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An Analytical Study on Corporate Governance Determinants in MFIs in Kerala

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Abstract

This research aims to analyze crucial factors impacting the corporate governance of MFIs (Microfinance Institutions) and discuss the significance of a robust governance approach to improving sustainable development and enhancing stability and reliability. Efficient governance is crucial in aiding MFIs in decreasing poverty and increasing financial access. This research followed the method of Qualitative and quantitative approaches. The approaches utilized were the distribution of an organized questionnaire to 200 directors from 18 MFI companies and the use of a five-point Likert scale to scrutinize the factors to detect the determinants of governance. Data was accumulated through literature surveys, interviews with stakeholders, and quantitative analysis of data. The findings of this research outcome depict that MFIs face challenges in enhancing their governance framework, allocating resources, and adhering to regulations.

JEL Code : G21, G34, L31, O16
Keywords : Corporate Governance; Micro Finance; MFIs; Board Structure; Transparency; Stakeholder; Regulatory Compliance; Kerala, India

I. Introduction

THIS BECOMES IMPORTANT since the practices relating to disclosure and the quality of governance within these institutions are directly related to the working sound of these institutions and their ability to inspire public confidence, Sallal (2024). Disclosure policies relate to the level and process through which such institutions reveal their financial and operating information to the stakeholders, the public, and the regulators. Disclosure has to be effective for several reasons, (Sun and Kim, 2014). First, it enhances public credibility since stakeholders are in a position to exercise pressure on MFIs in the implementation of performance as well as social missions. Second, every detail and timely disclosure helps identify possible risks and prevent

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has looked at how microfinance affects society by helping the economy, there isn't much proof that good governance leads to long-term social benefits like better schooling, healthcare access, and community growth. It is still not well understood how technology-based governance systems can improve openness and responsibility for social effect. The positive and Negative effects of corporate governance determinants in Kerala-based MFI are enhanced financial inclusion, better social support, and improved regulatory compliance, trust, and investor confidence. The negative effects of this topic are the regulatory burden with small MFI, the potential impacts of Bureaucratic delays, and the balance of the profitability of the social mission. Here also explore the corporate governance framework in Kerala with have the significant benefits as to promote the financial inclusion and social impacts. Furthermore, in such mutually beneficial cooperation, such entities can suggest better approaches to fulfilling the financial needs of the targeted population. It is equally remarkable that microfinance institutions need to finance their development with external partners and donors and cooperate with other financial institutions. These types of partnerships offer required funding, technical support and solutions, risk sharing, service addition, and increased client base. Such synergistic activities enhance the ability of MFIs to optimize both profit and reach their social mission, hence enhancing the overall goal of financial inclusion and economic development.

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