any time. As little as 50 pence a day to help the poor save against future projects. Charges apply.

[12] Like dayness, but can only be withdrawn after an agreed length of time, the minimum being six months. No interest paid and no charges apply.

These new products included international money transfers, the provision of bank (debit and credit) cards, online banking services and different improved quality services such as improved client services.

The National Accountant, who is now the Assistant General Manager in charge of Operations, pointed out in the 2010 annual report:

> 2010: The year of marketing and image building. In a bid to reduce the incidence of administrative costs on overall turnover the institution has recently created a first class service centre.

The head office acts as the service centre, with the aim of providing first class high- quality services to the larger customers of CSMFI (CSMFI'S annual report, 2010). CSMFI continues to embark on credit opportunities via granting overdrafts, express credit, speedy loans and normal loans. In a bid to create wealth during this period, CSMFI further embarked on the financing of micro projects and providing other financial services to their customers. This can be argued to be a way to promote the country's developmental projects and enhance growth. This conforms to what the Head of the Marketing Department at the head office said;

> … we are out to promote extraordinary growth as stated on our flyers and we make sure we do things that will give the organisation this stated value.

As an advocate of economic development and growth, CSMFI aims at growing along with its customers. This is the reason why CSMFI embarks on identifying their priority customers with a strategy known as 'know your client' (KYC). This strategy is important not only to select the right group of customers but also to be able to recover the loans entrusted to them. Thus, knowing the repayment capacity of customers and not their securities offered has in recent times always been the emphasis of the General Manager to the credit department.

Furthermore, CSMFI hopes to realise its objectives by engaging in the provision of normal retail banking services, including savings accounts, current/salary/business accounts, term deposit account, and machine cash withdrawal services besides other services already mentioned such as online banking. One of the branch managers added:

> Cash withdrawal services via cash machines together with online and mobile banking services introduced at CSMFI are in a bid to remain a competitive in Cameroon especially as MFIs are rapidly growing here and seems to be the new order of the day. In this way we will be able to achieve our dual objectives of poverty alleviation through financial sustainability. Having said this, we are still working on our website and practices which recently have been giving customers lots of problems.

International money transfer via Western Union services has been newly introduced in CSMFI even though it seems to be informal (still awaiting approval from the MINFIN and COBAC). CSMFI also offers assistance to micro projects through counselling and financing, cheque clearance and providing paper statements to their customers. Most of CSMFI's customers seem to be happy with the services they offer and these services are usually what motivate them to join the organisation. This tally with what one client said;

> I was in a bank before which offered minimum of 2million FCFA but CSMFI offers products that fit my needs such as small loans and the process of getting it is easier than in the bank where I was. With CSMFI you can save as little as 500 FCFA or less per day and still get a loan on top of that together with other benefits. There is easy access to your money at CSMFI. You can request the money to be brought home to you with the MFI unlike with the bank.

However, the majority of CSMFI's products and services today are more focused towards targeting profitable customers. CSMFI embarks on financing small and medium size enterprises' projects, but most of these projects are medium size businesses or financing big public contracts instead of concentrating on small businesses or private contracts (the poor). The fact that CSMFI lists one of its requirements for taking part in following up public contracts as for the client to have an account with any domestic bank shows clearly that CSMFI concentrates on high-income customers. This is because such formal financial institutions hardly ever open accounts for the low-income (poor) group. A full-time payslip from a job with a regular income above a certain level is required, which scares the poor off banking with such financial houses, particularly in Cameroon where MFIs have embraced them. Also, CSMFI has not until recently expanded its network to include urban areas, where more branches are still to be opened as argued by the General Manager:

> It was pointed out at one of the recent annual general meetings that in order to remain financially stable and pursue our objectives, the network of CSMFI needs to be expanded and made known especially in urban areas where our target customers reside.

Again, many savings account types operated by CSMFI cannot be opened by people who are not financially well-off (for example having a good paid job or involved in operating a medium or large business or owning valuable assets). The Head of Client Services added:

> One of the conditions to open a savings account is to show proof of income, assets or business ownership documents, as certain savings account are only run by people who can still boast of enough income after tax and disposable income.

The Head of the Marketing Department added:

> In as much as we promote big companies and already started business projects, we do this because we want to grow. No business man is out to make losses but generate more profits which can be ploughed back in the business. Also because we are working towards becoming a bank we need to start performing like banking institutions, seeking big contracts and gaining more wealthy and retainable customers.

A client of CSMFI also pointed out that:

> I don’t know the clear objectives of CSMFI as I was not told when my friend introduced me to the bank but think they are out to make profits because I get so many charges on my account especially when I save more.

Even though the last interview quote also shows some degree of inadequate marketing or publicity from CSMFI, these are mostly people whom CSMFI for some reason cannot reach. The Assistant General Manager in charge of Operations added,

> …some of our customers are located in the interiors of some rural areas that we do not visit all the time due to the bad roads and network. However, this problem is currently being looked into.

It is only recently that CSMFI has started improving on their level of advertisement (communication, education of employee and client, trainings, product development, etc.) in order to remain competitive and in line with its missions. Table 6.1 shows how the products and services offered at CSMFI have changed over the years to reflect changes in their objectives and missions.

TABLE 6.1: Basic Summary about CSMFI

Yearly change	**CSMFI (Type)**	**Mission(s) and Vision**	**Objective(s)**	**Geographical coverage**	**Products and services**	**Structure**
Early 2000s (2000-2002)	Association	Expansion	Poverty alleviation	Rural areas	Agricultural products (such as fertilizers, seeds, etc.) and small loans[13]	Decentralised and informal
Mid 2000s (2002-2008)	Cooperative (category 1 MFI)	Growth and expansion	Poverty alleviation	Rural and urban areas	Deposits, medium size loans, funding of projects, national money transfers, daily collection and training programmes[14]	Decentralised and informal
Late 2000s (2009-present)	PLC (Category 2 MFI)	Formal finance (a bank)	Poverty alleviation and Financial sustainability	More rural and urban areas	Online banking, cash machines, debit cards, online cheque clearance, international money transfer (western union) and improved or quality client service[15]	Centralised and Formal

The trend in changes to CSMFI's objectives and missions has not only impacted the types of products and services offered by CSMFI but also CSMFI's governance or organisational structure. There have been recent changes at CSMFI in terms of additions and modifications of existing functions, job descriptions and operations and reporting styles (see Chapter 7 for discussion of the change process).

6.2 Understanding 'Accountability'

CSMFI has a formal accountability system in place used to monitor and evaluate the organisation's performance. This accountability system has more of a social nature, with internal

[13] Basic and start up products and services
[14] In addition to footnote 8
[15] In addition to footnote 9

and external types and evidence of upward accountability. One of CSMFI's most publicised values is "responsiveness and accountability" (CSMFI's 2012 flyer). The study attempts to explore the meaning of accountability in the organisation and the evidence gathered revealed diverse interpretations of accountability. Generally, accountability has been construed in the organisation as justification of actions carried out in the organisation where a call memo[16] is used in justifying such actions, usually from the branch to the head office, auditors or senior management. This form of accountability is compulsory, as officially stated in the job descriptions. Call memos are also intended for comments.

However, views differ slightly across disciplines. For example, the views gathered from accountants suggest that accountability relates to:

> Reporting of one's activities whereby actions are formally reported to top management and only justified to customers when need be. These reports and disclosures are done in the form of financial statements (usually consolidated at the end of the fiscal year) or weekly, monthly, quarterly and annual reports. These disclosures and reports are compulsory and usually for regulators, top management and shareholders. More often than not the reporting process is done with details making sure the parties concerned have a clearer understanding or picture of the organisational performance.

For the Human Resource and Corporate Social Responsibility department, accountability takes a social dimension (social accountability). Accountability to them simply means justification of all corporate responsibilities carried out, with the relationship between the funders and customers emphasised. The Head of the Human Resource and CSR department added,

> As the word social responsibility goes it is the responsibility of employee and any other party in the network (to include customers) to justify through reports for example their social performance in given projects following certain laid down procedures.

[16] A employee network where what went on during the day is shared and reported for each service. You can choose which employee you want to see what you have sent. Each memo carries details of what was discussed in each place.

At the general macro organisational level, the word accountability is generally understood to mean reporting, as reports remain the most frequently and intentionally used accountability mechanism in CSMFI. Thus, the terms accountability and reporting are used in the organisation interchangeably.

CSMFI has different stakeholders to whom or and from whom accountability is due. These stakeholders include employee, the financial community, suppliers, customers, local communities, competitors, government/state, and other public organisations. The social accountability functions in CSMFI rest in the hands of the Human Resource and CSR department. Before 2013, this department was simply called the Human Resource department. In order to strengthen the social objective of CSMFI, its management made the suggestion to change the name if this department to a more social term. This suggestion was deliberated upon by senior management and approved for implementation by the general assembly. The head of CSR added that; “the change of name of the human resource department was in order to sell the image of CSMFI and have CSMFI’s impact felt by society”. CSMFI carries out various social projects in order to impact positively on society. The financial accountability responsibility of CSMFI in terms of producing the financial statements/ disclosure and end of year financial reports is mainly the work of the Accounting and Financial department.

An integrated approach has been adopted in the following discussion on the nature of CSMFI’s accountability (financial and social) system, identifying and describing certain approaches used to assure good accountability. Different accountability mechanisms are identified and explained, to include social projects, disclosure statements, performance assessments and evaluations, rules and regulation, self-justification and social audits under the sub-headings of internal, external and social accountabilities.

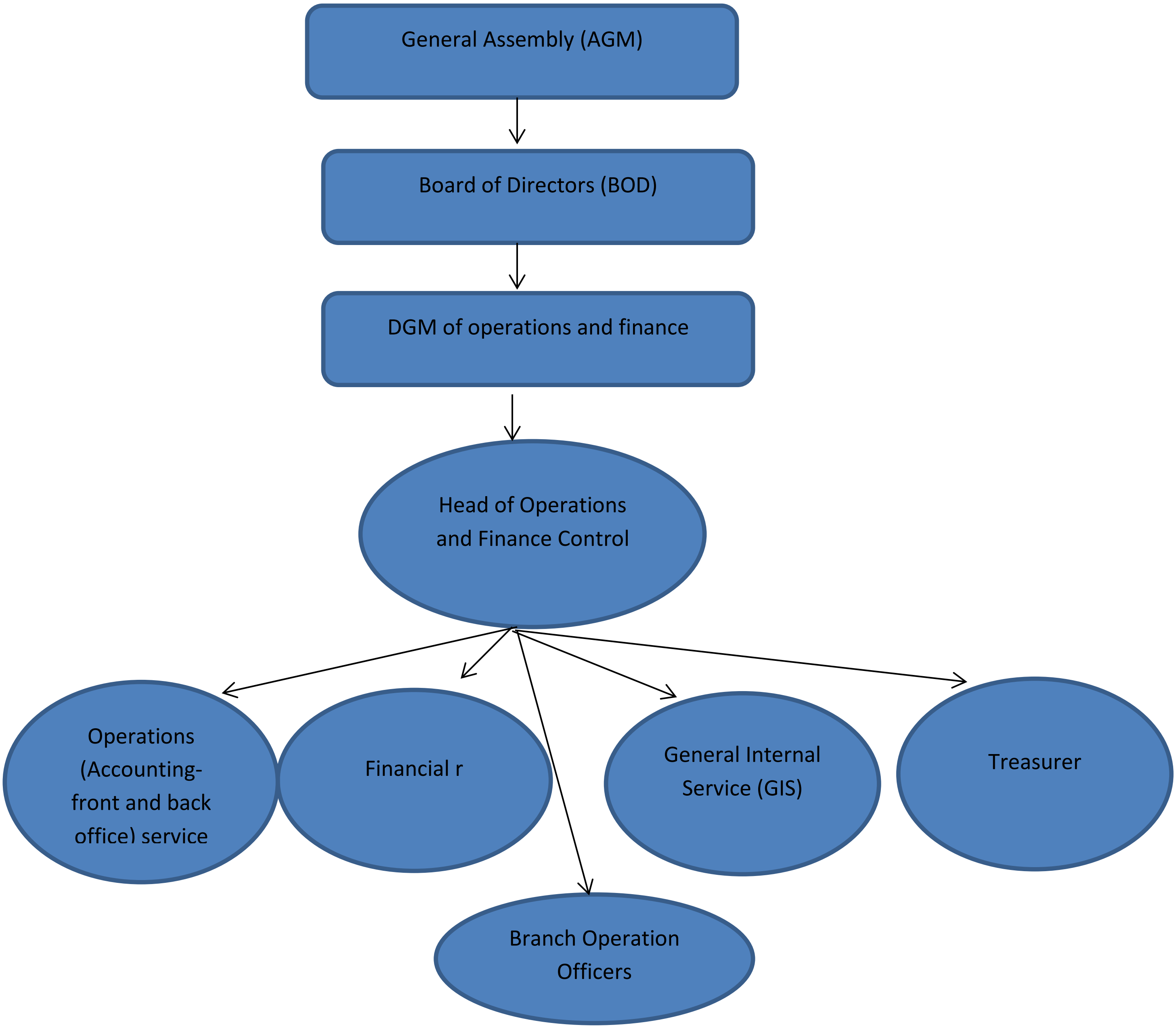
6.3 Internal Control and Internal Accountability

The discussion here focuses on exploring the structure and internal accounting processes at CSMFI which are necessary for understanding their reporting and accountability system.

6.3.1 CSMFI's Governance Structure

The COBAC law (latest version 2009/02) adopted in Cameroon in Article 1 requires every MFI to have accounting practices in place in order to provide information to both internal and external users.

FIGURE 6.1 Accounting Departmental Structure of CSMFI



The accounting service prepares all of the management reports and accounting statements including budgets (back office functions) that are used by the institution in making decisions. They also perform front office duties, dealing with customers' queries directly besides the client service, especially those queries to do with transactions on customers' accounts. The Financial Controller, on the other hand, verifies the figures inputted to avoid errors, the GIS is charged with anything to do with the stocks and fixed assets of the company while the Treasurer evaluates the ratio of liquidity, prepares daily reports of the company's liquidity situation and needs to finance the business, and what opportunities it can venture in the market (forecast). This is a vital service, as without cash CSMFI cannot function.

At the time of its creation, CSMFI had no formal organisational or governance structure. The group of individuals saw themselves as equals from the same village. They were equally accountable to each other, especially when helping their village members with agricultural products and small loans which they drew from their small savings. The organisation expanded, registering an increase in both its client base and number of employee. These pioneers formed part of the company's BOD and/or shareholders, followed by other senior managerial functions (branch managers, accountant and cashiers). The organisational structure was somehow decentralised, as most of the branches tailored their services to suit customers within the particular rural or urban area in which they operated. One of the BOD members who were present by the mid-2000s added that;

> ... the structure of CSMFI around 2005 and 2006 was based on what the needs of the people were. Each branch had their own organisational structure which was structured depending on what functions were needed to meet the need of the customers in that particular branch area. Some branches gave priority to financing micro projects (farmers, 'buyam-sellams', etc.) while others focused on loans (to help families pay school fees, etc.). It was entirely up to the branch manager to decide how their branch would operate. CSMFI had decentralised practices from then until recently when, with the centralisation, all branches follow what they have been told by the head office and report to the head office by the close of each business cycle.

The year 2009 started with some adjustments and restructuring in CSMFI, giving birth to a new organisational chart showing new departments instituted and new services employed. The restructuring, besides giving CSMFI long-term financial stability, also arguably assisted in alleviating poverty through financial aid given to customers through social projects and loans.

Besides the introduction the new organisational chart, the administrative affairs, control and external supervision, marketing, public relations, research, finance, accounting and management information practices (MIS) improved. CSMFI today has share capital of about 320 million CFA. CSMFI's network now covers five out of the ten provinces of Cameroon. CSMFI has equally expanded its network to rural areas and is currently hoping to develop a branchless banking project that will aid in offering its services to the remotest areas of the country. This idea is a bid to embrace the majority of the poor (those who cannot afford to bank with commercial banks or formal finance), assuring outreach (Hermes et al., 2011) with their financial services; such customer groups are argued to be located in remote areas like these.

CSMFI has its head office in one of Cameroon's main cities for reasons dating back to its official place of birth. CSMFI is also represented in two developed countries that at one point extended their financial hand to promote its social and developmental mission. In 2005 there were fewer branches in CSMFI's network. The South-West region, for example only had two branches and there were no branches in the East and North regions of Cameroon, unlike today. This geographical expansion was initiated after research was conducted on customers' needs and segments. The findings showed that more poverty-stricken people were living in rural areas and the outskirts of urban areas. In a bid to embrace and accommodate the needs of these extreme poor, CSMFI decided to expand their economic activities to the new regions mentioned above. One of its customers confirmed this expansion:

> Initially we did not know about this idea of MFIs and we were used to keeping our money in our nganji[17] but this did not help most of us as there were always many villagers in the queue to borrow money. This even led to a shortage of money and those who were not able to join such organisations as they could not afford a certain amount of savings felt left out completely. Today, we feel happy having a MFI like CSMFI in our village that tolerates micro savings and also helps us with microloans and many other services all the time.

In line with CCSMFI's structure and growth objectives, the General Manager added that,

> CSMFI aims at leaving a remarkable impact on Cameroon's economy through its way of governance and mission to cooperate in solving future economic problems in the form of present-day decisions.

CSMFI started with just two individuals and later expanded to about fifteen people two years later with its first BOD at the time when it became a cooperative society. The first semester 2009 annual report shows:

> Employee situation as at 31st December 2008 stood at 67 employees. This area has witnessed significant changes due principally to the recruitment or confirmation of 8 CSMFI temporary workers and two phases of recruitment which brought on board 21 and 6 respectively. At the end of the probation, 23 were confirmed while 3 saw their probation period renewed and one abandoned. This has greatly increased the workforce of the company. The administrative and personnel department itself had an increase in personnel from one to three: one human resource officer and one equipment and procurement officer (p. 11).

TABLE 6.2: Staffing Evolution in CSMFI

Gender	**31/12/2007**	**31/12/2008**	**30/06/2009**	**Variance**	**Percentage change**
Male	18	37	49	12	32.3%
Female	13	30	47	17	56.6%
Total	**31**	**67**	**96**	**29**	**43.2%**

Source: First semester annual report (2009:11)

The increase continued and today CSMFI employs over 100 people (CSMFI 2012 annual report)[18] who work together with the common goal of achieving the organisation's objectives, mission and values. Today, the employees of CSMFI follow a hierarchical order in performing

[17] Informal financial house meant for savings and meetings, usually with people from the same community or background.
[18] The researcher was only allowed to read this report and not to print or photocopy it for reasons of confidentiality. This is why a copy is not attached to this thesis.

their duties with centralised practices. There is a General Assembly/ shareholders followed by the Board of Directors alongside the Audit Committee, the General Manager working hand in hand with the Audit and Compliance department and his Administrative Secretary, the DGMs who control the Production, Risk Management, Operations and Finance, Human Resource and Legal Affairs and Information Technology departments which underlie many other functions, as shown on the recent or new organisational chart drawn up in early 2012 (Appendix). When CSMFI started, no formal organisational chart was drawn up as such, but the various employees knew their positions and ranks in the organisation. By 2005, a formal organisational chart had been drawn up (old organisational chart) and this was revised in 2009 with suggestions made but not effected as such. This organisational chart, together with its suggestions to include new services critical to achieving the organisation's mission such as instituting the function of DGMs, made it similar to the recent or new organisational chart. However, this new organisational chart includes not just the functions of DGMs but also the services and department of Small and Medium Size Enterprise (SME) and Consumer and Client Care. The organisational chart was further revised in 2012 to embrace key organisational changes.

By 2009 there were eight BOD members and four Supervisory Committee members (President, Vice President, Secretary, two members). Today, CSMFI has ten BOD members and five supervisory committee members occupying various positions. The BOD members include the Board Chairman, Vice Chairman and Director of Human Resource, Board Secretary and Director of Operations, Director of Marketing and Public Relations, Director of Corporate and Regulatory Affairs, Director of Legal Affairs, Director of Investments and Director of Credit (CSMFI's 2009 annual report). This increase led to an organisational restructuring started at the level of the BOD and Supervisory Committee members. By mid-2012, CSMFI had witnessed further restructuring activities which were in line with its additional objective and mission. This restructuring affected certain but not all departments, as already mentioned. CSMFI still continued to record a financial performance level below predicted expectations after the change in its objective and mission to include profitability. Thus, the company saw the need to match the company's objectives with its strategy in order to improve its financial performance and profitability and in turn assist the poor; hence the company's efficiency and country's growth rate assured strategy for approving credits and investments, needed an additional member of the BOD and an improvement in the governance structure (CSMFI 2009 annual report).

The CEO of CSMFI added that,

> The inclusion of the Small and Medium Size Enterprises department together with updating the practices software used in CSMFI was a bid to adapt to the changing focus of our organisation to become financially and socially sustainable. It is thanks to customers' complaints and their increasing demands that we had to rethink a strategy that will not force us out of the market.

CSMFI's BOD members are partitioned into various committees, of which there are three main ones. Firstly, there is the Credit and Loan Committee. This committee found both at board level and management level, implying there are two levels of credit and loan committees in CSMFI. Both of them are charged with the control of loans and credits given out to customers to avoid situations of bad debts, but at different levels. Secondly, there is an Investment Committee, where investments decisions are made. Lastly, CSMFI has an Audit Committee. This ensures that internal controls are working properly and ensure employee discipline, even though they are not directly involved with the employee's day-to-day activities.

The restructuring of CSMFI in 2009 led to more centralisation and formal accountability structures (see appendix for CSMFI's organisational charts). This structure today gives CSMFI'S senior management more power, especially in regard to decision-making. The decisions are then expected to be followed by employee and customers. As already mentioned, when CSMFI was created in 2002- 2003, it only comprised a few individuals.

6.3.2 CSMFI's Accounting System

CSMFI has an internal centralised accounting system where all of its operations, be it at the head office (HO) or branches, can be viewed at any CSMFI location and all are managed by head office in collaboration with various branches. This implies that all requests sent from the branch accompanied by proofs such as receipts or application forms are channelled to the head office for final decision-making/approval and execution. Filing is done at the HO, with a file opened for each branch. For example, all of the loan files of various branches are held at the HO with copies of various documents at the respective branches. The migration from a decentralised system to a centralised system only started in early 2011 and finally started operating in late 2011, since the organisation saw the need to give room for their employee to adjust as a process of implementing this change. With the decentralised system initially used at CSMFI, every single branch operated a different but informal kind of system. Filing was done at various branches by the branch employee, making it difficult to control the branch from another location. The DGM in charge of Operations added,

> … as far as I know initially when CSMFI was created, there was no accounting or book keeping system as such in place. Accounts were done informally and manually with little or no records. This is the reason why we do not have such records in our database or archive. However, when CSMFI became a cooperative society, a semi-formal accounting system was instituted where reports were prepared. There was more book keeping until about 3 years later when management saw the need to restructure the organisation based on several complaints received from auditors and even customers whose records could not be properly traced. Ever since then there have been great changes and improvements in CSMFI's accounting system. For example, we now have a centralised system with a formal accounting system put in place.

CSMFI has an accounting and operations procedures manual[19] which describes and explains how transactions are to be treated and how to record such accounting entries in line with OHADA. CSMFI's management accounting system works strictly by objectives. One of the old BOD members added in an informal discussion that,

[19] CSMFI's accounting and operations manual cannot be attached to the thesis for reasons of confidentiality, which the researcher abides by.

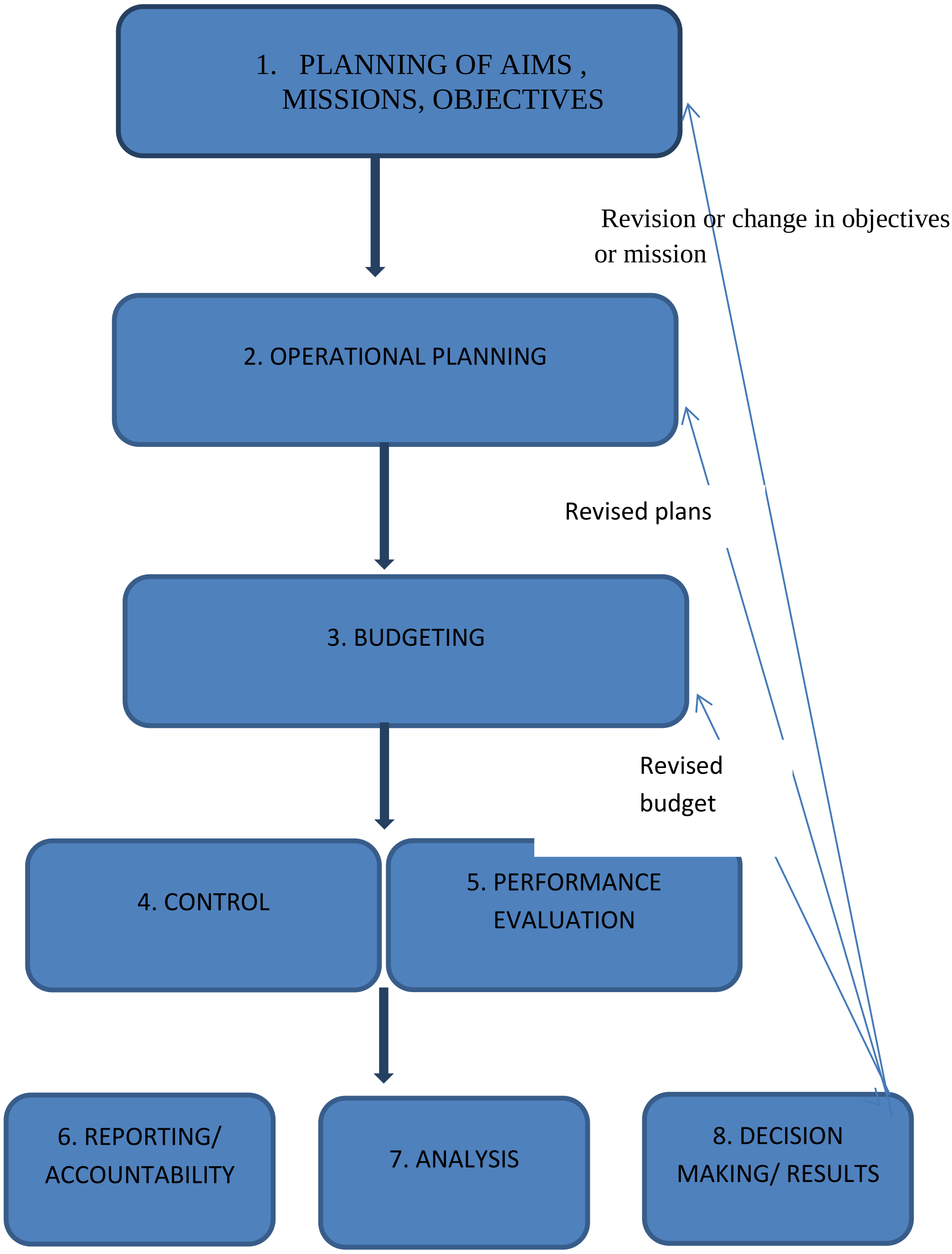
> … as an existing culture of CSMFI, we have what we usually refer to as management by objective strategy (MBO). It is in line with this long existing organisational culture that we draw our budgets and revise them yearly to suit the organisation's vision/missions. We also measure our performance in line with set objectives, be it social or financial, in order to achieve our mission.

The MBO strategy at CSMFI also means that various departmental heads are allowed to decide their departmental objectives for each year that will help to achieve the organisational objective and missions. For example the Marketing department's objective by 2012 was to increase the customer base, review operation documents, ensure operational documents are in English and French, oversee and increase the volume of transfers (speedy cash and Western Union) and facilitate the processing of civil servants' files at MINFIN (CSMFI annual report, 2012). The Customer Service section's objectives in 2009 were to provide training for all front office officers and put in place mechanisms aimed at increasing customer satisfaction (CSMFI annual report, 2009). Furthermore, Publicity and Public Relations' objectives in 2009 were to revive CSMFI's newsletter, work on CSMFI's website with the MIS department, work on the harmonisation of all signboards and reply to commercial and other business-related correspondence (CSMFI annual report, 2009). The Finance and Accounting department's objective in 2012 was to embark on the preparation of timely and accurate accounting information (CSMFI annual report, 2012).

Today, the accounting system of CSMFI has been readjusted to suit its recent additional objective and mission focus in accordance with the COBAC law. In line with the management by objective strategy at CSMFI, the Accounting and Finance department has been sub-classified into internal and external activities. The internal activities include incorporating proposals from the AGM into action and reflecting such actions in their reports, following regulatory rules or better still conforming to the accounting plan laid down by COBAC for MFIs in preparing financial statements and budgets, and in-house accountability and managing the systems in place.

The development of the managerial accounting system at CSMFI could be linked to changes in the objectives as well as the culture of the organisation. There have been changes over the years, especially in line with the management of the organisation. “Today, the head office is the centre for strategic thinking and decision-making at CSMFI” (2010 annual report: 1). The centralisation and restructuring is in line with the growth objective, as suggested by evidence gathered during the research. Within CSMFI’s management accounting system are the functions of planning, budgeting, control, performance evaluation, reporting (and accountability) and decision-making.

FIGURE 6.2: Structure of CSMFI's Management Accounting System



Planning

The Accounting, Planning and Control departments at CSMFI are mainly responsible for producing management accounting information for the organisation. There are two types of planning at CSMFI: planning necessary to set or review the firm's overall objectives and mission and planning necessary to implement the actions' needs in order to achieve the set or revised objectives and mission. The strategic planning at Stage 1 in Figure 6.2 above is that which sets out the overall objectives or mission of the institution, usually done at the AGM by shareholders assisted by the BOD and the GM. The strategic planning process has existed in CSMFI from its creation and is still on-going. The general manager,

> Our aim in doing strategic planning for the organisation is to make sure we leave a positive impact on the society at large by involving the right stakeholders in the whole planning process from one step to another. As a developmental organisation, most of the issues addressed in the planning stage usually influence other managerial functions such as control.

Summarily, CSMFI's 2009 annual report states that; "… better planning was especially required to make sure that control of overall activities can be done from a central server".

The operational planning at Stage 2 is effected by the management team supervised by the GM and his assistant. Operational planning at CSMFI starts from suggestions from stakeholders. Usually the organisational performance following various organisational reports and financial statements also contributes towards better planning at CSMFI. The budget is then prepared, following the organisational plans. CSMFI's overall planning towards achieving stated missions and objectives are achieved by distributing and monitoring the effectiveness of individual responsibilities through branches, departments and functions.

Budgeting

The budgeting process at CSMFI starts at the level of the branches. These branches make a draft budget (line) and send it to the HO, defended by the Branch Manager and Operations Officer. The same budgeting process holds at the level of the HO, where various departments, supervised by their departmental heads, come up with a draft budget for the departmental needs that will help them achieve the organisation's objectives. Then the HO Operations and Finance department consolidates all budgets, including those from HO (defended by the departmental heads). The DGM in charge of Operations and Finance controls and reviews the budgets, making sure they have been inputted correctly with the help of new accounting software, and submits them to the GM for review and comments. The DGM in charge of Operations together with the GM then takes the budget to the BOD for more comments/advice. Corrections and rectifications are then effected if need be, usually by the HO Operations Officer in collaboration with the DGM in charge of Operations and Finance Control.[20]

The final draft budget is then forwarded to the GM, who sends it to the AGM for deliberation and approval. After its approval, the budget is then put into operational use. This budget is usually a flexible one that can be moderated with substantial reason.

Before the recent change in mission, the branch managers sent their planned budgets directly to the BOD, who took them to the AGM for deliberation, but with the centralisation that is a result of the new mission, all budgets are sent to the HO for verification and approval before being sent forward to the AGM.

There are three main budgets prepared at CSMFI: an investment budget, operational budget and production budget. The assistant manager in charge of operations pointed out:

> The investment budget is linked to all investments the company wants to undertake while the production budget is then related to marketing activities such as portfolio management: loans, overdrafts, recovery, etc. The operational budget relates to salary, electricity, networking, security, telephone bills and any other day-to-day activities of the company.

CSMFI's budget plan is usually developed based on the previous year's budget realisation, and evaluation of the budget is done at the end of the year. CSMFI operates a line and incremental

[20] These functions are occupied by the same person.

budget type: incremental in that the current year's budget and the year proceeding the current year are usually compared, and this serves as a starting point in preparing next year's budget.

When CSMFI was created, budgets were not prepared, for the simple reason that the group of individuals just used whatever spare personal funds they had to pursue its poverty alleviation objective. One of the BOD members added,

> When CSMFI started, the organisation was only concerned about helping farmers in our village and nothing else. They didn't border to do any budgets, planning or any managerial stuff. All we wanted to do was extend our hand of friendship to talented farmers who lacked financial support. However, by 2002 when CSMFI became a cooperative, budgeting was thought of and initiated even though more informally done by the branch accountants and later on followed the regulatory guides to prepare one. It was done branch wise, unlike today where it is being done departmentally and line wise.

More is done on budgets today at CSMFI besides preparing them. CSMFI, especially by 2009, had embarked upon the improvement of its budgets in line with effectively managing and monitoring these budgets. CSMFI's 2009 annual report suggested that,

> In order to ensure effective budget management, CSMFI introduced a new pay voucher which was accompanied by a budget manual. This enables the organisation in the process of monitoring and managing as well as ensuring proper accountability of all expenses incurred at all levels. This new pay voucher serves as a tool for effective budget control. CSMFI having in place provision for budget analysis (quarterly and annual budget) will help in conducting a proper monitoring process of expenses using various budget heads. (p. 22)

Furthermore,

> The budget manual gives information on the allocation made for the various budget heads per branch. This document serves as a guide to proper application of the budget. It also gives the description on the various budget, expenses that relate to a given budget head and information on engaging each budget head. (CSMFI, 2009 annual report: 22)

Control System

Initially, employees were simply not bothered about the management of the company, especially on improving the control system in place, until recently when a huge need for it was envisaged. They saw no need for generating positive cash flow, profitability or any aspect of financial management in the early 2000s. However, after 2009, all of these operational/ financial and technical aspects within CSMFI became one of its priorities in a bid to have a greater chance of achieving its mission. For example, more control training programmes have been conducted since 2009 and five more controllers recruited, more machines provided and new credit management systems instituted, in order to intensify the orientation of controllers and manage the organisation better towards achieving its objective. The general manager added:

> A meeting was held for all controllers on the theme – devising internal control and ensuring security of operations. This was a two day meeting involving 11 controllers from all of the branches. Issues focused on included: inter-branch reconciliation review, review of internal audit manual, use of some basic techniques of risk identification and evaluation such as flow charts, control questionnaires, etc.

Today, two departments in CSMFI are charged mainly with the functions of control. The Finance Control department and the Auditing department are responsible for carrying out internal control duties in the organisation. In the Finance Control department there is a Financial Controller at the head office level who verifies mainly on a daily basis what has been done so far and sees to it that such activities are in line with the organisation's proposed budget. This is to make sure that certain transactions are not accepted without having enough money to execute them, due to the tight nature of their budget. Control is managed at the level of operations and investment following the planned budget. At the level of operations, the expenses and income of CSMFI are the main focus.

Furthermore, the Audit Committee is made up of internal and external auditors. The Internal Audit department is charged with the general verification of what is done in the system and making sure all transactions follow the set organisational procedures as well as the rules and regulations of their regulatory (COBAC) and supervisory (MINFIN) bodies. The Internal Controller and Auditor supervise and control all internal activities of the organisation, and they are audited by the external auditor (see Section 6.3).

The methodology of the internal audit process at CSMFI has changed in recent times. Initially, the control process was done manually. The auditors moved from one branch to another, started at the branch level, usually done from one department to another and usually at the level of the head office, unlike before between 2000 and 2008, when audit controls where completed by physical movements from one branch to another by one or two internal auditors.

- **Internal Control**

Internal control at CSMFI is carried out by the Finance Control and Audit departments. The Finance Control department has a Financial Controller who is charged with the daily verification of the budget to avoid a situation where monetary transactions are authorised without having money budgeted or set aside for such transactions. There are control mechanisms put in place at the levels of operations (income and expenses of CSMFI) and investments.

Secondly, the Audit Control department carries out the function of the internal auditor charged with the general verification of what is done in the system and if this is done following set in-house and regulatory procedures. There is what we call control of engagement, where all controls relating to loans and audits are done internally.

Internal control at CSMFI has helped in reducing cases of fraud, especially fraud by senior management employee and daily collectors.[21] Internal controllers are also charged with the function of risk management, which involves the verification and follow-up of the speedy cash, daily collection and credit products as well as suspense monitoring. It includes the development of procedural and regulatory service notes aimed at strengthening the security of operations (CSMFI's annual report, 2009). Despite all of these control measures that have been put in place, the General Manager in his 2009 management report added,

> Employee misconduct and indiscipline persists, procedures and policies are not only incomplete but have so far been poorly communicated to and/or perceived by the employee in a harmonised and consistent manner.

[21] Daily collectors are employee charged with the collection of customers' day-to-day savings from their locations, be it from their homes or business units, to reduce customers' transportation costs.

Credit management is also not only the duty of credit officers but also that of internal controllers. In line with continuously improving the management of CSMFI's credit portfolio, the General Manager in his 2009 management report proposed the organisation to start by presenting the main problems faced at branch level with proposed solutions followed by an action plan and projections. A new system of granting credit was then introduced. This system had a new loan and overdraft form design to respond to the problems encountered in analysing such applications. This led to increase in loans given out as well as productivity. The centralisation of the credit management process since 2009 has led to an increase in loan delinquency ratios.

Performance Measurement

The performance evaluation of CSMFI is done at both the financial (measurement process) and non-financial (employee efficiency) levels. In line with the financial evaluation of CSMFI, it is done based on the organisation's mission at the time, and most often structured according to departmental objectives and to meet the requirements of the regulators. The financial statements play a vital role in this process (annual report, 2010). The Marketing department usually has its own objectives, different from those of the Human Resource, and Loans and Accounts department, all in a bid to accomplish a particular organisational mission (for example wanting to become a bank, which is the case now). Depending on the objective, CSMFI want to achieve measurement by objective. CSMFI's Head of the Finance and Accounting department located at the head office usually comes up with a plan of action (to include planned budgets) and follows up to the realisation stage. This financial performance measurement function is performed by the Finance and Operations department of CSMFI. In terms of financial performance measurement, the branch accountant at the branch level compares and contrasts the planned budget with the actual, prepares financial statements following the law (which stipulates the use of OHADA accounting, which replaced OCAM in preparing financial statements and the specific regulations from COBAC). However, a management[22] employee member added,

> Depending on the target group, we can manipulate the figures on our financial statements for tax purposes and to protect the image of the organisation. For example, for tax purposes if we report so much profit as the case maybe we risk paying more tax. If we make a loss, we don’t report it as such to the public for fear of winding down or losing our customers. This usually results in situations where we can have different reports for different stakeholders.

Furthermore, in line with financial performance evaluation, usually all of the financial statements from various branches are then sent to the head office for consolidation and reassessment before a final financial report is produced on the company’s performance. The report is then sent to the Deputy General Manager in charge of Operations, who after reviewing and amending it sends it to the General Manager and they defend it at the BOD meeting. The financial reports prepared in CSMFI are usually done following already existing templates and the accounting system in place. This implies that financial performance measurement at CSMFI follows a quantitative format, however there are usually accompanying notes of accounts and reports to give a better explanation of the company’s financial situation.

There has been a change in terms of improvement in achieving the planned budget (plus budget format) recently. A template has been filled and designed by the new software (Banker’s Realm). The Deputy General Manager now in charge of Operations and Finance Control added,

> CSMFI has monthly performance indicators which tell us how we are performing financially and we also base our future decisions on this. If we notice that there is a problem somewhere that will not help us achieve our target objectives then we readjust our action plan or come up with a fresh new one. Our budget plan is usually developed based on the previous year’s budget realisation and evaluation at year end. The statements that we use to measure performance are mainly those relating to investment, production and operations. So we have the investment, production and operations budgets we use.

CSMFI uses a performance appraisal form (Appendix) for carrying out a more structured quantitative type of evaluation where scores are given by departmental or service heads to

[22] Job title not disclosed for reasons of confidentiality.

subordinate employee. The form has five sections: performance (knowledge, skills and ability, quality and quantity of work, work habits), behavioural traits (initiative, judgement and punctuality), supervisory factors and planning (planning and organisation) and interpersonal relationships (communication with hierarchy, peers and customers). Based on the evaluations, recommendations are given for promotion, encouragement or warnings. Such scores are usually signed, dated and justified with practical evidence. Interpersonal relationships, for example, can be argued to mean internal accountability.

Normally, non-performance measurement at CSMFI is done by the Head of Human Resource department leading employee evaluation. Besides sending an evaluation form to all employee to evaluate their colleagues, the Human Resource Manager together with departmental heads and DGMs evaluates the administrative performance of the organisation, besides its business (financial) performance. The code of conduct is often used in judging the behaviour of employee.

The signing in and out book is used to evaluate employee punctuality and many other key attributes are also considered in undertaking employee evaluation. Employee evaluation is also done at the department and branch level. At the departmental level, the Head of Department evaluates all employee under them and the Head of Department is then evaluated by the Deputy General Manager and the Human Resource Manager. Branch Managers also evaluate the employee in their respective branches and are in turn evaluated by the Human Resource and General Manager. The DGMs and human resource managers are then evaluated by the General Manager, who is evaluated by the BOD. The Assistant General Manager now in charge of Operations and Finance Control further pointed out

> We are now working towards a system that will motivate performance and not just having the evaluation done. Initially non-financial performance was done in a qualitative manner but is now more quantitatively structured with various evaluation forms (performance appraisal form) to fill and less room for so much writing and

> explanations like before. Explanations are only given when need be and usually verbally.

CSMFI evaluates job performance and interpersonal work relationships for every employee member. At the job performance level, the organisation seeks to evaluate the branch manager's portfolio management, for example, focus is given to how many accounts they have opened or activated, loans recovered, etc., compared with the target. This assessment helps CSMFI at the level of their decision-making as to whether to promote or dismissed them or whether more training is needed depending on the situation and reasons. At the interpersonal level, CSMFI seeks to investigate the employee member's collaboration with other employee, relation to customers, and respect for hierarchy, sense of initiative and sense of responsibility amongst many other matters.

Furthermore, regarding improving CSMFI's performance measurement system, in 2010 it adopted the Balance Scorecard (BSC) system despite how expensive it has proven to be (see General Manager's quote below) in order to reinforce strategy. BSC also helps CSMFI to align its resources with its objectives and measure the company's overall (strategic) performance. This is in line with the argument from Crabtree and DeBusk (2008) in the management accounting literature. The General Manager added,

> Even though we strive to improve our performance by implementing new strategic management tools, usually those that combine the use of financial and non-financial performance indicators like our BSC by training our management employee on them, some of these employee still don't use them well. We have recently incurred so much cost in attempting to shape CSMFI to look like a future bank. How CSMFI is viewed externally and internally needs to reach equilibrium.

Kaplan and Norton (1996; 2001) argue that BSC is usually grouped under four different categories: financial, internal business, customers and learning and growth. Usually CSMFI aligns its objectives in various sections some of which fall under the perspectives suggested by Kaplan and Norton (1996; 2001). The financial perspective is usually on how shareholders of CSMFI view the company, while the customer perspective is how customers view CSMFI. The internal business process looks at the areas where CSMFI needs to improve or work hard on in order to satisfy shareholders and customers. The learning and growth usually focuses on what needs doing in line with research and development within the company if it is to achieve its goals and objectives. Besides the four perspectives of the BSC, the BSC also transforms the traditional concept that just focuses on financial performance measurement into intangible and long-term development (Wang et al., 2013). Thus performance measures at CSMFI, following the above quotation from the General Manager of CSMFI, must strike a balance between external pressures from customers and shareholders and internal measures around the innovation and learning and growth aspects of the business.

The BSC was brought into CSMFI following a year of centralisation as the organisation became bigger with challenging strategic goals. However, issues of decoupling are still evident today at CSMFI, in line with instituting this BSC. Certain key performance indicators are still continuously used by CSMFI. The Head of the Accounting department added

> We keep using our old style performance indicators because it makes our job easy as this is what we have been used to. BSC only assists us to decide how the company's yearly structure/ strategy will look and not much as far as I am concerned.

Reporting

In-house reporting is done both qualitatively and quantitatively depending on the type of report. Initially the accountability function in CSMFI was done qualitatively, but with the introduction of new software it is possible to perform quantitative reports to save time and make performance analysis easier. The financial/management reports prepared in CSMFI include income statements, cash flow statements, trial balances, balance sheets, general ledgers, operational budgets and ratios to measure performance/evaluation. These reports are generated directly from the system and then verified manually to avoid system errors.

Decision-Making

Strategic decisions at CSMFI are currently made at the head office, unlike in 2000-2009. Decisions made at the head office are usually followed by meeting(s) held by the annual General Assembly at which most or the entire BOD are usually actively present. This process is only followed when sensitive decisions are to be made; otherwise they are dealt with by departmental heads, who are now located at the head office. However, regulatory accounting decisions still remain the responsibility of the government/ regulatory body. In the early 2000s when CSMFI was created, decisions were made by the few individual shareholders who started the association. In 2002-2009 it was entirely the responsibility of a branch manager together with their accountant to make strategic decisions for their branch. One of the branch managers in an informal discussion added,

> CSMFI has changed a lot. When CSMFI just started operating as a cooperative and a Category 1 MFI, I use to make all the managerial decisions for my branch even though with the support of the branch accountant. I thought about what needs to be done in order to achieve the set objectives for my branch and then made decisions which were audited.

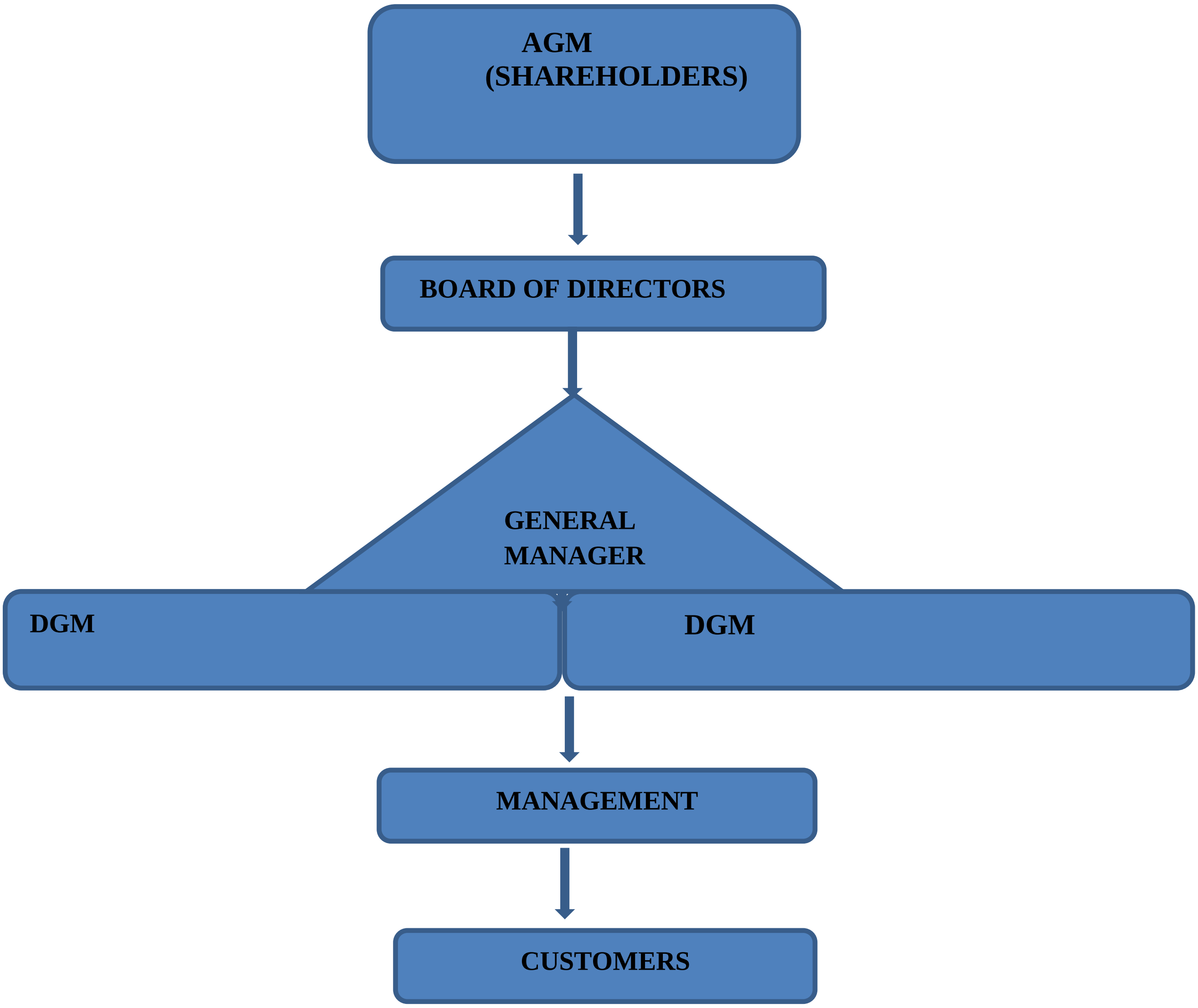
Another branch manager pointed out,

> At CSMFI we have witnessed a kind of centralisation today as most of the decisions are now made at the level of head office. Before 2009, we were used to making various decisions in our branches. This decision-making process was usually headed by me, my accountant and financial control. We decided on how to control bad debts and other administrative costs amongst so many different things. This usually helped us to meet our target for that year. The head office was then informed and necessary support given to achieve such objectives.

The National Accountant since 2010 said,

> Strategic decisions taken from 2010 consisted more of imposing a very strong image of CSMFI in the financial market. However, much work has recently been done to this effect which includes improvements in service delivery time, quality service offer, improved communication with branches and purchase of services cars and refurbishing of branches. All these have contributed significantly in communicating to the public that CSMFI is a thriving microfinance. However, much work needs to be done after securing the image of a booming microfinance in the mind of the public.

FIGURE 6.3 Decision-Making Ladder at CSMFI



The AGM delivers the resolutions and empowers the BOD to react during the next year. The BOD then passes on the decisions that have been made to the General Manager, who together with their assistant makes sure the decision is implemented in the organisation. The management team undertake the practical decisions imposed on them and are not permitted to make alternative decisions but practice what they are told. The management then pass on certain rules and decisions to the customers. However, it is still possible to find some employee within the organisation not putting some decisions into practice. For example, the use of the new software was drastically contested by certain employee, especially those who were used to the previous organisational norms. Again, the organisational culture can be argued to be the reason why certain employee members resist new and especially sophisticated changes within the organisation.

In summary, the new mission of CSMFI to become a bank besides its social mission has shaped the nature of its accounting system, for example, the increase in employee, change of accounting software (from Global Bank to Banker's Realm) and extra positions created within the management structure (the new position of DGM). The COBAC law Article 11 also requires CSMFI's accounting system to be able to deliver requested documents to users within certain legal time frames. This statement brings the discussion to the next section on accountability.

6.4 External Control and External Accountability

6.4.1 Regulatory Accounting of MFIs in Cameroon

Before the late 1990s, the microfinance activities were mainly supervised and controlled by the Ministry of Agriculture. This was because at that time microfinance services were geared towards the promotion of rural and agricultural activities (Fotabong, 2012). However, due to ineffectiveness and irregularities in the area of supervision from the Ministry of Agriculture, made more noticeable only after the collapse of major players such as CONFINEST and CAPCOL, and the urge to protect depositors, the responsibility to supervise MFIs was then shifted to the MINFIN and COBAC in the late 1990s. The shift of regulatory/supervisory functions from the Ministry of Agriculture to the MINFIN was in line with the Prime Ministerial decree that decided the granting of licences and supervision and control of all MFIs in the late 1990s.

The regulation of MFIs in Cameroon follows three sets of different laws: the national law, CEMAC law instituted through COBAC, or general rules, and OHADA, or specific rules. MFIs, like other financial houses are expected to comply with these laws, focusing more on the basic prudential norms as stated by COBAC. However, despite the existence and clear definition of these regulatory laws and regulations, Fotabong (2012) argues that the dissemination of information between various stakeholders remains relatively poor. Also, the fact that the state participates in the provision of microloans via MFIs makes matters worse as activities through these different channels should be carefully regulated.

Note should be taken of the fact that the main original text prepared by COBAC for MFI regulatory and control purposes is directed towards the nature of activities of these institutions and not their legal form. In the CEMAC law instituted through COBAC, microfinance is has the same meaning as previously stated by Rhyne (2001) in Section 2.1 (stated in Article 1) and in Article 5, MFIs are categorised under three different classes (Table 2.2). COBAC's[23] supervision could be onsite or offsite. One of the chiefs of service added,

> We do conduct on-site visits whereby we inform the case organisation well ahead. We also let them know when exactly we will be visiting and what will be required from them to help us perform our supervision. With on-site, we look at the loans, savings, transfers, structure of organisation and other services. While off-site we demand financial statements be sent to us through our official email address and we inform the organisation of the outcome.

Fotabong (2012) adds,

> The control mission from the regulatory and supervisory authority – COBAC for example became increasingly present in major MFIs to scrutinise their activities with respect to basic prudential norms. (p. 2)

[23] Note should be taken of the fact that COBAC is the supervisory body while MINFIN is the regulator of MFIs in Cameroon.

Furthermore, the various attempts made by the state to gain the interest of various stakeholders, especially during the crisis in North Africa and the Presidential election billed for October 2011 led to a corporate citizenship image:

> COBAC recently started a nationwide evangelism to sensitise promoters of MFIs in Cameroon on the need of professionalism so the sector does not become an all-comers affair. (Fotabong, 2012: 2)

6.4.2 MFIs' Regulatory Accounting Plan

Following the accounting plan stipulated by COBAC in 2009 (COBAC MFI Regulation 2009/01 related to the accounting plan of MFIs), various laws have been stipulated. The OHADA accounting practices remain a fast-growing accounting practice and many countries particularly in Central and West Africa use it as their national GAAP.[24] OHADA[25] accounting practices help to organise or classify activities of an organisation in a logical manner with the help of numeric codes.

> The codification of the OHADA Accounting Practices is arranged so as to identify patterns and parallels may help to remember and understand the accounts. (OHADA accounting plan, Chapter 1, section 1B)

The first part of the accounting plan stipulated by COBAC talks about individual accounts, with the first chapter focusing on general provisions with nine articles (see Articles 1-9 in Appendix). In line with Article 8, all intermediation operations carried out by any MFI must only be within the country where it is established. For any intermediation operations with other countries, all MFIs must pass through a commercial bank, or other financial institutions within the country of operation.

In the OHADA accounting plan, Chapter 2 is all about the organisation of accounting records with ten different articles (see Articles 10-19 in Appendix). Chapter 3 concerns regulations

[24] http://www.imfagroup.org/en/site/ohadaAccounting
[25] For more details on how to apply OHADA accounting see Appendix: OHADA accounting plan

regarding periodic statements (see Articles 20-26 in Appendix). Chapter 4 contains regulations with regard to rules of evaluation and determination of results. Chapter 5 is the last section in the first part, covering probative force of documents, account auditing and collection and disclosure of accounting information (see Articles 50-57 in Appendix). The second part of this document relates to issues concerning combined accounts and consolidated accounts of MFIs. The first chapter in this second part is basically on consolidated accounts (see Articles 58-84 in Appendix). Chapter 2 in this section relates to combined accounts (see Articles 85-92 in Appendix). The third part of this document contains regulations regarding final provisions (see Articles 93-95 in Appendix). This document was created for the Central African Banking Commission in the presence of the President himself and various members of the CEMAC zone.

6.4.3 CSMFI's Regulatory Accounting System

MINFIN works through COBAC (the arm that enforces regulatory rules). CSMFI uses legislative texts which are enforced by MINFIN containing all regulatory norms. OHADA accounting is the accounting plan used by the 14 countries under the Central African States. This OHADA accounting plan stipulates that those in the banking sector and insurance companies within the CEMAC region in Central Africa can have a specific accounting plan. This is the reason why CSMFI adopted and uses the COBAC accounting plan, keeping OHADA to serve as the base. This OHADA accounting plan[26] serves as a national GAAP not only for CSMFI but also for the country at large, as required by the COBAC law as stated in Article 14 of the OHADA accounting plan. In brief, OHADA is a legal tool designed specifically for Africa with the aim of achieving regional integration and economic growth. OHADA also ensures that African countries have a secure legal environment by adopting a more harmonised business law.

In addition, OHADA gives each member state the opportunity to enjoy a more flexible, reliable and modern single business law where the use of arbitration is seen to be appropriate and a

[26] http://www.afdb.org/fileadmin/uploads/afdb/Documents/Generic-Documents/plaquette_english.pdf

trustworthy way to settle disputes. These two accounting plans have the same general rules in terms of principles. The adoption of the COBAC accounting plan by CSMFI gives the organisation room to deal with account types rather than stock of raw materials, and all of its transactions are mostly dealing with the value date, unlike the case with the OHADA accounting plan.

For the purpose of external accountability, CSMFI prepares regular financial reports for various stakeholders, including shareholders, government, regulators, supervisory bodies and customers. The main financial statements prepared by CSMFI for external purposes include cash flow statements, balance sheets and income statements (see Appendix). The Head of Operations added,

> Before preparing financial statements, we ensure all inter-branch reconciliation statements are at zero. We also do a journal of correction, posting corrections into the system followed by a final report, prepared in accordance with the OHADA and COBAC accounting framework.

Important ratios calculated from the financial statement include liquidity and profitability ratios. The accountant uses such ratios in producing the compulsory end of year evaluation report. The Branch Accountant said,

> In order for CSMFI to achieve its banking mission by the set date, a fair ROI following the set regulations from COBAC is needed.

The implication here is that calculating ROI gives management an idea about where they are in pursuing the organisation’s mission. The external auditor and regulators also control the activities of the internal auditor to ensure that the organisation is meeting its objectives as advertised.

The regulation of CSMFI started in early 2002 when COBAC mandated MFIs in the country to be regulated. CSMFI’s accounting procedures are influenced by the regulatory requirements; for example, the preparation of the company's financial statement is done in line with Chapter 3 of the COBAC accounting plan following Article 10 which states,

> The accounting system established in the institution must comply with the regularity, accuracy and security requirements that are necessary for assuring the authenticity of records; enabling accounts to serve as an instrument for measuring the rights and obligations of partners, as evidence of information of third parties and as a management tool.

CSMFI sees to it that all transactions are completed on time and most of the recording is done on daily basis in order to ensure the timely processing of recorded data and that users receive the information on time. CSMFI also attempts to follow all other regulations and security requirements stipulated within the COBAC accounting plan (see Appendix).

Regulatory performance evaluation is carried out in line with the rules stipulated in Chapter 4 of the COBAC handbook (appendix) and is based on achieving their set objectives (organisational objectives and departmental sub-objectives) and the available budget (planned and actual). The performance management process is usually carried out following the set instructions stipulated by the regulators, supervisory body (external rules and regulations) and in line with in-house (internal) rules and regulations. Organisational management has been further compared (appendix for organisational charts), as shown on the table below. The Assistant General Manager in charge of Operations said,

> There was no performance measurement and control system put in place initially until recently. The emphasis before was on expansion and assets building unlike today where emphasis is on financial sustainability.

The external control in CSMFI is carried out by COBAC, MINFIN, Taxation, NSIF and the external auditor. In line with the set standards, CSMFI prepares and submits official formal reports to external controllers monthly, quarterly, yearly and semesterly and whenever need arises. The external controllers visit CSMFI's HO to verify the authenticity of submitted reports. Before, in order to verify such reports, they needed to move from one branch to another, but now centralisation has eased the work of the external controllers. The external auditors have the right to either give notice or pay a surprise visit to CSMFI. Giving CSMFI advance notice gives them the opportunity to prepare all necessary documents. Even though all HO departments are usually visited, they rely on the reports from the internal auditor. Branches can be visited for better justification and perhaps more information, but this is rare. The CSMFI National Accountant commented,

> Category 1 MFIs do not really attract much external control from the taxation office, COBAC and MINFIN which was the case with us but now wanting to belong to the Category 2 umbrella, more control is required from the tax office, COBAC and MINFIN to make sure we meet the requirements of becoming officially a Category 2 even though the theory is still in process.

The mission of the NSIF is usually charged with several objectives, mainly verifying the declaration of employers and employee and the contribution by the institution and reviewing the methods of presentation. In addition to the taxation control and NSIF is the control from MINFIN and the audit performed by the auditors (CSMFI's annual report 2012). MINFIN handles issues in line with the mission of the institution. Bearing in mind that CSMFI has not yet received accreditation from MINFIN to operate fully as a Category 2 MFI, MINFIN has continuously asked questions about the validity of CSMFI's Category 2 declarations, hence the reason why CSMFI continues to maintain Category 1 on its signboards while operating as a PLC (CSMFI's annual report 2012).

According to the regulatory norms of MFIs operating in the CEMAC zone, it is compulsory for MFIs to belong to an association who will act as a mediator between the MFIs and their supervisory bodies. In the case of Cameroon, the association of MFIs is called ANEMCAM, and CSMFI is part of this. When there is a new regulation to be developed, especially one that will affect MFIs, they ask MFIs' opinions through ANEMCAM. There is only one association per state.

CSMFI is accountable to the government by using the stipulated codes of conduct. These codes are set to control the behaviour of MFIs as reflected in their reports. It is from these reports that regulators and supervisors can determine whether CSMFI is following the set standards. The formal regular visits of the supervisory committee to CSMFI to carry out its supervisory functions also present it with accountability practices. The DGM for Operations added, “In line with accountability I report to top management and the employee under my department report to me”. CSMFI does not only focus on formalised rule-based accountability but also social accountability.

6.5 Social Control and Social Accountability

This form of social accountability in CSMFI is referred to as corporate social responsibility. The DGM for Operations commented,

> CSMFI is not only focused on making profits but invests in social projects (education, health, sports, agriculture, etc.). This investment is based on the assistance that we give to various organisations are based on their open demand for help and our assessment to determine where exactly to invest in line with our objectives.

CSMFI promotes both the academic and professional experience of students through internship programmes in the organisation. CSMFI trains students at no extra cost. However, at the end of each training session, the students are expected to account for the experience and knowledge gained via a minimum 10-page report. These academic interns are usually students who are still to finish their studies. The professional interns are those who have graduated and are preparing for the job market. The head of CSR said,

> In CSMFI we help cement the gap between graduates and the job market making it easier for our interns to build employability skills and quickly gain the right employment. CSMFI has had up to 109 interns in total since creation and is hoping to have more.

Unlike academic interns, the professional interns also receive an allowance to help meet their transportation costs. They are also required to present a detailed report of what they have learned at the end of the internship period. CSMFI goes on to employ some of these interns who prove to be exceptional. At the end of each internship term, CSMFI presents interns with an attestation as a sign of appreciation and to help them get a job. The aim of this attestation is to serve as a stepping stone for quicker employment in other organisations. The presentation of this attestation and financial assistance is not compulsory, but is done formally.

CSMFI also acts as a charitable organisation for the less-privileged in Cameroon, for example by providing clothes and shoes to the handicapped and orphanage centres. This goodwill gesture makes the organisation stand out amongst MFIs in Cameroon. as argued by the Head of CSR. Feedback is often expected and given to CSMFI from such centres on how the items were distributed and what they think of CSMFI's services. Even though such feedback is expected, it is not compulsory. CSMFI also visits prisoners, providing them with their basic needs. The Head of CSR added,

> Even though prisoners are seen as bad people in our society, they still need help. They need to feel the right of belonging to our society through which we will also be promoting the image of our organisation. This is the reason why we provide them with food and clothing for example.

CSMFI also acts as a sponsor to football activities in rural areas where it believes the poor are located in order to make their presence felt in such communities and clubs. Even though voluntary, these football clubs usually account to CSMFI formally about their performance in the sponsored matches. The reports and concerns are further used for internal planning, budgeting and decision-making processes in CSMFI.

Furthermore, CSMFI provides employee and customers with gifts at the end of every year, for example at Christmas, including cards, pens, wall clocks, T-shirts and diaries, usually featuring the logo of the organisation. CSMFI believes that such gifts also help to market the organisation as well as making the employee and customers feel happy. CSMFI also believes in visiting customers to get feedback from them on how such gifts have impacted in their life and their thoughts about the organisation.

CSMFI also gives out various financial loans, including school fees loans, business loans, speedy loans and group loans. These are given to different target groups with varying interest-paying capacities. School fees loan are meant for customers who cannot afford to pay their children's fees, based on their household income, number of children per household, jobs of parents and relatives per household. These loans are paid back with varying interest rates depending on the prevailing market rates, usually not less than 2% per month of the outstanding balance of the loan, that is, the current plus the delinquent balance (CSMFI's accounting and operations procedures manual, 2008). CSMFI also fines borrowers for defaulting on loans, ranging from 5–20% depending on the situation. The total amount of loans CSMFI gives to borrowers does not exceed 15% of the total equity and not more than 20% of the equity of CSMFI to employee. CSMFI groups its loan types under three sub-headings: normal loans, intended for all customers but with a longer granting process; Speedy loans, aimed at meeting customers' urgent need for money, reducing the lengthy procedures for low-income earners and taking a maximum of 20 minutes to be processed and granted; express credit, which, like a speedy loan, is aimed at customers with an urgent need for money but takes up to an hour to be processed and granted. It is based on the customer's salary. Lastly is an overdraft, which is an agreed monthly or regular amount of money which customers borrow for their monthly upkeep.

CSMFI also give out larger amounts of loans with insignificant rates of interest, unlike normal loans and mainly to sell the organisation's image. Such loans are usually targeted towards the poor located in rural communities with small businesses. In line with the loans given to farmers, CSMFI assists via village farmers groups and gets them to open an account with CSMFI through which the loans are paid, for better management and accountability. CSMFI is of the opinion that it is easier for a member belonging to a group to obtain a loan if another group member can present collateral security on their behalf. The CSR Manager commented,

> Before such loans are given, CSMFI ensures that more information about the loan client or group is collected. Such information includes: client's address, occupation, contact number and marital status. The information is then used to follow up the usage and repayment of the loan.

Particular employee members are assigned to follow-up all loans given out to customers and report on the progress or situation of loan customers. In monitoring the loans, the allocated employee make sure, for example, that farmers buy their seeds and plant them up to harvesting point. After the harvesting period, CSMFI expects the farmers to pay back the loans with low interest as originally stipulated. However, CSMFI remains very understanding in cases of bad weather conditions that impact negatively on the crops and postpone the repayment period of the loan.

"Client participation in social and developmental projects in CSMFI is increasingly becoming vital for the continuous existence of the MFI," the Head of CSR added. CSMFI attempts to make sure customers are fully involved in the businesses that they are sponsored or financially assisted to run via follow-up field meetings and observations. This is done twice a month on average, and usually unannounced. In this way, the client is liable to give a true account of how they utilised the loan entrusted to them and if there is any progress with their situation regarding their health, education, standard of living, business turnover and household or other commitments.

The decision to have certain internal formal in-house CoCE is made by the Board of Directors of CSMFI. The BOD laid down the CoCE in order to ensure the management of its code and employee (CSMFI's employee CoCE, 2013). CSMFI's CoCE helps to bring out guiding principles on which it operates with various stakeholders with whom it is linked. It also acknowledges the fact that the organisation is a "trustee and custodian of public money in order to fulfil its fiduciary obligations and responsibilities" and therefore must "maintain and continue to enjoy the trust and confidence of public at large" (CSMFI's employee CoCE, 2013: 4). It is in line with its objectives that CSMFI has guiding formal principles set to express the high standards which serve as the bedrock of its CoCE. The internal conduct of CSMFI is usually judged from external behaviour, thus making the institution conscious about maintaining a good reputation. The job descriptions of all employee also stress how employee should represent the organisation in terms of their behaviour. The CoCE of CSMFI helps to govern the way employee relate to each other and with shareholders, customers, competitors and communities.

In addition, certain other business rules are also used where and when necessary in CSMFI including regulatory rules, operational procedures and the compliance manual. Some CSMFI employee also owe professional responsibility to professional associations, self-regulatory bodies or regulators. It is within this framework that CSMFI's CoCE points out that the employee of CSMFI are expected to show good judgement and be accountable for their actions, as emphasised in the contract of employment. The employee are expected to review and attest to their compliance with the codes yearly. Obligation violation reports are prepared by the directors when the need arises.

The first section of CSMFI's CoCE dwells on issues about respect for the law, with unlawful acts prohibited within the organisation, to prevent corruption. The second section provides insights on personal integrity, with emphasis laid on criminal record, excessive personal debt, gifts and entertainment, punctuality, alcohol and substance abuse, harassment, discrimination and violence in the workplace, use of the Internet, email and electronic media, irregular business conduct, dealing with the organisation's assets and the organisational brand. The third section focuses on conflict of interest amongst relatives, corporate opportunities, and financial transactions for one's self and so on. It further looks at issues of confidentiality, credit processing, appearance and courtesy as well as employees' responsibilities, where it is emphasised that it is the responsibility of all employees to understand and put into practice the CoCE and other organisational policies.

Failure to comply with the codes usually results in disciplinary actions ranging from an informal meeting to dismissal depending on the gravity of the case.

The impetus for developing internal organisational CoCE in CSMFI also relates to the threats (such as the closure of the organisation) that CSMFI has received from the regulators and supervisory body and lessons from the past related to the closure of MFIs. This type of accountability is also supported by Ebrahim (2003), who points out that good governance standards necessitate all organisations to have an independent BOD and even specify some of the tasks of the board. These BODs have laid down organisational tasks which CSMFI respects. Based on the reports that management submits to the BOD and the respect for hierarchy as stipulated in CSMFI'S codes of conduct and job description, with lower management reporting to senior management, for example, there is bound to be an internal or upward accountability relationship in CSMFI, as well as the feedback or advice the BOD gives to management (downward accountability). Horizontal accountability relationships exist amongst employee or BOD members themselves, following organisational codes of practice or when one feels the need to report to their colleagues. However, there remains evidence of challenges that CSMFI receives from different stakeholders in an attempt to deliver proper accountability to its stakeholders.

6.6 Chapter Summary

The chapter has discussed the case study results in line with its accounting and accountability practices. After the introduction, the chapter explored the concept of accountability as understood by the case study organisation. Different meanings of accountability were advanced by different departments, all ending up to mean 'held responsible', as suggested by Ebrahim (2003). The internal form of accountability ('felt responsible') is missing.

The chapter has further explored accounting and accountability practices under sub-headings of internal control and accountability, external control and accountability, social control and accountability and the challenges which CSMFI encounters in a bid to deliver proper accountability to its stakeholders. Under the internal control and accountability section, the control and reporting practices that take place inside the organisation have been explored in line with the changes that have occurred within the organisation such as centralisation and new software systems, which have all impacted on such internal practices. Besides control, this section has also explored other accounting functions such as planning, budgeting and decision-making and further looked at the accountability functions of performance evaluation and internal reporting.

The chapter further embraced the external control and accountability environment where regulatory and supervisory duties step in. In line with external accountability, more was discussed on the types of financial reports which CSMFI have to prepare for external stakeholders such as shareholders, government, regulators, supervisory bodies and customers. The external performance evaluation process was also discussed.

Lastly, the chapter has also explored the social nature of accounting and accountability practices based on the argument that human beings operate in a social world. It looked at the social accounting concept, where issues around management and regulatory accounting were discussed. Issues like social projects, loans given to the community, participation of customers in social projects and social audits were discussed. The next chapter discusses of the institutional change process and how it has impacted on CSMFI’s accounting and accountability practices.

CHAPTER SEVEN

AN INTEGRATED DISCUSSION USING LITERATURE, THEORY AND DATA

7.0 Introduction

This chapter aims at discussing the results presented in the preceding chapter. The discussion is necessary in order to understand how the various accountability practices observed in the organisation are shaped by institutional processes. In particular, the study discusses how the various institutional changes that have occurred in CSMFI due to several factors such as enabling conditions (see actor's positions in chapter four - page 104) in the organisation gave them power to change or influence the accountability practices. In line with Dorado's (2013) argument that social groups are institutionally embedded and institutional entrepreneurs do not operate in a social vacuum, the analysis and discussion in the chapter is informed by institutional theory, and in particular institutional entrepreneurship. As a result, the role of agency in the change process is central to the analysis. The chapter mainly answers two specific questions: (i) *why and how do actors bring about changes within CSMFI's practices* (ii) *how do the resulting changes become accepted as taken-for-granted values and beliefs (institutionalised) or not?* The answers to these questions provide insights for answering the research questions stated in chapter one.

The process of institutional entrepreneurship adopted perceives change not as an outcome but as a process (Battilana et al., 2009). This chapter also recognises the fact that 'change' is not an easy phenomenon, by further discussing the challenges encountered during such change processes. The chapter is divided into five main parts. Following the introduction is a discussion of CSMFI's accountability practices in regard to the existing literature. In this section issues such as the meaning, types and mechanisms of accountability evident in CSMFI are explored. Second is a discussion of CSMFI's missions and objectives, which demonstrate the main organisational change. Third is a discussion of the mission change process, which has arguably led to further organisational changes. The change process discussed here is supported by the existing literature and is examined according to the themes stemming from the theoretical framework of the thesis, including institutional pressures, actors, institutional contradictions, enabling conditions, the implementation process, results and change classification. Last comes the chapter summary.

7.1 Accountability Practice(s)

Fonchingong (2009) argues that in order to ensure effective development, developmental structures (like CSMFI) need to implement good governance strategies to ensure proper accountability. CSMFI does have some form of accountability system in place, as discussed in Chapter 6. The accountability practice in CSMFI recently changed from having an informal grassroots (downwards) nature to being more upwards. Initially there was more emphasis on grassroots (downwards) with a socially orientated mission, but today, following the change in mission of CSMFI, the commonly practiced accountability type remains upwards. This implies a need to redefine the concept of accountability to capture and better understand the practices within the organisation.

7.1.1 Redefining Accountability

Accountability in CSMFI can also be seen to be a contestable concept, which agrees with Bovens' (2007) suggestion. Its importance in CSMFI cannot be doubted, which also confirms Gray's (2014) point of view. CSMFI's role in society is backed up by its accountability function, which supports Moir's (2001) point of view that a business can only contribute fully to society if it is socially responsible, besides other attributes. Based on the data collected as stated in chapter six, there seems to be different understandings of what the term' accountability' means. This confirms Gray's (2014) argument that accountability can mean different things to different people. Accountability is thus analysed below starting from the broader to a narrow view.

Drawing on the views of Ebrahim (2003) and Unerman and O'Dwyer (2004), accountability in CSMFI today can be concluded to be seen as 'held responsible' (a broad view). This is supported by the various definitions offered by interviewees at CSMFI as pointed out in Section 6.2. Even though accountability at CSMFI is concluded to be compulsory to senior management and shareholders (upwards), as reported and analysed in Chapter 6, it was also observed that an 'unintended' form of accountability also occurs in CSMFI. The management of CSMFI fails to understand that by embracing certain organisational responsibilities voluntarily, where they intend or provide feedback to other stakeholders, this is seen as 'taking responsibility', according to Ebrahim (2003) as discussed in Chapter 3. When CSMFI was created, the founders were not under obligation to justify their actions to any officials or stakeholders on a formal basis. They related to the farmers and villages whom they wanted to help on an informal basis. It can be argued here that accountability could be construed as 'taking responsibility' (Ebrahim, 2003).

In line with Boven's (2007) definition of accountability (Section 3.2.1), the use of regulatory standards by COBAC and MINFIN to evaluate the performance of CSMFI is seen to mean accountability. Accountability in this context remains broad, meaning evaluative. However, there has been a change in the accountability practice of CSMFI over the years to include stakeholders' perspectives besides shareholder accountability. Stakeholder accountability seeks to address the criticism of the descriptive nature of the shareholder perspective not involving the behaviour of other stakeholders, as pointed out in Chapter 3.

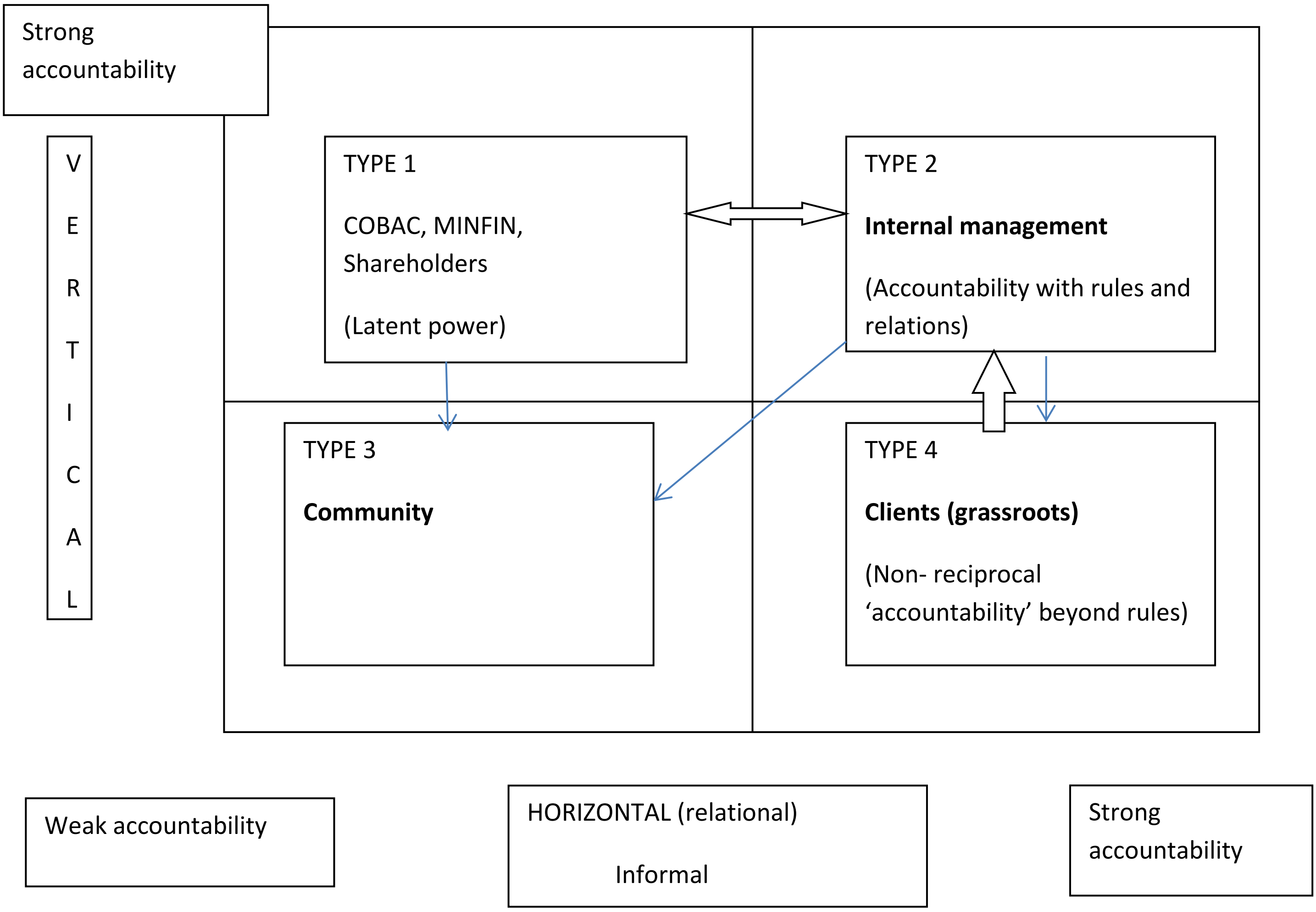
Moving away from the broad meaning of accountability, various specific views have been suggested from which accountability can best be defined (Section 3.2.1). In regard to the function-to-function (stakeholder responsibility) view, CSMFI does have various job descriptions for each function which specifies their responsibilities, which confirms Gray's (2001) definition of accountability (Section 3.2.1).

Furthermore, the person-to-person (stakeholder-to-stakeholder) view of accountability is also evident in CSMFI through open dialogues and discussion forums such as meetings in which various stakeholders are allowed to express their views on which decisions are made and not just accepting shareholders' primacy. This, according to Cooper and Owen (2007), is known as stakeholder accountability. Drawing from Boland and Schultze's (1996) definition of accountability, the act by which daily collectors, the Head of CSR and loan providers have to explain their actions by telling a credible story could mean accountability.

7.1.2 Types of Accountability

The dual nature of CSMFI's objectives implies that CSMFI is accountable to different stakeholders (see Section 6.2), leading to a complexity in CSMFI's accountability structure in line with Ebrahim (2003) and Ahmed's (2004) suggestion (Chapter 3). Drawing on Ritchie and Richardson (2000) and Dixon et al.'s (2006) accountability framework, CSMFI seems to be practising more of Types 1 and 2, which can be explained by the recent change in mission (to profitability, see Section 7.2).

FIGURE 7.1 Accountability Practices at CSMFI



According to Figure 7.1, type 1 accountability is to regulators, shareholders and tax authorities and Type 2 to senior management from the subordinate employee of CSMFI. The accountability to COBAC and MINFIN from the management of CSMFI confirms Kearns (1994) and Dixon et al.'s (2006) argument on accountability being imposed on management by external stakeholders. However, the dual nature of CSMFI's objectives and the fact that CSMFI is inhabited by social actors makes it possible for Types 3 and 4 to also occur, even though little attention is given to them. Hilhorst (2003) and O'Dwyer and Unerman's (2007) argument about social accountability occurring in organisations occupied by social agents, a move from functional accountability (Types1 and 2), can thus be concluded in the case of CSMFI.

Type 3 exists via reaching the community through social projects while Type 4 is mostly through meeting the demands of customers even though informal and often through loan officers and daily collectors. However, there is hardly any evidence showing that CSMFI reports to its customers or to the community in which it operates. The social projects, loans and others forms of banking activities are usually reported by customers to management when the need arises. Even though some employee are assigned to follow up loans and the progress or social welfare of clients who enjoy services offered by CSMFI, there is hardly ever proof as to the outcome of such monitoring activities in CSMFI. The implication here is that even though the story told by daily collectors to the management of CSMFI might seem credible (accountability, according to Boland and Schultze (1996)), the researcher observed that there is much ambiguity in such stories (see quotations below from a loan officer and in Section 7.1.6.2). Hence, there seems to be downwards accountability in CSMFI, but mainly Types 1 and 2 from regulators or supervisors and tax authorities and shareholders to the management of CSMFI (as shown in Figure 7.1 above). Today, the accountability relationship between management and clients is missing, unlike originally when CSMFI's mission was solely social.

Upwards, formal, horizontal and vertical accountabilities remain the commonly practised forms of accountabilities in CSMFI (see Ritchie and Richardson, 2000; Dixon et al. 2006). The evidence lies in the justification and reporting format of actions in CSMFI as discussed in Chapter 6. The subordinate employee reports to the head of departments, managers, BOD, regulators, taxation and even auditors when the need arises. For example, the Accountant reports to the Head of Operations and Finance, who then reports to the General Manager, who reports to the BOD. The management also report to regulators, the supervisory body and the tax authorities when the need arises, and these groups also report back to CSMFI (downwards) when necessary.

The upwards accountability in CSMFI and according to Hilhorst (2003) is of a formal and hierarchical nature, as subordinate employee are observed to be reporting to senior management and management to shareholders or regulators. The accountability in CSMFI is also based on both organisational and regulatory rules and laws, which again supports Boven’s (2007) definition of accountability (Chapter 3 and Section 7.1.1). For example, the reports generated in CSMFI follow a particular organisational format according to internal rules and are presented to regulators in line with regulatory text. This confirms Hilhorst (2003) and Lewis and Madon’s (2004) argument about accountability in organisations which has to do with justification mostly being given by the organisation to higher authorities proving the use of the resources entrusted to them is mainly supported by rule-bound responses. Again, accountability here, as stated in Section 7.1.1, means ‘held responsible’ (Ebrahim, 2003).

Horizontal accountability, as shown and suggested in Ritchie and Richardson (2000) and Dixon et al.’s (2006) accountability frameworks, is common within departments in CSMFI. Colleagues report to each other to generate better results from the department. The departmental heads see to it that this relationship is maintained for effective results. For example, at the Head Office level, the Credit and Loans department controls related functions at the branch level. This department includes the functions of Head of Service for Credit and Risk Management, Loans Officer, Credit Controller, Recovery Officer and Risk Manager. All of these employee work collaboratively through reporting to each other for easy and effective performance and they all report to the Head of Service, who generates a final report to be submitted to the General Manager of CSMFI when due.

Even though Dixon et al. (2006) suggest the need for accountability to and from the grassroots, there seems to be no evidence today of any accountability to, but rather from, the grassroots in CSMFI. This again can be argued to be due to the change in mission. Based on Dixon et al.'s argument (2006) that the real offices of loan officers and those who deal with clients are out in the field, loan, recovery and daily collection officers were further interviewed. Following their interview scripts, it is evident that reports on field observation are strictly based on attempts to recover or get clients to save more. Little or nothing seems to be said about the clients' welfare, business progress, health or living standards. The clients or benefactors of CSMFI's social projects are rather expected to report to CSMFI about their progress and success. Clients who ask for loans from CSMFI are expected to submit a business plan to the Loans department before the loan is disbursed to them, and CSMFI loans recovery employee are also expected to monitor the progress of such projects through field visits and unannounced audits. It is a similar case for household clients who are awarded loans for health reasons. They are expected by CSMFI to give a report, even though it is informal, to explain how the loan was or was not able to resolve their health issues. Close to 75% of daily collectors', loan and recovery officers' job in the field is self-supervisory and this group of employee develop the list of clients on their own and make recommendations to the line manager or head of department concerned. This nature of work confirms the suggestions by Ahmad (2002) for example, arguing that trust and autonomy is what shapes the jobs of loan and recovery officers. One loan officer with over 6 years' experience on the field commented,

> … as you may now know we (loan and recovery officers) can decide on where we want to go when we leave the office for the field. We can even choose to go see our loved ones or go home for some food and even sleep. This is because we know what clients will say, they will keep promising us that they will repay the loans or telling us different stories that will still end up not fulfilling our mission. Since the field allowance we get is usually not enough, we decide to spend the little money we have wisely and make up our reports by ourselves most often than not since we must submit this when we return to the office. We are our own managers on the field with nobody to tell us what to do. I like this job.

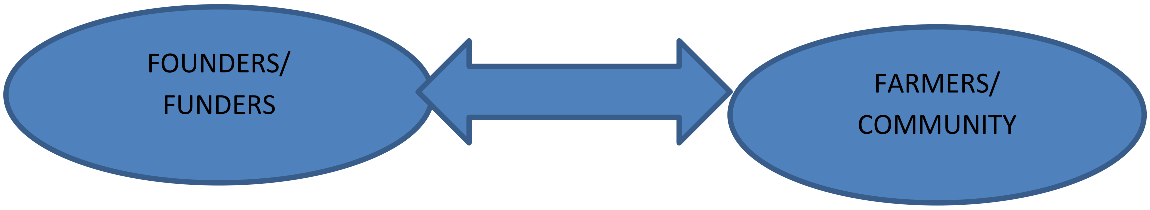
There is no form of obligatory accountability, as Dixon et al. (2006) argue. The loan officers feel scared to open up to their line managers and tell them what exactly takes place on the field as they don't want to lose their jobs. Loan officers at CSMFI seem to be the mediators linking the accountability types between the clients and the organisation through first vertical (formal) accountability so as to satisfy the demands of their line managers (Type 2) and second horizontal (informal) accountability to satisfy the needs of customers (Type 4). This analysis is similar to Dixon et al.'s (2006) case of CETZAM.

Burns and Scapens (2000) further add that changes in accountability processes could be the result of changes in the organisation's structure and accounting systems, as the case may be in CSMFI, which has experienced a drift in its mission which further impacted on its structure as well as its accounting and accountability system (Chapter 6 and Figure 7.3). For example, the change in CSMFI's mission to profitability implies a need for better accounting software that could perform complex banking transactions. This means the types of report generated will be affected, which is the case today: CSMFI has more quantitative reports, unlike before where qualitative ones were produced for disclosure, performance measurement, and reporting, amongst others.

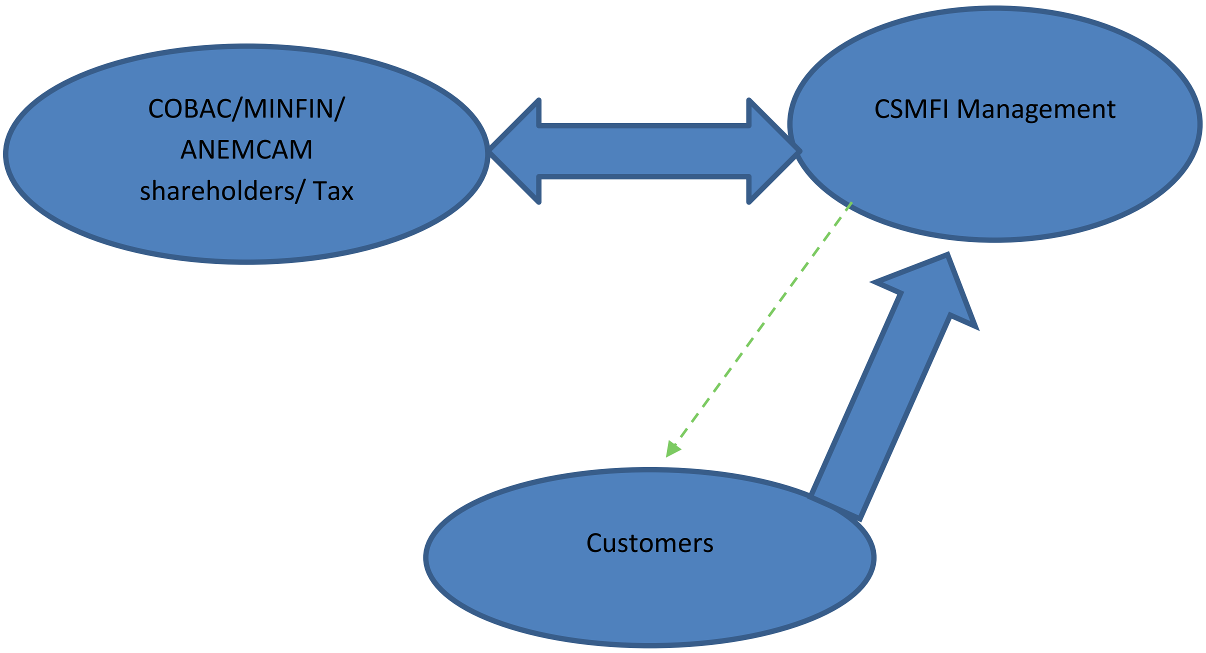
The use of disclosure statements or reports for accountability purposes is supported by Ebrahim (2003), who argues that to a greater extent these disclosure statements and reports provide information to funders and oversight agencies (upward accountability) and to a lesser extent provide information to clients or members who read the reports from the MFI (downward accountability). Figure 7.1 provides a summary of accountability change in line with the change in CSMFI's mission.

FIGURE 7.2: Mission vs. Accountability Change Cycle in CSMFI

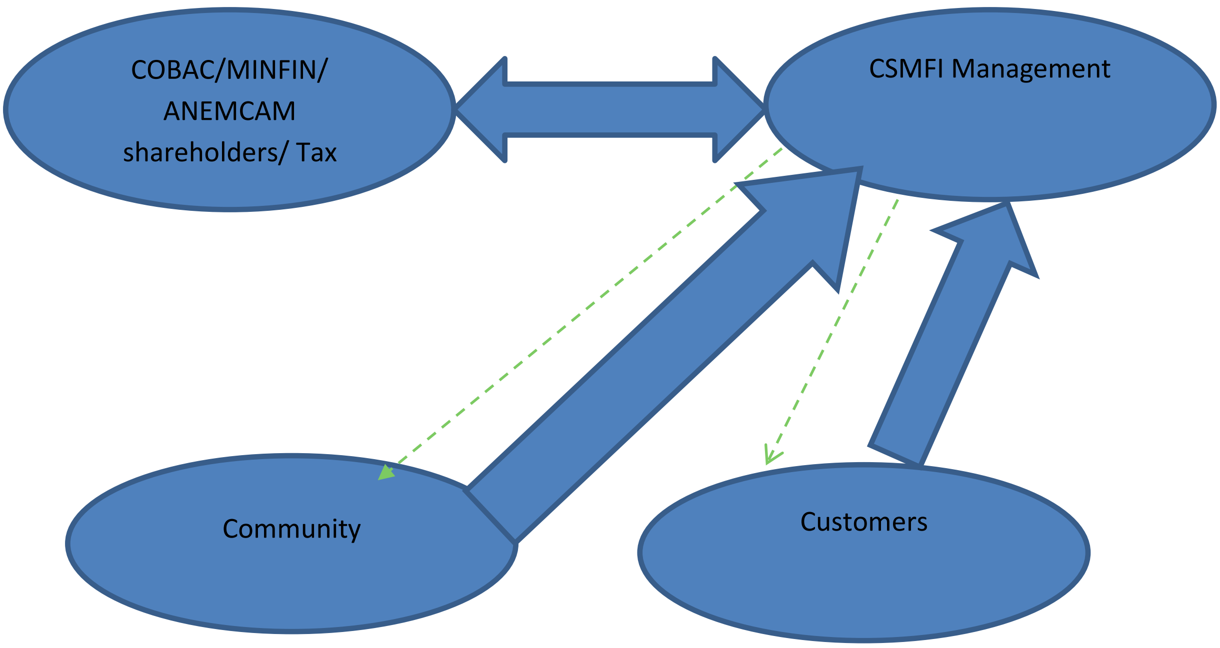
A. **As an Association:** Relational and downwards accountability



B. **As a Category 1 (Cooperative)**: Upwards rules-based accountability



C. **As a Category 2 (Bank):** Upwards and potential downwards accountability



Horizontal (relational based) - informal

7.1.3 Accountability Mechanisms

Dixon et al. (2006) argue that good governance can be assured from aid and developmental organisations through various accountability mechanisms which should capture the grassroots, or downwards to the clients and community. Self-regulation in CSMFI, for example, was initially not compulsory, as individuals were the funders and understood each other, but as the organisational objectives increased to embrace profitability, unethical and unlawful issues stepped in, and these issues have received attention from two different broad pressure levels (Chapter 4). There is internal pressure from the senior management of CSMFI (BOD) via the organisation's CoCE due to the fear of losing its reputation. The external pressures stem from the regulatory accounting rules (COBAC and OHADA respectively) that CSMFI is obliged to comply with in order to continue existing in the class of business chosen. This supports Ebrahim's (2003) argument that in order to maintain public confidence, organisations like CSMFI must comply with certain internal (to main reputation) and external (to continue existing- maintain funds) rules. CSMFI with its dual objectives imposes formal rules and codes on employees and sees to it that such rules are obeyed. Any deviations are usually followed by sanctions. Table 7.1 below is a summary on CSMFI's accountability practices following Ebrahim (2003) suggestion as pointed out in chapter 3 (Table 3.2).

Table 7.1 Summary on CSMFI's Accountability Practices

Accountability mechanism (tool or process)	**Format of accountability**	**Accountability types - to whom? (upwards or downwards or to self)**	**Drivers (internal or external pressure areas)**
Disclosure/ Reports (tool)	- Daily - Weekly - Monthly - Quarterly - Semester - Yearly	- Upwards to funders, regulators, taxation etc - Downwards (to a lesser degree) to customers or members who read the reports	- Regulators - Taxation - Shareholders/ Funders - Public
Performance assessment and evaluation (tool)	- Financial - Non-financial (social)	- Upwards to funders/ shareholder, top management (BOD, AGM) and community - Significant potential for downwards from CSMFI to communities and from funders to CSMFI (missing at present)	- Funders/ shareholders - COBAC (external) - Management (internal)
Participation (process)	- Consultation - Involvement in social projects (own initiative and negotiation is missing)	- Downwards from CSMFI to customers and communities (loan officers/ social projects) - Internally to CSMFI themselves - Significant potential for downwards from funders/shareholders to CSMFI	- Organisational values (internal) - Funding requirements (external)
Self-regulation (process)	- CoCE - Job description	- To CSMFI itself, as a sector - Potentially to customers and donors/ shareholders	- Erosion of public confidence due to previous scandals of MFIs shutting down and making away with clients' finances (external loss of funds; internal loss of reputation)
Social auditing (tool and process)	- Internal auditor - External auditor - Supervisory committee (COBAC)	- Internally to CSMFI itself (by linking values to strategy and performance) - Downwards and upwards to various stakeholders	- Erosion of public confidence (external) - Valuation of social, environmental and ethical performance (internal)

Besides individuals drifting away from the organisational mission, it was also noticed that CSMFI itself has drifted away from its original missions and objectives.

7.2 Mission Drift

When poverty alleviation was the sole objective of CSMFI, its accountability structure was mainly to and from farmers (grassroots) even though informal and optional. That is, accountability was seen to mean ‘felt responsibility’ according to Ebrahim (2003) and Bovens (2007). The group of individuals who started CSMFI focused on assisting farmers with small loans to buy farm products and had reports (verbal) from the farmers on how the loans helped them and how they were faring in terms of cultivation, living standards and health. These individuals also told farmers of their aims and mission and the source of their income during meetings. The story, however, changed when CSMFI became a cooperative, and still more so nowadays where more emphasis is placed on financial sustainability compared to poverty alleviation. Evidence is seen from the types of report generated within the organisation, mostly targeting senior management, shareholders or regulators.

Battilana and Dorado (2010) argue that in order to keep up with the continuous high demands of microfinance services by the poor, especially the provision of loans via NGOs, a commercialisation objective needs to be pursued whereby enough profit should be made to cater for the on-going microfinance operations as well as fulfil the needs of the poor. While it is imperative that MFIs like CSMFI pursue dual roles – social and commercial. The mission drift argument suggests that the social objective is very often abandoned in favour of commercialisation (Woller, 2002). The mission added argument, however, suggests that a commercialisation objective can be added to the social one, with both pursued concurrently. The empirical evidence gathered during the study suggested that CSMFI started purely as a social organisation providing financial assistance to poor farmers. However, this objective has changed over the years with a shift towards commercialisation. While attempts are now being made to pursue both social and commercial objectives, it is clear from the analysis that CSMFI concentrates more on the commercialisation agenda at the expense of its social mission to the poor, hence a mission drift.

Based on the above, an argument could be made that there has been mission drift in CSMFI from the initial solely poverty alleviation (social) to a more commercial (profitability) objective (see Woller, 2002; Christen, 2001). We saw evidence which suggested that even the accounting and governance structures changed significantly when CSMFI became a recognised regulated accredited entity in early 2009. Before 2009, CSMFI focused on its sole social objective to alleviate poverty through financial assistance given to farmers in various communities, and there was barely any formal reporting during this period. After CSMFI gained accreditation, its focus was to make sure it stayed in operation and met regulatory and accounting requirements while making a profit. While during the early years the company made efforts to follow up with farmers to monitor their progress, we found that nowadays there is little investment in following up clients to monitor their progress and welfare. The General Manager justified this in the following context:

> It is not that CSMFI has not attempted to invest on monitoring the progress of customers but there is a problem of trusting employee employed to do so. In the past, the employees encouraged customers to save ended up collecting the little clients have laboured for and end up in thin air with the money. CSMFI has had to pay several customers as a result of fund mismanagement by employee. Also, when the employee is sent on a mission to follow up clients' welfare mostly end up not doing the job. With such failure on several attempts CSMFI suspended such social follow-up services.

Although a mission drift argument has been made above, it can also be counter-argued that some elements of social objectives are still being pursued by CSMFI. Hence this cannot be completely argued to be mission drift but rather 'mission added', with the organisation still pursuing some social objectives in addition to its commercial mission in a dual mission (Tucker and Miles, 2004; Cull et al., 2009). Woller (2002) pointed out that commercialisation comes with other benefits such as increased outreach to the poor and development as well as increased financial viability. Hence, MFIs' adoption of a commercial approach may not only assure long-term financial sustainability through financial self-viability or increase profits, but also increase length of outreach.

Irrespective of the line of argument (mission drift versus mission added), there is clear evidence to suggest that the mission of CSMFI has changed over the years. This change with more emphasis on commercialisation has also led to changes in organisational processes, including accounting and reporting systems.

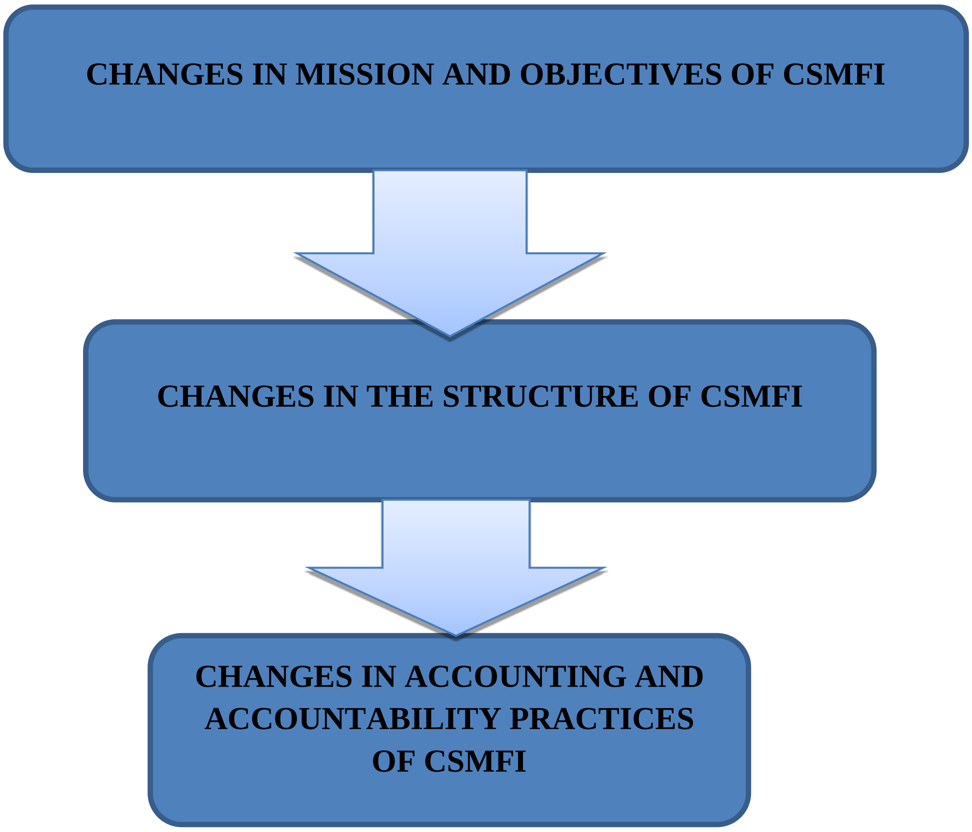
7.3 CSMFI's Change Process

A number of institutional, organisational, accounting and accountability changes have been identified within CSMFI. CSMFI started as a charity organisation known as an association, with few individual members, socially focused and modelled on the Grameen Bank in Bangladesh (Tulchin, 2003; Sengupta and Aubuchon, 2008; Bateman, 2010). CSMFI's main concern at the time was to alleviate poverty, focusing initially on small groups of farmers from neighbouring villages, which confirms Zeller's (2006) argument that socially focused MFIs are usually associated with poverty alleviation objectives and member-based. The accountability was like a 'community accountability' where reporting was mainly to farmers in a very informal way. The accountability at the time included fewer stakeholders and can argued to be downwards, as more interest was placed on the farmers in those villages, hence this can be referred to as community accountability (Dixon et al., 2006).

The association later became a cooperative in 2003 under the Category 1 MFI classification in Cameroon and Type 4 under Category B according to Greuning et al.'s (1998) classification of

MFIs. Later on in 2009, CSMFI started moving towards becoming a Category 2 MFI, intending to become a fully-fledged bank by 2014/2015. In support of Mersland and Strom's (2007) argument, CSMFI at this stage became more commercially focused, geared towards maximising profits and welcoming the general public (non-members) besides its members. During this period, the accountability moved towards more formal rules-based accountability, as demonstrated by Ritchie and Richardson (2000) and Dixon et al. (2006), externally to COBAC, MINFIN, the tax authorities and shareholders and internally to management. This type of accountability can be argued to be upwards, according to Dixon et al. (2006), to the above-mentioned stakeholders. The migration from one type of organisation to another (change in mission) led to change in CSMFI's organisational structure in terms of centralisation, creating more jobs via increased numbers of branches, departments, new functions and employee, such as the presence of the HO. The change in structure further impacted on CSMFI's accounting and accountability practices assummarised in Figure 7.3. New management information and accounting software was also introduced following the change in mission, even though there remain evidence of decoupling and resistance to such changes within the organisation.

FIGURE 7.3: Change Impact Summary for CSMFI



The discussion here focuses on why and how such changes in mission, structure, accounting and accountability took place and the success levels of such changes. Institutional entrepreneurship provides the theoretical lens to tease out and understand the process of such an institutional change in CSMFI with more insights and focus on agency besides other issues. A number of studies (Burns and Scapens, 2000; Seo and Creed, 2002: Hardy and Maguire, 2008: Battilana et al., 2009; Hyvönen et al., 2012) are drawn on to support the analysis. The following section, in line with the thesis framework, focuses on institutional pressures, actors, contradictions, enabling conditions, the implementation process and the outcome.

7.3.1 Institutional Pressures

The notion behind institutionalism is that behaviour is driven by pressures which can come from either the external or internal organisational environment (Burns and Scapens, 2000; Seo and Creed, 2002; Hyvönen et al., 2012). Hyvönen et al. (2012) argue that institutional entrepreneurs (change initiating actors) can act at these different levels, sometimes at the same time, in order to achieve their aims. The above argument supports the claim by Oliver (1991) that institutional pressures on institutional practices can bring about institutional change. Starting the explanation of ‘change’ from the institutional pressure point of view, four different pressure levels suggested by Hyvönen et al. (2012) have been discussed in the case of CSMFI, as shown in Table 7.1. Such pressures have been argued to be the reason for the change in mission, rules and routines at CSMFI.

TABLE 7.2:CSMFI’s Change level(s) of Analysis

Macro (External) / Inter-organisational level		**Micro (Internal)/ Intra- organisational level**	
Regulatory (COBAC, MINFIN), Political, Socio-economic	**Organisational Field** (ANEMCAM)	**Organisation** (Shareholders, Management)	**Individuals** (Employee/ clients)

Burns and Scapens (2000) point out that categorising the pressure level also helps enrich our understanding of the interplay between institutional and organisational practices (new), routines, power and politics. As regards the case study, pressures coming from the regulatory and supervisory body (MINFIN and COBAC), at the organisational field level (ANEMCAM competitors), organisational level (management, shareholders, clients of CSMFI) and individual level form the four levels of analysis on which the discussion is centred.

7.3.1.1 Regulatory, Political and Socio-economic Dynamics

Cameroon's financial sector is being shaped by external forces, some of which are regulatory in nature. First, the power over decision-making in regulated financial institutions like CSMFI is very significant in the country (Mayoux, 2006; Oyono et al., 2006). The regulatory authority (MINFIN) works through the banking commission (COBAC) to enforce its regulations, as seen in legislative texts containing regulatory norms (laws for creation, value and supervision). CSMFI as a regulated financial institution is bound to respect such regulatory norms in order to continue operations; these include disclosure of all financial operations to COBAC for further control and evaluation. COBAC also supervises CSMFI's operations to ensure that its practice is in accordance with the rules and regulations laid down in the legislative texts. This confirms Tsamenyi et al.'s (2006) argument that organisational changes often result in a bid to respond to certain regulatory requirements which can in effect directly or indirectly influence changes in the organisation's accounting system. Also in support of the NIS explanation for organisational changes, also known as institutional isomorphism (DiMaggio and Powell, 1983), in this case it is seen as coercive isomorphism, since CSMFI is forced to adopt certain practices in order to respond to the external pressure exerted on it by COBAC and MINFIN.

In addition, MINFIN has the power to shut down any financial institution that deviates from the regulatory agreed ways of practice. The power to regulate CSMFI was initially non-existent, since CSMFI was seen as a charity organisation with more accountability given to the community and farmers. According to Dixon et al.'s (2006) accountability framework, this type of accountability falls under Types 3 and 4 (Section 3.2.2).

Furthermore, the regulatory rules require that before CSMFI changes to become a fully-fledged bank, it must provide all necessary documentation required by MINFIN and COBAC. The implication here is the accounting and accountability practices of CSMFI have been redesigned in order to respond to regulatory requirements. This statement confirms Sunders' (2010) argument on how regulatory standards can impact on an organisation's accounting and accountability practices (financial reporting). CSMFI will be required to declare more taxes to the government and must be assessed in that area. The regulators and supervisory body regulating CSMFI implies that more groups of stakeholders must be accounted to by the management of CSMFI. This broadens CSMFI's accountability network.

Currently CSMFI is still in the process of becoming a bank (Category 2 MFI), as certain documents are still pending while others are being reviewed by MINFIN. The implication here is that in a bid to respond to such external regulatory pressures as a result of its change in mission, CSMFI is currently restructuring its governance structure, with centralisation seeming to be the main change, where every activity of other parts of the organisational networks is controlled at the HO. Centralisation is required for CSMFI to operate well as a bank in the near future.

Centralisation was thought of by CSMFI as making its activities appear more transparent, enhancing its accountability. Ebrahim (2003) adds that accountability can improve organisational transparency and performance, especially if it is well carried out. In a bid to remain more transparent and ease accountability, CSMFI has even gone as far as investing in a new banking software system. CSMFI changed its management information system to employ new accounting software that will be able to perform banking operations, thus affecting the manner in which reporting and other management accounting functions are carried out within the organisation. It can be argued here that CSMFI is employing an accounting and accountability system shaped by regulatory norms in a bid to respond to the change in mission. The new General Manager of CSMFI commented,

> COBAC acting as a supervisory body for MINFIN visits CSMFI in order to make sure scripted lawful practices are being followed and any deviation from such practices usually receives heavy sanctions that could even mean shutting the doors of CSMFI. Thus, in order to continue operations CSMFI attempts to respect all regulatory laws are respected and all necessary changes made that will ensure compliance with regulatory norms hence, a need for restructuring within the organisation.

Updated regulatory accounting guidelines, for example, are usually made accessible to all regulated financial institutions by COBAC (see Appendix). The change of text in the accounting plan, be it modification or addition, following Sulaiman and Mitchell's (2005) typology of change, necessitates that all financial institutions concerned apply such changes supervised by COBAC. Also, if COBAC notices any changes within the organisations that they supervise, it is their responsibility to bring it to the attention of the organisation and expect management to take immediate action. The supervisory body tends to modify certain rules based on the practical audit reports which they receive on the various organisations under their supervision. Such reports reveal the practical situation of the company to COBAC, and as a result MINFIN expects COBAC to take action. The Director responsible for the supervision of MFIs from COBAC added,

> It was sometime discovered through our audit reports that CSMFI's turnover was far more than what it was originally thought to be and COBAC did notify them of certain changes in line with CSMFI's tax structure (modification on CSMFI accounting system), for example, an increase in the percentage of tax CSMFI is expected to declare to the government.

Regarding the regulatory text on financial institutions that are moving from one type of financial organisation to another as a result of a change in mission, CSMFI is compelled to comply with such regulatory text, given its migration from a charity organisation to a Category 1 MFI (cooperative) and now to a Category 2 MFI (bank).

The external pressure for the change in operating systems software came mainly from the regulators (MINFIN) forcing financial institutions such as CSMFI to maintain laws of migration with the accounting regulations from OHADA and COBAC. Thus, CSMFI now follows the OHADA system for the layout of accounts and employs Banker's Realm software which captures all regulatory requirements in the reports generated. The Deputy General Manager in charge of Operations again noted,

> In order to become a bank we need to have not just good software but one that respects the international regulatory standards especially applicable to our business line, if not CSMFI can be sanctioned by the MINFIN and COBAC which can lead to winding down of business. Hence, there is the need for the application of the right accreditation.

Furthermore, because of the fact that CSMFI started operations after Cameroon gained independence in 1960 (Oyono, 2004), the country's political history can be seen as another pressure level for change in CSMFI. The consolidated financial statements of CSMFI are bilingual (written in French and English) as one of the official requirements of the state, as pointed out by Oyono (2004). However, there is evidence of branches producing reports either solely in French or in English (before consolidation, thus making the consolidation of accounts complicated). The reason given for such activities is traced back to colonial history, where the region which produces reports solely in English is that part of the country colonised by the British and those who produce reports solely in French are from the French colony region of Cameroon. A number of scholars (Ardener, 1962; Oyono, 2004) have discussed the political history and partitioning of Cameroon where $1/5^{th}$ of the territory was given to the British mandates who administered it as part of the Eastern Nigeria North West and South West regions of Cameroon. The remainder of the territory belonged to the French mandates administered as an independent entity. Konings and Nyamnjoh (1997) add that the British mandates formed the English part (Anglophones) and called the country Cameroon while the French mandate formed the francophone and called the country Cameroun. The General Manager commented,

> Even though theoretically the country seems to be bilingual its people are not bilingual in practice. It was observed that branches situated in the Francophone regions of Cameroon (French colony) turn to use French as their official working (spoken and written) language and the same holds from the Anglophone regions of Cameroon (British colony) where English is solely used at work.[27]

CSMFI's change in mission has also impacted on the clients who initially saw the organisation as a poverty alleviation or socially focused institution. The change in mission to a more profit-making organisation can be argued to be socially unjust to those clients who joined with the aim of satisfying their needs. This has further led to bad governance practices in CSMFI, where some reports are modified, for example by loan officers, as they are under pressure to meet financial targets. Such malpractices have given room for continuous poverty increase in the country, especially between 1986 and 1996 (Baye, 2006) even with the increasing number of MFIs thought to be aimed at poverty alleviation. Forje (2008) adds that Cameroon can be described as a country with a constitution but no constitutionalism and elections without democracy.

Socially, there is clear evidence to suggest that CSMFI's formation and operation are shaped by social objectives. One of the BOD members pointed out,

> The birth of CSMFI was mainly to reduce poverty especially at the time when there was devaluation in the country's currency.

This claim supports Baye's (2006) argument that the poverty level of the Cameroonian economy measured by per capita income had risen significantly, especially after the January 1994 event which recorded a 50% CFA Franc devaluation in Cameroon: the devaluation affected close to 50% of Cameroon's population (Oyono, 2004). In a bid to eradicate or reduce such poverty levels and improve its economic growth rate, Cameroon embarked on promoting developmental projects. It is also claimed that Cameroon's economy has been wrecked by a combination of other factors such as corruption, poor governance, nepotism, social injustice and underdevelopment (Oyono, 2004; Forje, 2008). Thus, CSMFI being a developmental

[27] This statement was confirmed by the researcher by looking at CSMFI's financial statements and reports. Some were in French and others in English.

organisation created in 2000 after such a devaluation event can be argued to be responding to the socio-economic needs of the poor. CSMFI today embarks on good governance mechanisms through its Corporate Social Responsibility department, where there seems to be evidence of social projects targeting the poor with increasing control, monitoring and reporting tools put in place. Furthermore, CSMFI has embarked upon replacing its accounting software with a more reliable and efficient system in a bid to monitor its progress or success level, respond to socio-economic and developmental pressures and remain competitive. The Human Resource Manager commented,

> CSMFI cannot operate successfully without responding to the needs of society and its clients: the social sphere with clients' habits remains vital in every business strategy. Thus, besides focusing on gaining more revenue, CSMFI also embarks on sharing some of its revenue to the less privileged in the society. This is usually in areas of education, health, sports and small and medium size businesses and agriculture. It is usually done when need arises or upon demand from NGOs, schools and other partners, and budgeted for yearly.

The discussion above confirms Dillard et al.'s (2004) explanation of how the formation of institutions is shaped by the socio-political context. The analysis suggests that the norms and practices which form the most general and widely taken-for-granted organisational assumptions are usually made by the government, regulators and legislators.

7.3.1.2 Organisational Field Dynamics of Institutional Change

Oliver (1992) observes that,

> … economic considerations should be incorporated into institutional explanations of organisational activities in order to specify more precisely the particular situations or conditions within which institutionalized activities are most likely to persist or endure. (p. 21)

In addition to the political field level pressures discussed earlier, studies have also identified that organisational fields can exert pressures to change practices (Tsamenyi et al., 2006; Leca et al., 2008). The organisational field-level pressures in the case of CSMFI come mainly from ANEMCAM, the association of all MFIs in Cameroon that has the primary responsibility for ensuring that these organisations are financially sustainable. With the current mission of CSMFI to become a Category 2 MFI, it is crucial for it to be seen as financially sustainable. Dillard et al. (2004) see the role or practices of professional bodies and consultants, amongst others, to be very important in shaping what goes on at the organisational field level.

In a bid to respond to the external pressure from ANAMCAM and remain highly competitive and sustainable, CSMFI is undergoing major restructuring, which has impacted on its accounting and accountability practices. As a response to the change in mission, the style of reporting, as discussed in the previous chapter, has changed to more quantitative reporting, with reports now based mainly on data generated by the new software system. Decision-making now follows a centralised pattern and is more formally done at the HO, unlike before when branch managers were allowed to make certain decisions. One of the branch clients commented,

> When I came to take a loan from CSMFI in 2003, my application was assessed and the loan given to me immediately if the branch manager approved the project I wanted to use the loan for. Today, so many things have changed in CSMFI when it comes to getting our loan applications approved. I was even told that all the loan applications now have to be sent to the HO and only the national credits officer from the HO can make a decision on whether to grant the loan or not. This has slowed down the loan processing times unlike before and we are not really happy.

ANEMCAN's pressure on CSMFI at the organisation field level is significant because of CSMFI's desire to become a Category 2 MFI (bank). This requires more evaluation and checks by ANEMCAM. The change in CSMFI's software, for example, was recommended by ANEMCAM after its review of CSMFI's activities. ANEMCAM concluded that although CSMFI had started to include Category 2 products and activities in its operations, its software was not permitting the organisation to show a true reflection of all its activities, especially the newly introduced banking activities, hence, the change in the operating system to a more sophisticated and transparent one that could accommodate and reflect CSMFI's current operations, maintaining a true and fair view of the organisation's accounts.

There is also evidence of mimetic isomorphism as a result of the coercive pressures of ANEMCAM, suggesting that there is an interrelationship between the different types of isomorphism (Tsamenyi et al., 2006; Leca et al., 2008). ANEMCAM regularly evaluates all MFIs in Cameroon and ranks them based on the results. This process is actually forcing MFIs to mimic each other. For example, when a MFI is judged as the best, based on the ranking produced by ANEMCAM, other MFIs become interested in knowing what this MFI is doing differently to become more successful. This mimicking tendency is necessary for the MFIs to be competitive and seen as legitimate. CSMFI is considered as one of the leading MFIs in Cameroon, hence a number of other MFIs attempt to copy it.

The Head of the Marketing Department at the HO noted,

> CSMFI is seen as a major competitor and leading MFI to many other MFIs in the country according to the reports received from ANEMCAM. CSMFI continuously updates itself about the market trends in order to make sure it remains the best in the market. CSMFI in order to remain the best MFI in Cameroon embarks on becoming a Category 2 MFI and compete more with banks who have MFI as a part of it. This has forced management to become more accountable to regulators and shareholders who are seen as the gateway to our success. This process has also led to other MFIs wanting to be like us. They want to copy a lot of the things we do.

7.3.1.3 Organisational and Individual Dynamics of Institutional Change

In line with Burns and Scapens (2000) and borrowing from OIE, internal level pressures also drive changes within an organisation in an attempt to achieve its mission. For example, the change in mission from an association to a cooperative Category 1 MFI was the result of certain internal organisational pressures from the management of CSMFI. To meet its missions and objectives, the AGM approved the centralisation proposal of CSMFI's senior management. It can be argued here that the management team also saw the need to get people that could support the idea and get it implemented and that is why the management team, with the aid of the General Manager and BOD, took the idea successfully to the AGM. This supports Hyvönen et al.'s (2012) argument that institutional entrepreneurs always engage themselves in looking for actors that will welcome their idea(s) or vision for change and get it implemented.

The recent change in structure (from decentralisation to centralisation), following the change in mission and objectives further led to more changes, particularly the change in accountability system (type) from informal to formal and shift from grassroots to shareholder, regulator and senior management accountability. The change in the mission necessitates that internally management finds a way to streamline decision-making to make it easier to achieve the new objective of a commercially successful enterprise.

The introduction of the new software, for example, was made easier because even before ANEMCAM raised the need for this change, the managers were experiencing challenges with the previous software they were using. The managers clearly realised that there was a need to have software that will perform banking transactions; hence there was a push internally by the managers for the change in software to Banker's Realm. The change of software at CSMFI can thus be argued to be a practice-driven change (Smets et al., 2012). It is from attempting to operate as a bank (new mission) that the IT and accounting departments discovered incompatibility in the previous system they were using; therefore these departments were able to exert internal pressure for change. The Head Office Accountant explained,

> Initially before the new software was put in place my colleagues and I were finding it very difficult to incorporate certain banking transactions. For example, international money transfers were very difficult to reconcile using the old software but with the complaints that we raised, we now have software that can facilitate our jobs, especially when dealing with banking products recently introduced in the organisation.

It can be argued that CSMFI was subject to managerial pressures in order to improve its operations. The systems previously used were not effectively integrated into the management process. For example, before the change in mission to become a bank, CSMFI operated a decentralised system where monitoring and control were carried out physically at various different branches. There were no effective systems in place for checks and controls to be carried out remotely from the HO. As the organisation expanded and became more profit-orientated, there was internal pressure for monitoring from HO. The decision-making process, even though it is now more complex with different stakeholders up the decision-making ladder, is much more effective, with positive reports on loan outcomes, for example. The Credit Controller at the Head Office added,

> I can now effectively know which clients will be able to repay back loans if given following from the records of their activities accessible from the central system online and not necessarily to trust what the branch managers say. This process, even though more time consuming for the clients, has proven more effective for CSMFI as they have witnessed a drop in their bad debts since 2011.

The movement of CSMFI from an association to a cooperative and now to become a bank implies a change in orientation, structures and processes. The organisation is now compelled to introduce a management style capable of producing information that will aid in the decision-making process, control of financial and social information and being able to communicate the goals of CSMFI to all employees. The change in accounting and reporting is central in this change. As pointed out by Jones (1985), accounting is important in facilitating organisational integration and decision-making, which is essential for CSMFI. Jones (1985:197) points out,

> … accounting systems form an integral part of an organisation’s structure and processes to effect control. Their importance stems from the ability to facilitate organisational integration, to motivate, to assist decision making and to provide measurements of performance through enabling characteristics such as the delegation of authority, communication of objectives, participation and informational feedback.

The change in software, for example, was initially initiated by the Deputy Manager in charge of Operations and Finance at the Head Office level in order to be able to correct certain errors that the old software could not rectify. This takes us to the intra-organisational level pressure (individual). Given his experience and knowledge about using different banking software, he noticed that the change in mission would mean the modification or addition of several operations and that the existing software would be incompatible. In support of the change in software, the new General Manager argued,

> Banker's Realm uses a big centralised system … and all CSMFI's data can be consolidated into one big database and it can accommodate our international transactions as the old software only works locally. In the situation where real time data consolidation is needed, Banker's Realm remains the best solution.

Hyvönen et al. (2012) argue that institutional entrepreneurs often question the old institutional arrangements and strive to create new ones or come up with solutions that will replace such existing arrangements. The act of questioning the use of the old software in line with meeting the new organisational mission, as mentioned, was initially done by the Deputy Manager in charge of Operations. Given his position in the organisation, the BOD gave unequivocal support to his suggestions. This can be confirmed from his follow-up interview on system incompatibility where he pointed out,

> In line with the changing mission of CSMFI to become a fully-fledged bank, at the time I could not see how CSMFI could effectively accomplish it if the old software was continuously being used. The old software did not capture many banking operations as expected. In a bid to respond to the new mission, I kept on suggesting the need for new banking software that will avoid the present system's errors such as errors of data, restriction and improper reporting and one that would produce more critical reports. I got the opinion of employee especially those concerned with producing such reports, and with the collective pressure the BOD reviewed the decision and Banker's Realm was implemented.

In line with the new mission to become a bank, continuous pressure was levied by the Deputy General Manager in charge of Operations to restructure the organisation by not only employing more employee who could perform banking operations but also to improve on the existing software. The Head of the Human Resource Department supported the idea of an increase in the number of employee, given how much work was needed, and increasing the tasks of current employee meant delays in other accounting and accountability functions, including slow reporting processes. The increase in number of employee also implies more accountability to a different and wider group of stakeholders via a more centralised system. The implication here is more reports will be generated from and to different stakeholders, especially within the organisation. The Head Office Accountant, in support of the change in software, added,

> Given that the structure of operations at CSMFI is more centralised and the software does not realise this change, we need software that will recognise this new addition. Actually, when CSMFI's mission gradually started shifting from being a cooperative MFI to a fully-fledged bank with microfinance services, the Operations department employee suggested that in order to manage and maintain the organisation's mission there is a need to start thinking about software that will ease our job and produce effective results that will reflect a banking institution.

In addition, the Head Office Accountant pointed out,

> … my line manager noticed the software incompatibility problem and that this will hinder the process of us becoming a bank by 2015 if nothing is done about it. This idea was then brought to the attention of the general manager by him during one of their monthly meetings and several other times. The general manager reported this problem during one of the BOD meetings. Initially there were many drawbacks and resistance to this idea at the level of the BOD meeting, as we learnt. Those who were against the idea argued that changing the software to a more sophisticated banking one will mean spending more costs (training employee and so on). I guess those who argued for posed our reasons of incompatibility in order to achieve the newly revised organisational missions and objectives.

7.3.2 Actors

In line with Seo and Creed's (2002) argument, human praxis is a vital mediating force between institutional contradiction and institutional change. That is to say, institutional contradictions are the reasons for institutional or accounting change occurring, although this change result depends on the actors in the field. Actors can act to either bring about change or resist change. In line with Sarma (2011), the initiators (institutional entrepreneurs) and disseminating actors (supporters of the idea of change or stability or resistance) are discussed in this section.

7.3.2.1 Institutional Entrepreneurs

The institutional entrepreneurs[28] in CSMFI range from external stakeholders to internal stakeholders, including shareholders, the new General Manager and the BOD (Schumpter 1991;

[28] Innovators or rational actors that deviate from scripted ways of behaviour in order to (re)shape an institution.

Dorado, 2005; Lecca and Nccache, 2006; Hardy and Maguire, 2008). The institutional entrepreneurs behind the change in the recent mission are the new shareholders who seek to satisfy their profitability needs. The old mission of poverty alleviation was initiated by a member of the original association. However as the shareholding changed, the new shareholders saw the need to become more profit-orientated, hence the change in mission. The new General Manager then saw the need for a new structure to manage the new organisational form and can therefore be considered as the institutional entrepreneur for the centralisation in CSMFI, following pressure from ANEMCAM. The Deputy General Manager, who is also the Accountant and the IT Manager at the same time, pushed for the software change, so can be considered as institutional entrepreneurs. The changes initiated by institutional entrepreneurs, who can take various forms, mean that organisations will be forced to deviate from their original practices by modification, addition or replacement (Dorado 2005; Lecca and Nccache, 2006). This change can also be formal and progressive (Sulaiman and Mitchell, 2005; Burns and Scapens 2000). This would also suggest that one form of change can lead to another. In their follow-up interview, the DGM in charge of Operations added,

> The software change in CSMFI is not just a problem of change because we want to change, our intention was to have a tool that will help us with the services of a fully-fledged bank when CSMFI finally migrates to a bank. So with Banker's Realm we have the opportunity to have all the components of the services that we can use if we are a fully-fledged bank like ATMs, card services, interconnectivity and the possibility to have one server for the whole organisation which is the main reason for the change.

The movement of CSMFI from a decentralised to a centralised accounting system was initially suggested by the new General Manager for better management and control. The BODs thought the idea was a good one after reviewing the advantages that centralisation could bring, including supporting CSMFI's new mission of becoming a bank. Those who supported centralisation in CSMFI posed reasons such as: the ease of implementing common organisational rules and practices; an opportunity to get all the branches to actively participate in working towards a common goal; easier control and co-ordination of the network by the head office (for example in dealing with budgets); greater use of specialisation; easier achievement of overhead savings and economies of scale; and above all to assure banking uniformity. One of the BOD members pointed out,

> Change management is not easy as people don't want change - it gives challenges for everyone but we explain to employee that we are not changing for the sake of change. Thus, we cannot stop the process of trying to implement change because people don't want to embrace the changes being made within the organisation. This means that the employee or people do not have a choice other than to accept the change. However, we also consider certain factors in saying people don't have a choice. For example, who is resisting, the competence level of the person and so on.

Furthermore, the Deputy General Manager in charge of Operations added,

> First of all, the vision to become a bank was the idea of the management and the board members. This plan was then proposed to the general assembly and accepted. This means that all the various organs of governance are concerned. We work on the strategy to migrate to become a fully-fledged bank and as part of the strategy, there is need to have good software.

For CSMFI to become a bank, it needs to satisfy many requirements, including the appropriate accreditation or qualifications of the management team, the quality of investment and infrastructure, capital requirements and regulatory requirements. The change requires a Head Office that will control the activities of all other branches, hence the decision to centralise.

7.3.2.2 Disseminating Actors

Lawrence et al. (2002) and Burns and Nielsen (2006) argue that the vision of change can rarely succeed without the collaborative efforts of other embedded actors in support of the change action. The implication here is that there is the need for other actors (disseminating actors) to support the actions of the change initiators. The actors supporting the change in mission, structure and accounting and accountability practices in CSMFI vary, and include the management, shareholders, MINFIN (regulator), COBAC (supervisory body) and even the clients, based on their interests. The shareholders, management and regulators are the key personnel that see to it that change is effectively implemented. This could be reflected in management reports, job descriptions of employee, organisational rules and responsibilities, and via audits and supervisory meetings.

The idea to change the operating software was collectively supported by the management and employee, with the main reason being to successfully accomplish the mission of becoming a bank and a Category 2 MFI. The disseminating actors behind the structural changes such as the change to using software that could perform banking operations in preparation of becoming a bank was mainly supported by the Operations department, who saw the need for it as the main users, even though a few members of employee resisted. The Head Office Accountant commented,

> Most of the financial transactions that are being performed at the front and back office levels will require that CSMFI accepts using the new Banker's Realm software unlike Global Bank that cannot handle international transactions and do consolidation properly, from experience when I was working in the bank and used it myself. The operations department will be the first people to struggle with producing timely reports and do their jobs effectively if CSMFI wants to operate like a bank and refuses to adopt the new software. We are aware of how costly Banker's Realm is comparatively but we strongly believe it can be seen as an investment if CSMFI's goals must be accomplished as planned.

Thus, acting in a collaborative manner as suggested by Dorado (2013) is evident in CSMFI, and the trained employee also assist the untrained ones to get them acquainted with the use and application of Banker's Realm in their daily work activities. The new General Manager who supported the software change also pointed out in the first semester report (2009:11),

> The quest for professionalism and the desire to meet up with exigencies of the present competitive market guided us in our choice of training employee.

CSMFI wanting to operate in a more professional manner being reflected in its changing mission enforced by its structural change is consistent with the argument on institutional logic (Greenwood and Suddaby, 2006). The conclusion here is that professionals will want to operate in a professional manner: the use of new professional software and practices makes the organisation look more professional, thereby working towards achieving its mission.

7.3.3 Institutional Contradictions

Following Hyvönen et al. (2012) and Sharma's (2011) idea that institutional change opportunities can arise in an emerging field, it can be argued that such institutional entrepreneurship can occur in CSMFI, given that it is a microfinance which remains an emerging field. Since CSMFI operates in an emerging microfinance field, institutional contradictions are likely to occur (Seo and Creed, 2002).

In line with the changing mission of CSMFI, it was noticed by management that there are certain organisational structural, accounting and governance hindrances as a result of inefficiencies, non-adaptability, incompatibilities and conflicts within the organisation, which is consistent with the types of institutional contradiction suggested by Seo and Creed (2002) and Greenwood and Suddaby (2006).

In terms of meeting the new mission of CSMFI, it was noticed that efficiency levels were dropping and not helping in moving towards the organisational goals. In line with technical efficiency, as pointed out by Seo and Creed (2002), employeeing remains inadequate despite its evolution over the years and is still a huge problem for CSMFI, given that more is expected from them in order to achieve the organisation's mission. The first semester management report (2009) states that one of the main difficulties that CSMFI faces is "inadequate employeeing: quality of employee still mediocre" (p. 13). The continuous shortage of experienced employee leads to functional inefficiency (Seo and Creed, 2002). CSMFI even combines two or more positions and allocates them to one employee member. The Deputy General Manager of Operations commented,

> Since CSMFI cannot afford the cost to employ another employee that will take over my old position as head of operations and finance control, I am forced by management to assume the post in addition to my new position as DGM even though I am only paid for the service I render as DGM.

The organisation has recently addressed some of these problems by creating new departments together with employing new employee. For example, the CSR, SME and Client Care departments have all recently been added to the organisational structure of CSMFI.

Furthermore, the old banking software not being capable of performing certain banking transactions, especially those to do with new products like international money transfer transactions shows incompatibility with CSMFI's growth objective (Seo and Creed, 2002). CSMFI's first semester management report (2009) comments on problems with the old software:

> The software's incompatibility with the institution's growth continues to be an issue. This is compounded with low mastery of the said software by employee, which further delays the detection of problems, and their solution. (p. 6)

In addition, various institutional conflicts and inconsistency also occur at CSMFI that have acted as an impetus for change to occur. The decentralisation system initially practiced in CSMFI resulted in misaligned interests, conflicts and inconsistency and reduced the ability to control and coordinate activities. It was observed that different branches practiced certain accounting and accountability functions in different ways. The General Manager commented,

> The reports generated by various branches made consolidation difficult as the operations department has always complained. This is simply because such reports or statements were not uniform. This is the reason why CSMFI thought having a uniform centralised system would help resolve irregular practices and give the organisation a professional look, increase the collaborative efforts of employee and help towards becoming a better bank.

With the decentralised system, employee from different branches reacted differently to similar situations from clients, which created problems within the organisation in regard to how clients were treated. The present structural arrangement with a centralised system makes the accounting and accountability functions clear and resolves conflicts where they are seen as a contradiction according to Seo and Creed (2002), even though centralisation has made the decision-making and reporting process, for example, more complicated with more formal hierarchies and increased number of personnel on the decision-making and accountability ladders.

7.3.4 Enabling Conditions

The literature has argued that there are different types of enabling conditions that will make change in an institution to take place, broadly classified under field level conditions and actor's position (Leca et al., 2008). The availability of resources and organisational power relations (Hardy and Maguire, 2008) has also been discussed. Jasyasinghe et al. (2007; 2009) also point out that issues around 'emotions' are vital in studying the conditions under which change can occur in a social organisational setting. How people feel about the change to be introduced cannot be ignored. In CSMFI, management appear to be given little room to express their feelings or emotions as to what they think about changing from one mission to another. One of the BOD explained that;

> It is not our place to decide on the change in the organisation but that of the shareholders, usually at the AGM. As we all know, shareholders usually think in line with their interest which to me is what is killing the organisation. The change in mission from client focus to a more profit focus one was mainly the idea of shareholders who see to it that management incorporates it in the daily running of CSMFI.

The Head of Social Corporate Responsibility also added that;

> In my opinion I think by not giving employee and clients or even the general public the opportunity to express their feeling and opinions about changing the mission means imposing decisions on management and the targeted clients end up being those outside the microfinance scope: the non-poor. Unlike in the past when CSMFI's mission was still solely social, today the needs of clients are different and clearly needs of the non-poor like having an international money transfer and online banking practice.

In line with the review of the actor's position in an organisation, it can be argued that the changes in CSMFI were largely successful because those who initiated them occupied influential positions in the organisational structure. Granlund (2001) argues that changes in structure put significant pressure on accounting and accountability to change, as is the case with CSMFI where centralisation directly impacted on decision-making and control process and the presence of Banker's Realm and new software also affected reporting.

The current changes at CSMFI came mainly from senior management and regulators, with little attention paid to the grassroots. The Head of Consumer and Client Care said,

> Following the comments and suggestions we receive from clients especially those via suggestion boxes and given the changes that we notice within the organisation especially recently, I think most of the idea of the changes that have been put in place ignore clients' suggestions.

It can be argued here that the lower ranking position of clients does not impact positively on the changes, but rather senior managerial positions act as enabling change conditions in CSMFI. The above argument confirms Garud et al. (2002) and Maguire et al.'s (2004) views that for change to be initiated by actors they must occupy certain positions (Beckert, 1999) be it subject-related (Maguire et al., 2001) as the case above or social (Battilana, 2006). Precisely, the subject position comes from the Deputy and new General Managers, who can be argued to occupy influential positions that can impact on CSMFI's decision-making process. Internally, the Deputy Manager collaborates with the General Manager and the General Manager networks with the BOD, which then networks with and convinces the General Assembly, which helps in accepting and implementing change such as the software. It can therefore be concluded here that without the General Manager accepting or seeing the reason for the change in software initiated by their deputy due to "the quest for professionalism" (First semester management report, 2009:11), the replacement of the old software might have been impossible or resisted after initiation.

In addition, the fact that the Deputy General Manager in charge of Operations had the necessary subject skills following the job description to include interpreting and analysing the situation of the company and preparing financial reports, statements and projections, ability to gain knowledge of state financial regulations, financial and accounting software applications, time management, organisational and communication skills was enough for the idea about the change in software to be initiated. This can be related to the issue of power over decision-making, as suggested by Burns (2000). The ability to be able to make certain decisions within an organisation has to do with the subject position of the actor, particularly in an organisation such as CSMFI where decisions are centralised.

Powell (1991) argues that the interest, preferences and choices or behaviour of people cannot be well understood if isolated from the cultural setting or historical period in which they operate or are embedded. Creed et al. (2002) and Hardy and Maguire (2008) add that cultural resources are also vital for institutional entrepreneurship to occur. Thus, studying the larger cultural setting in relation to the behaviour gives a better picture of the impetus for change in CSMFI. The idea of trust remains outstanding in CSMFI, which can arguably be used to explain why certain changes were able to be instituted. Clients believe that the microfinance's sole mission is to help them succeed in their social and developmental activities, boosting their finances. It was observed that a significant number of clients from a particular branch come from either the same village or church or operate in the same business line. When these clients were interviewed, it was noticed that when one or two clients join a particular MFI, they convince their neighbours during village meetings or gatherings to become members of the same MFI, as the case with CSMFI suggested. Such clients trust each other and can easily be convinced to become members by their neighbours. CSMFI has over the years attempted to maintain such confidence from its clients and this has served as an enabling condition to implement change. The management was convinced that they could increase and expand their customer base. The Head of the Marketing Department in the 2012 Marketing and research report pointed out,

> Stakeholders' confidence and trust is an extremely valuable asset in CSMFI with clients becoming all the more discerning, informed and making prudent banking and financial decisions. We believe as we grow our clients will continue to support and transact business with us.

Furthermore, CSMFI is a financially viable organisation; hence it had the financial resources to support the change. Finance is therefore an enabling condition for change. Agents are able to mobilise these resources as a lever to negotiate the collaborative support and effort of the change vision (DiMaggio, 1988; Hardy and Maguire, 2008).

It was easy to demonstrate the benefits of the changes in CSMFI, hence this enabled the change. For example, the introduction of the new software and centralisation of decision-making enhanced decision-making and speeded up processes in comparison to the previous software and decentralised systems. The time auditors spend moving from one branch to another was reduced with centralisation. The internal auditor at the Head Office can now control activities of branches from there. The available cost (use of finance, according to Greenwood and Suddaby (2006)) and time minimisation factor serve as enabling conditions for institutional entrepreneurship to take place in CSMFI.

7.3.5 Implementation Process

It has been argued that change initiators can rarely bring about institutional changes on their own without the collaborative efforts of other embedded actors (Lawrence et al., 2002) who are supportive of the idea of change. The mobilisation of allies, especially professionals and experts, remains vital for change to be successful (Greenwood et al., 2002; Fligstein, 1997; Leca et al., 2008). In CSMFI, there has been a collaborative effort from employee to see to it that the changes such as software and centralisation changes become effectively applied in the day-to-day running of the organisation. The heads of department supervise their departments, the branch managers control and supervise the implementation of changes by their employee and the internal auditor makes sure that management is doing what is expected of them, overseen by the

General Manager following reports. Dorado (2005) and Leca et al. (2008) add that implementation involves mainly strategy and skills. The General Manager pointed out,

> Even though it is true that it is not easy to implement change, we can say that CSMFI is kind of lucky that most of its employee were expecting certain changes to be made within the organisation when they learnt of the new organisation's mission.

CSMFI trains employee using in-house training workshops run by professionals external to the organisation, which compulsory for employee to attend and after which they are tested. The Management report 2009 states,

> The first training in line with new mission was in 2009 where loan and recovery officers of CSMFI were drilled on the new lending and recovery policies which lasted for over 8 hours. Other in-house trainings were carried out by heads of department and services given mainly to front office employee, credit officer (on new credit procedures) and internal controllers (reconciliation and internal control procedures).

Sanctions are usually levied on those who fail to attend training workshops, especially those regarding changes made in the organisation. The sanctions range from warning letters to dismissals, depending on the circumstance surrounding the absence. Also the head of department and branch managers' job descriptions require them to monitor the application of certain organisational changes made by the subordinate employee and produce a report which counts towards employee evaluation. A collaborative work environment is usually encouraged in CSMFI, which supports the argument by Wijen and Ansari (2007), Bruton et al. (2010) and Dorado (2013) that change can only be successfully implemented if there is a collaborative effort from social actors with divergent interests, as opposed to isolated actors.

The Internal Auditor is also responsible for making sure employees do their job in line with the organisational rules and practices, thus making sure that employee implement all the changes that have been officially sanctioned in the correct manner. The Head of Marketing and Corporate Communications in the 2012 Marketing and research report pointed out,

> We have realized that a communication approach that bases its foundation on honesty, accuracy and simplicity, is the most effective and enduring. We also firmly

> believe that both internal and external communications should be in consonance with the core principles of who we are and what we stand for as a banking institution.

In line with Battilana et al.'s (2009) argument that implementing change that will build an already existing institution is very challenging, not to mention that which will break existing institutions, the implementation process of Banker's Realm was very challenging from top to bottom. At the senior management level, this started with a delay in the General Manager conveying the idea to senior management when the individual pressure was levied by the Operations Manager until the management team exerted more pressure. At the AGM level, where some members resisted certain organisational changes due to tight budgets for training and purchases, such structural changes became more challenging. However, the AGM members in support of changes such as the change in software argued that hiring experienced employee would reduce the cost of training and these employees could be made to run in-house training (Management report, 2009), thus minimising cost. After giving management a trial session of employing experienced employee, CSMFI noticed positive implementation changes via in-house training from recently employed experts. The Internal Controller commented,

> The control department together with the departmental heads see to it that the new software is being used by employee in order to assure quality. Also employee are free to request training in certain domains of changes such as the case with the system software or where they think they are not competent enough in order to assure the application.

Each departmental employee member also developed trust in their departmental head by them offering them training and via meetings which eased the implementation of certain organisational changes. Loan officers, for example, are usually given the same training and will feel comfortable asking another loan officer about what they do not understand or agree with, and can easily be convinced by their colleague, making the implementation process easier (normative pressure). This statement confirms Smets et al.'s (2012) argument that people in the same profession can easily cooperate, convince and trust each other, reducing the pains of resistance to the implementation of change.

In addition, MFIs, particularly commercially focused ones, have been argued to impose certain decisions on actors without giving them room for choice (Dorado, 2005; Battilana and Leca, 2008; Battilana and Dorado, 2010). The employee of CSMFI has continuously been threatened with sanctions for failing to apply certain organisational changes in various daily operations, and others have even been dismissed following resistance to change, and CSMFI believes that such sanctions serve as a lesson to other employees (Management report, 2009). Burns (2000) adds that the reason why employees are forced to comply with organisational changes is because they have little or no power to influence organisational decisions.

The implementation of centralisation was easily undertaken by making sure senior management worked together with lower management to achieve a common objective. For example, the heads of departments' functions were revised to include the coordination of all departmental activities, liaising with lower management via reports and day-to-day activities. A communication online chat forum was also been created where employee can interact to resolve the distance problem in addition to maximising time and minimising cost. With the internal online chat forum, every department and service is able to communicate about the daily operations that take place t CSMFI while maintaining certain confidential client information. This means of communication in CSMFI has helped in the implementation of change, since employee can also use it as a learning forum without necessarily travelling to either undertake training workshops or attend meetings. In summary, training sessions did work and ease structural change implementation even though many challenges including non-compliance and decoupling were encountered during the process.

7.3.6 Impact on CSMFI

The impact of initiating change on CSMFI has been discussed in line with its mission, structure and accountability practices. It can be argued that the attempt to initiate change in CSMFI resulted in change even though decoupling/ resistance were at times evident.

7.3.6.1 Change

Some of the changes that have been introduced at CSMFI have been successfully implemented over the years, for example the change in mission from a charity organisation to a cooperative (Category 1) MFI and the current hard work to become a Category 2 MFI under the canopy of a bank. Structural changes such as centralisation and the introduction of new software have also been successfully implemented and are currently used at CSMFI. The fact that all of the financial statements and reports are produced with the aid of Banker's Realm is a sign that the software change has successfully been instituted. Also, it is current practice at CSMFI that most operations are controlled by the Head Office by various departments networking with the branches as shown in Figure 6.5 in Chapter 6. The increased number of functions and departments has also been successfully instituted at CSMFI, with evidence from reports generated and financial statements showing practical operations. The organisational chart also reflects such changes, including the addition of departments such as the Small and Medium Size Enterprises and Corporate Social Responsibility departments.

The introduction of new policies at CSMFI has also eroded certain organisational practices, including accountability to the community, which existed when CSMFI was still a charity organisation. There has therefore been a weakening and disappearance of downwards accountability practices in CSMFI as a result of mission drift.

Table 7.3 shows a summary of the various changes that have taken place recently at CSMFI following the change process, including the major sources of pressure and the reasons behind their levels.

7.3.6.2 Decoupling and Resistance

In spite of the argument that the changes have been largely successful, there has still been some evidence of resistance and decoupling. For example, some of the older employee, particularly at the branch level, resisted the introduction of first the centralisation and second the software. Centralisation was perceived to be too bureaucratic and complex, with too many departments and functions in the hierarchy, demanding more accountability to a wider group of stakeholders and also being seen to reduce the power of lower level management and grassroots. The complex nature of the decision-making process as a result of centralisation gave room for resistance, especially by branch managers, who initially had higher decision-making powers vested in them. It is clear that after centralisation the approval and execution of certain accounting operations rested more with the departmental heads at the Head Office level, unlike before when branch managers were given such powers. The implication here is that decision-making has become more formal and complex and employee (mostly aged 50+ according to the interview scripts) who resisted were not willing to change their normal scripted ways of practice. One of the branch managers commented,

> My reason for not supporting the new idea of centralisation was because it is going to cease my power towards making certain banking decisions for my clients and make me feel unrecognised.

The change in software was initially resisted at the board level, with budget constraints being the main reason. At the management level, employee members that were not willing to learn and deviate from their daily routines also resisted. Resisting employee did not have an interest in using the new system at all, and when forced by senior management to do so with various threats, some decided to resign and others abandoned the service; those who stayed and did not comply with such organisational changes were even dismissed, as pointed out in the Management report (2009,) when the change was initiated (Table 7.2). This confirms Power (1991) and Seo and Creed's (2002) argument that various institutionalised structures and practices become implemented naturally and legitimately without question, and efforts to try to change them will later be resisted as change will disrupt set routines and even be more costly. However, the further change of software at CSMFI still did not favour the older employee who had resisted previous software changes.

TABLE 7.3: Recent Effects of Resistance to Change in CSMFI

Names[29]	**Observation**	**Motive**
A	Dismissal	Gross unprofessional and unethical behaviour
B	Resignation	Dissatisfied with working conditions
C	Resignation	Not happy with changes in CSMFI, got another job somewhere else
D	Resignation	Not happy with changes in CSMFI, got another job somewhere else
E	Resignation	Personal reasons
F	Abandoned service	Not known
G	Abandoned service	Not known
H	Resignation	Travel to the USA with family

Source: CSMFI's first semester management report (2009: 13)

In addition, CSMFI has invested a considerable amount of resources on a yearly basis especially since 2009 when its mission and objectives changed to include profitability. Seo and Creed (2002) in support of Powell (1991) argue that when a huge amount of economic resources have been invested in an organisation, it is difficult for actors to respond to changes easily. That is, there is bound to be resistance to change. Such a considerable amount of investment started in 2009, as shown by the analysis of the investment committee, with more attention given to infrastructure, marketing and product development (75% of the budget allocated for the change

[29] Names not revealed for reasons of confidentiality

in software), computers and accessories amongst other unforeseen needs necessary for the success of the MFI (CSMFI's first semester management report, 2009).

Some management employee, especially lower management reluctantly accepted such organisational changes because of the fear of losing their jobs given the history of how employee that resisted changes were penalised. Although some of the changes have been successful in theory, in practice some of these changes are not effective and new practices are not used (Audit report, 2010).[30] It can be argued here that there is decoupling, which Oliver (1992) defines as a situation where actors accept certain institutionalised procedures but intentionally fail to put them into practice, also known as 'window-dressing'. The decoupling action, according to the auditor's report, came mainly from credit and recovery officers despite the number of training sessions they had attended. One of the credit officers added (expressing anger),

> Our reason for my colleagues to have accepted the software and centralisation change even though reluctantly was for the fear of losing their jobs. We did not want to accept the changes because we knew that our fraudulent activities with loans might be discovered by top management. We have always operated for the past years with the notion that 'charity begins at home'.

Some of the employee have were made to attend disciplinary meetings as a method of attempting to put more pressure on the implementation of changes, to no avail.

[30] The audit report was given to the researcher to read for 1 hour, after which it was taken back for reasons of confidentiality

TABLE 7. 4: Summary of Institutional Entrepreneurship in CSMFI

Changes (What?)	Institutional entrepreneurs (Who?)	Pressures (Where?)	Why?	Result
Mission				
Level 1: From charity to cooperative	One of the association members	Association- internal (CSMFI) - Public	- Felt responsible - Reach a wider community - Expansion (growth) and development	Successful (mission drift)
Level 2: From cooperative to bank	Shareholders	- COBAC, - MINFIN - ANEMCAM - Tax authorities - Shareholders - CSMFI (Management) - Individuals - Clients	- To comply with regulatory rules - To remain competitive - To pay more taxes - Profitability - To operate in line with mission and objectives - To meet their needs	In progress (mission drift in progress)
Structure (impact from Level 2)				
- **Centralisation**	New General Manager	Internally as a result of change in mission	- In order to have uniformity - Ease control - Maximise time - Accessibility of data (flexibility) - Minimise cost	Successful
- **Software**	Deputy Manager (Operations)	Internally as a result of change in mission	- Faster/ Flexible - Consolidation - Better banking operations	Resistance issues
- **Head office**	BOD	Internally as a result of change in mission		Successful
- **Increase in employee and functions**	Human Resource Manager	Internally as a result of change in mission	- To guarantee effectiveness and efficiency - Timeliness of banking operations - To absorb increased tasks due to expansion and growth - To offer more employment to Cameroonian society	Successful
- **Increase in**	BOD	Internally as a result	- Expansion and	Successful

number of branches (network)		of change in mission	growth - Depth and breadth of outreach	
Accounting and Accountability practices				
- Upwards from downwards		Internal and external pressures	Addition of external stakeholders to whom accountability is demanded	Successful
- Reporting format		COBAC, MINFIN, Management	To adapt to change in structure as a result of change on mission	Resistance issues
- Decision-making (from informal to formal)		BOD		Successful
- Control (now embraces external control)		Internal and external auditors		Successful
- Performance measurement (quantitatively done + BSC)		Management and ANEMCAM		Successful
- Project participation		Clients and Management	Report to senior management	Successful

7.3.6.3 Typology of Change

The change discussed here can be arguably referred to as evolutionary, following Burns and Scapens' (2000) typology of change. They suggest that any change that is of a practicable or random nature having some inertial forces usually resulting in new organisational rules and routines is said to be evolutionary in nature. However, according to Sulaiman and Mitchell's (2005) typology of change, the decision to introduce centralisation in CSMFI can be argued to be a replacement. According to Sulaiman and Mitchell (2005), the software change can be said to be a replacement and according to Burns and Scapens (2000), evolutionary. The budgetary change, on the other hand can be argued to be a modification, simply because the budgeting process in CSMFI was only modified following the change in their mission (Chapter 6). Table 7.4 is a summary of the types of changes that have occurred in CSMFI in line with the above classification.

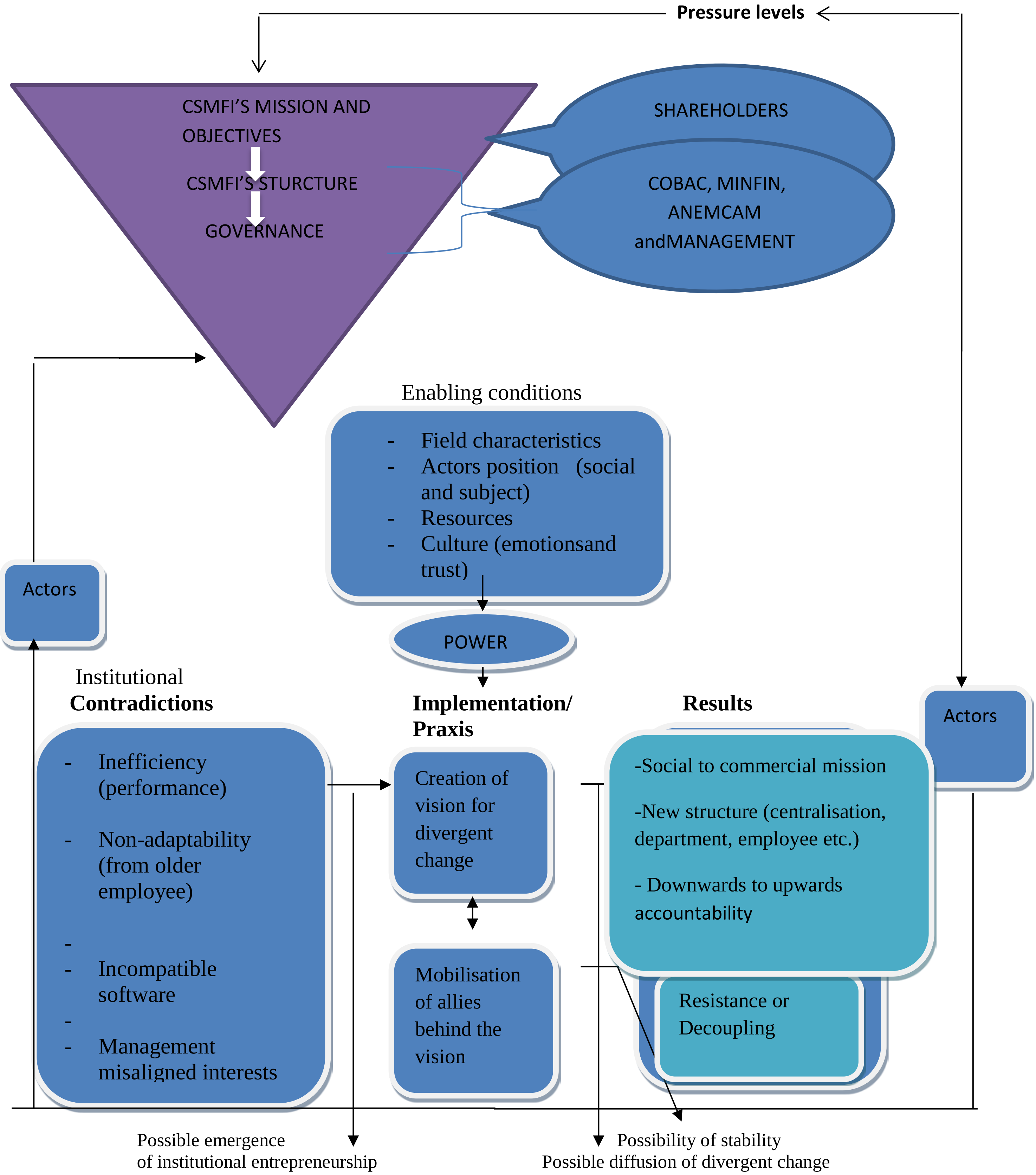
TABLE 7.5: Typology of Change in CSMFI

	Burns and Scapens (2000)		Sulaiman and Mitchell (2005)			
Typology of change	**Evolutionary or Progressive**	**Revolutionary or Regressive**	**Replacement**	**Modification**	**Addition**	**Reduction**
Mission and objectives		✔			✔	
Structure **-Increase in employee**	✔		✔		✔	
-Introduction of new department				✔	✔	
Software (MIS)	✔		✔			
Budgeting	✔			✔		
Decision-making - **Centralis-ation**	✔		✔			
- **New Branches/ departments/ functions**	✔			✔	✔	
Performance measurement/ management	✔			✔		
Control				✔		
Accountability/ Reporting				✔	✔	
Regulations			✔	✔	✔	

7.4 Chapter Summary

The discussion provided in the chapter has suggested that institutional change originates mainly from the interplay between existing pressures (macro or micro), power structures, culture and institutional contradictions groomed by the actions of actors (institutional entrepreneurs) in such settings. The key issues that emerged from the discussion are highlighted in Figure 7.4 below.

FIGURE 7.4: CSMFI's Institutional Entrepreneurship Process



It has been observed that practical accountability in CSMFI stills lays much emphasis on ‘upward’ and ‘external’ accountability, while the ‘downward’ and ‘internal’ accountability dimensions still remain comparatively missing. Furthermore, CSMFI has also paid more attention to ‘functional’ short-term accountability responses, with little attention to the ‘strategic’ processes vital for the assurance of long-term social and political change. The accountability and reporting system changed as a result of changes in the mission, which subsequently led to changes in the structure and internal processes.

The above changes have been discussed drawing on the themes stemming out of the theoretical framework of the thesis, including the four institutional pressure levels, actors, institutional contradictions, change enabling conditions, the implementation of the change process and the results in terms of whether or not change finally took place. Issues surrounding resistance and decoupling have also been highlighted. The next chapter provides the conclusion to the thesis, where the major findings, contribution, limitations and future research direction are highlighted.

CHAPTER EIGHT

CONCLUSION, LIMITATIONS AND RECOMMENDATIONS

8.0 Introduction

The study explores the nature of accounting and accountability practices in MFIs with particular interest whether such practices have changed over time in line with the mission drift argument advanced in the literature. The study was particularly motivated by the increasing role of MFIs in socio-economic development and poverty alleviation in developing countries, especially in sub-Saharan Africa where these institutions are growing at a rapid rate. The missing role of actors in analysing change also added to the study's motivation. The challenges that MFIs face, particularly in a growing competitive and regulatory environment characterised largely by an informal, poor and illiterate client base have also been well documented.

The study adopts an interpretive paradigm with the notion that accounting and accountability practices are socially constructed and need to be studied within their organisational context. Based on this, a case study approach was adopted where a microfinance organisation in Cameroon was studied. Data was collected from three main sources: semi-structured interviews, informal discussions and document analysis. The participants for the study were drawn from the Head Office and branches of the case organisation, as well as from customers of the firm. Further participants were drawn from external regulatory bodies. The data was transcribed, analysed and discussed in the preceding two chapters.

This concluding chapter is divided into four sections. Following this introduction section, the next section presents a summary of the major findings, followed by the main contributions of the research. Fourth, the limitations of the study are presented together with suggestions for future research.

8.1 Summary of the Major Findings of the Study

(1) The nature of CSMFI's accounting and accountability practices

It is clear from the study that the nature of accountability in CSMFI is largely formal, hierarchical and rules-based. In such a practice, upwards accountability relationships as opposed to downwards accountability relationships are clearly evident (figure 7.1). It can be concluded that downwards accountability, as suggested by Dixon et al. (2006), although existing in some forms, has become subservient to the need to demonstrate upwards accountability. Recently, the organisation has started to demonstrate rethinking about downwards accountability. New in CSMFI is the CSR department with a CSR Officer who has been making attempts to bring back customers into the accountability structure of CSMFI, based on the argument that CSMFI still includes its social mission in its structure. However, CSMFI's relationship with its customers still operates on an informal basis.

Upwards accountability is observed from management to shareholders and regulators and from the community or customers to management. Downwards accountability is evident through social projects employing the participative actions of clients or the community. However, such participative actions only assure functional accountability, as they remain limited to consultation (contacting village heads or farmers' group leaders, management of social projects and clients) and implementation (funds from funders and management to the community or farmers). The community or farmers are not given the opportunity to control these projects or bring in their own initiatives as to how they want the farming project to run. Internal accountability occurs amongst shareholders or management themselves through self-evaluations following internal rules and regulations, even though unintended and informal. The implication here is that the accountability mechanisms evident in CSMFI are broad, including social projects and activities, reports and disclosure statements, job descriptions and communications mechanisms, loans, performance evaluations, behaviours (ethics), self-regulation and compliance assessment and social audits.

(2) Change(s) in CSMFI's accounting and accountability practices

In line with the main research aim, it was observed that the mission of the case organisation, CSMFI, has changed over the years, from a purely social one to one that includes profitability. This change has impacted on the governance structure of the firm to include centralisation, increase in employment and new positions and function. The mission and structural change has further impacted on the accounting and accountability practices as will be discussed below. Findings from the data collected show that the changes that have occurred in the governance structure of CSMFI were mainly in response to the changes in its mission and objectives.

When CSMFI started as an association of individuals with the sole mission of poverty alleviation, downward accountability was evident. These individuals saw the need to provide agricultural products and small loans to farmers in their village and neighbouring villages. Farmers took upon themselves the responsibility (taking responsibility) to report to this group of individuals how well their crops were doing and so on. These groups of individuals established close informal relationships with farmers and actively participated in attended farmers meetings giving them their idea of what they thought could be done to improve on their harvest. This group of individuals later on noticed that the microcredit idea was welcomed and embraced by many farmers including those from other villages where they had not extended their charitable hand. In order to meet up with the growing demand from farmers, the group of individuals decided to include funders and management in the governance structure.

By the mid-2000s, the nature of CSMFI's accountability practices changed to welcome upwards, formal accountability. CSMFI became a cooperative organisation with more stakeholders to include shareholders (funders) and management. This implied a more complex nature of accountability. Upwards (formal) accountability was emphasized as management and other group of stakeholders were held responsible to report back to shareholder or their fund providers. Clients also had to report back to management giving an account for example how loans were used and the process of their situation or business. Downward accountability gradually faded out.

By 2010, CSMFI mission of becoming a bank clearly includes profitability in its objectives in addition to the neglected poverty alleviation one. The dual objective nature of CSMFI implies more accountability to different stakeholders making the structure more complex. More emphasis is still on upwards accountability to their regulators, supervisory body and management. However, CSMFI has recently (since 2013) started working hard on the nature of their grassroots accountability embracing clients' needs. There has been an addition of the CSR section under the human resource department in CSMFI in a bid to assure downwards accountability to clients.

(3) The institutional actors, roles and relative power in the change process

One objective of the study was to understand the role of agency in the institutional or organisational change process. In the study, the actors involved in the process of change included two main groups: institutional entrepreneurs (change initiators) and participating actors (those who coordinated to effect the implementation or rejection of the change). The institutional entrepreneurs at CSMFI included the regulator (MINFIN), supervisory body (COBAC), new General Manager, Deputy General Manager in charge of Operations and Finance, shareholders and even customers. The participating actors included management employee, the BOD, loan officers, customers, regulators and ANEMCAM.

The roles played by these groups of actors have been well explain within the study (see chapter 6 and 7) in either support or rejection of the organisation's missions and objectives or even structural changes. Those who rejected some of the changes included mainly the lower management (older employee) of CSMFI. The power level used to implement decision-making on changes in CSMFI includes the government (regulators, tax authorities, and supervisors), BODs and even management as discussed in Chapter 6 and analysed in Chapter 7.

(4) Challenges encountered in the accountability environment

The study has found a number of challenges which impact on the accountability process in the case organisation. First, regulators operating in an embryonic evolving sector such as microfinance, where regulations often overlap and are very confusing. This has led to gaps in the regulatory mechanisms, posing questions on regulatory text, the reason for the continuous update of such regulatory text. In addition, the lack of sufficient resources (human, financial and logistics) to embark on such duties also hinders effective regulatory work. The evidence collected suggests that there are not less than 480 authorised MFIs in Cameroon. At the supervisory body in charge of MFIs, there are no more than 14 employee and 10 personnel from COBAC. Not all of the employees are trained to undertake supervision, control and evaluation, despite the emphasis laid by MINFIN on capacity building and manpower monitoring of MFIs.

Second, in 2010 the management of CSMFI was still faced with three managerial challenges: organisational, timing and accountability. The preparation and reporting of timely and accurate accounting information is still a major challenge for CSMFI, especially with the change in mission. However, efforts are being made to restructure the Operations and Control department and work on improved procedures in order to conform to the general accounting and regulatory norms.

Third, the microfinance environment in Cameroon remains a competitive one with which a rapidly growing MFI like CSMFI must continuously strive to keep up. In order to keep up with the market competition, CSMFI has gradually moved towards operating as a Category 2 MFI, being more commercially orientated with the intention of also becoming a bank in the near future to speed up its growth. This will also help to address CSMFI’s long-term financial sustainability problem. CSMFI is also embarking on reviewing its customer service by engaging in continuous training of employee, especially those who act as customers’ first point of contact. This has led to an increased customer base, retention and satisfaction.

Fourth, CSMFI also faces the internal problems of resistance and decoupling. Some employees, especially management employee, has been there since the beginning but are not willing to embrace the new institutional changes, and these people who have served as the pioneers of the organisation are difficult to uproot. Evidence gathered from the study suggests that some of the older employee seem not to be very literate, but they have historical and cultural influence in the organisation and the organisation claims that it cannot just do away with them simply because they need educated people. Besides other reasons, these individuals function as the archives or memory of the organisation. They are the source of reference for information about the organisation’s evolution, especially at the beginning, as there is no written documentation to refer to. There is also indiscipline and employee misconduct, especially through non-collaborative efforts in accepting and learning the new managerial procedures and changes within CSMFI in order for the organisation to move forward. Such employees are usually threatened with disciplinary sanctions which include dismissal, so resisting employee turn to accept the procedures against their will and comfortable organisational culture.

Furthermore, there is a strong regional/ cultural influence within and outside the organisation. Most MFIs turn out to have huge number of customers from a particular village but now CSMFI is moving towards embracing all other citizens and hoping to see its dream come true of being the first 100% bilingual commercial bank/MFI 100% in the country.

8.2 Thesis' Contributions to Knowledge

The study contributions to knowledge have been explained under three sub headings; empirical knowledge, theoretical knowledge and policy making / practice. The study is in response to Scapens (2006:28) – a call for a change in interpretive accounting research to include that which can impact on practice. Also, Scapens (2004) suggests that it is necessary to modify existing theories if they fail to provide satisfactory explanations. Thus the research starts by providing a theoretical framework that provides an insight relevant to practitioners. The thesis framework builds on Battilana et al (2009)'s framework following recent reviews.

8.2.1 Empirical knowledge

In responds to Unerman and O'Dwyer (2006) quest for a suitable accountability framework/ mechanisms, a proposed accountability framework has been developed in the study which the management of CSMFI has already agreed to use to improve on their accountability practices especially in relation to the 'grassroots' where eyebrows were raised. Several accountability mechanisms also emerged in the study which other MFIs (management) might want to adopt.

The knowledge of accounting and accountability change studied as a ‘process’ with subjective reasoning will help management in understanding organisational change process and make decisions that will enhance socio-economic development. For example understanding such process of change might help management minimise resistance challenges within their organisations. It was noticed that communication (Collaboration in implementing change as argued by Dorado, 2005; 2013) was essential for change to be successfully implemented at all levels within CSMFI- the reason for continuous centralisation and online chat forums. This can also help the management of other MFIs in implementing change. Similar organisations can use findings and proposed theoretical framework to act as a guide for them in attempting to understand MFIs accounting and accountability practices.

The study raises awareness of the challenges that MFIs are likely to encounter in attempting to deliver proper accountability to stakeholders. This finding will serve as a guide to MFIs interest parties and will help them think of how to prevent such challenges in order to meet their objectives.

Also research on how to conduct case study research mainly focuses on developed countries. The application of such published work in the study was not valid. Instead, social networks (pre-established) were used to negotiate access. Thus, the implication here is social networking with case organisations is a very important strategy to adopt in conducting case study research in developing countries. It was also noticed that researchers from developed countries and nationals of the case country served as an added advantage.

8.2.2 Theoretical knowledge

Sholars/ researchers can be able to use the thesis theoretical framework which extends the understanding of institutional entrepreneurship theory to better and further understand the role of actors (individuals as change agents) in accounting and accountability change. The proposed theoretical framework will aid different stakeholders to better the organisational context of accounting and accountability change process.

The study contributes to the application of institutional entrepreneurship theory in accounting research. The study based on recent suggestions and limitations from other study, builds up on previous theoretical frameworks and arrives at a new theoretical framework (Figure 4.4) which has been adopted and used in the study. This current framework aids the researcher to understand on the change process in in CSMFI. The thesis theoretical framework can also be used by different stakeholders to include accounting research in studying, analysing and better understanding institutional or organisational change processes (the role and relative powers actors in the change process highlighted).

The study contributes to the theoretical gap by embracing a discussion that includes grassroots accountability based on the argument that; even though recent attempts have been made to study microfinance accountability (O'Dwyer et al., 2005), grassroots accountability (Dixon et al., 2006; Hopper et al., 2009) still remains underdeveloped. The inclusion of grassroots accountability in the study serves as an addition to the accountability literature specifically in Cameroon where such accountability study is missing.

The study adopts a case study approach. Traditionally management accounting research has been conducted mainly using large scale surveys and in positivistic studies. More emphasis on accounting has shifted towards understanding its organisational context (social life of organisations inclusive) which the study addresses. The study gives a deep understanding of the nature of accounting and accountability practices (as a process not outcome) highlighting individuals as agents of change.

8.2.3 Policy making / Practice

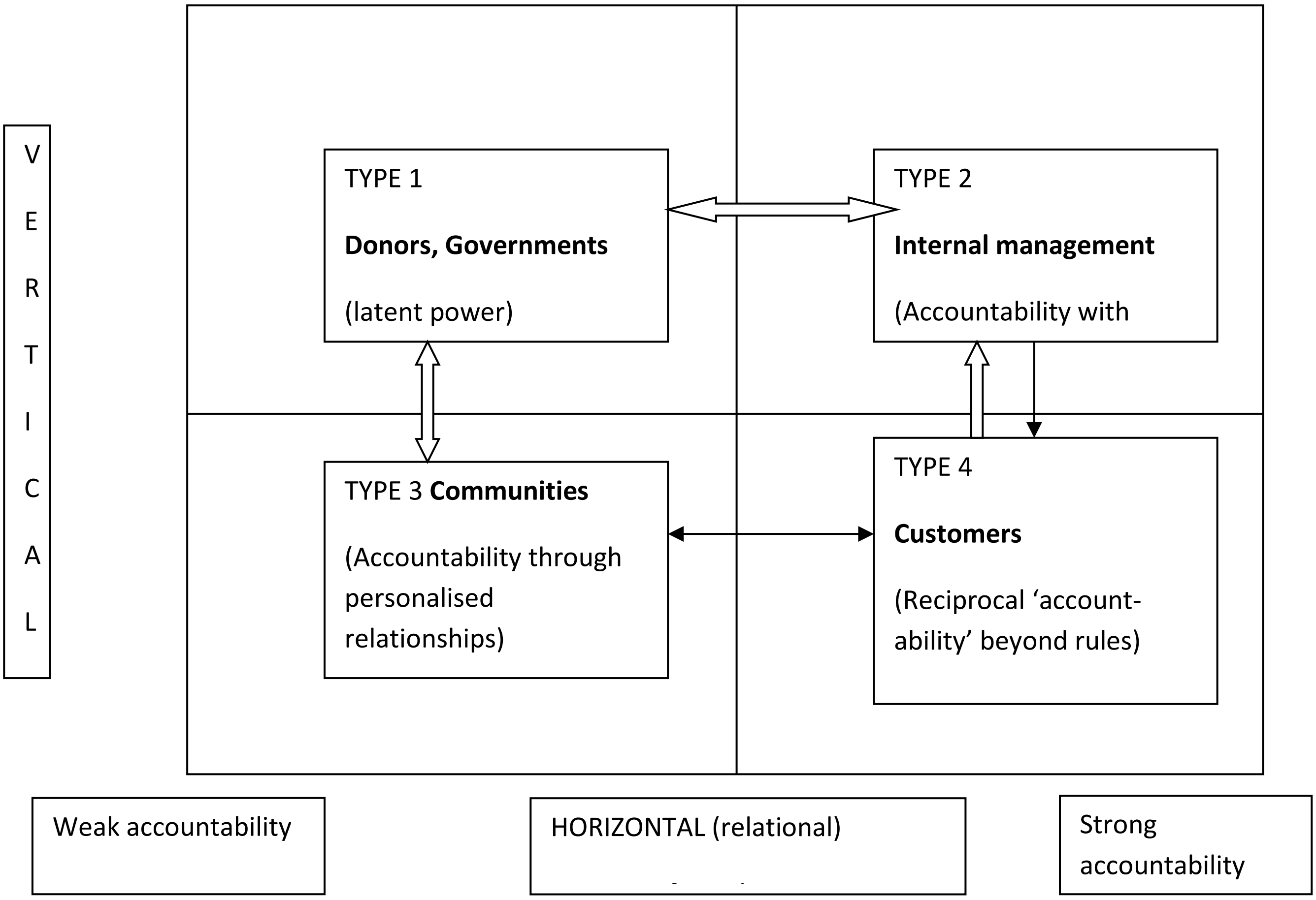
The study reveals that downwards accountability remains subservient (subdued) in favour of upwards accountability. This finding will assist policy makers like the government in formulating and implementing policies that are meant to enhance organisational accountability systems and improve on socio-economic development. (e.g ask socially focused organisations to submit reports detailing how they engaged clients and the community in their accountability practices).policy makers following the proposed accountability framework might see the need to design specific policies suitable for each type of organisation and not general rules.

The specific policies will help to enhance organisational transparency which can assure better accountability. Such policies could make provisions for MFIs to submit reports detailing how they have engaged with the community. Furthermore, donors or funders of these MFIs can also insist on seeing evidence of accountability to the grassroots. The lesson learned from the study seems to be contrary to the theoretical concept of microfinance. Even though microfinance is theoretically thought to assist mainly the poor (Parikh, 2006), the practicality of MFIs usually embraces a wider class of people, including even the rich. This is evident for CSMFI, where its daily operations are seen to be contrary to what is stated in its mission statement.

Today, MFIs are more commercially focused, welcoming other client groups outside the poverty-stricken groups, and this is known in the literature as mission drift (Woller, 2002; Christen, 2001). However, the reason for CSMFI's mission drift is in line with Zeller's (2001) and others' suggestion on microfinance commercialisation being aimed at ensuring the long-term financial sustainability of MFIs, which permits them to further pursue their social objectives.

It was observed from the study that the management of CSMFI does not seem to have built enough trustworthy relationships with employee like loan officers and daily collectors following their activities, who make untrue reports, and this makes it difficult for it to understand and respond to customers' needs. Thus, for the relationship between Types 2 and 3 or 2 and 4 accountabilities to work (see Figure 8.1), there is a need for management to exert more control and audit such employee in order to strengthen these relationships and enhance (grassroots) accountability. That is, downwards accountability is necessary for aid and developmental organisations such as CSMFI in order to assure good performance and transparency. Incorporating customers' views in the decision-making triangle is good but not enough. The following accountability framework has been suggested for further implementation.

FIGURE 8.1: Proposed Accountability Structure for CSMFI



Source: Modified from Dixon et al. (2006)

Key

Missing relationship that should be included in CSMFI's structure based on literature

Missing dual relationship that should be included in CSMFI's structure based on literature

Present relationship in CSMFI's accountability structure

Present dual relationship in CSMFI's accountability structure

Also, CSMFI like any other similar MFIs especially in Cameroon, there is need to give equal or more attention to its social mission if it is to remain a socially focused MFI, as stated in some the documents collected from CSMFI (Marketing brochures/ leaflets). It is recommended that it includes in its banking strategy, a department providing advice and guidance services to customers. The advice and guidance services should include tools such as budgeting and savings tools which customers are given some help with (budgeting help, managing debt, planning ahead). This will minimise bad debts and assure customers' better finance management, thus reducing poverty rates.

Having knowledge of institutional pressures driving change in the MFI environment will be useful for regulators (policy makers) and donors. Thus, this knowledge of institutional pressures (internal and external) can deepen and enrich their understanding as to what areas to be more mindful about when changing or developing accountability practices.

8.3 Limitations of the Study and Suggestions for Future Research

First, as initially pointed out in the research methodology, case studies have been criticised for their failure to achieve external validity. This limitation has been recognised in this study. However it must be stated that other forms of validity, namely internal, content and construct validity have been achieved. In terms of external validity, the use of a single case study brings the problem of generalisation. The argument here is that the changes that occur at CSMFI may not be same in another case study inside Cameroon or in other developing countries (De Vaus, 2001). The idea that research is valuable when the same results can be reproduced in another similar study/context is true in a quantitative study with a positivistic approach where there is an objective reality. However, in a qualitative study with an interpretive approach like this case with CSMFI, reality is seen as being constructed and can be reconstructed given changes inherent in the environment. Meanings are seen in this case to change with time, hence it is not the aim of the research to “statistically” generalise the case study results but it rather intends to “analytically” generalise its findings.

Second, the literature reviewed is mostly from developed countries and the few from developing countries did not include Cameroon, which can result in ignoring some pertinent developing country (particularly Cameroon) issues. This might affect the results of the study. However, this drawback was somehow overcome in the sense that some well-informed participants were interviewed, which supports Yin’s (2003) argument that such well-informed participants can provide vital insights to the study.

Third, the study had very few participants from the government sector. Several appointments were organised which took almost two months but kept on being cancelled by the government officials due to their busy schedule. However, the limitation was overcome by relying on documents published and received directly from the few officials interviewed. The next paragraph talks about the recommendations for future study.

In line with the theoretical framework of the thesis, the application of the framework in other organisations is recommended in order to further improve on analysing organisational change process. Another recommendation is that of conducting a study across different organisations and different developing countries in order to make generalisations and gain an in-depth understanding of microfinance accountability issues including their change processes. Last, in order to enrich the understanding of the regulatory pressure level that result in organisational changes, future studies should collect more primary data from regulators and other government officials and add to the data collected from other stakeholders.

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