

Ownership Structure and Social Sustainability in Zambia's Microfinance Sector: A Stakeholder-Agency Perspective

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Abstract

This study examines the relationship between ownership structure and social sustainability of Microfinance Institutions (MFIs) in Zambia, integrating stakeholder and agency theories within a mixed-method framework. The research was motivated by concerns that ownership concentration among profit-oriented shareholders undermines the developmental mission of microfinance, leading to “mission drift” away from low-income clients. Quantitative data were collected from 114 regulated MFIs and analyzed using non-parametric Kruskal–Wallis tests to determine whether differences in ownership structure (private, cooperative, or NGO-based) significantly influence social performance and outreach. Complementary qualitative data were obtained through 30 in-depth interviews with board members, managers, regulators, and clients. Quantitative results reveal significant differences in social performance ($p < 0.05$) and outreach ($p < 0.05$) across ownership types, confirming that ownership form affects social mission orientation. Qualitative findings demonstrate that cooperative and NGO-owned MFIs prioritize inclusion and community impact, whereas privately owned MFIs focus on profitability and portfolio growth. The study concludes that ownership concentration is negatively associated with social sustainability, while community-based or cooperative models enhance outreach and inclusivity. The findings support stakeholder theory’s proposition that participatory ownership fosters legitimacy and social alignment. Policy recommendations emphasize hybrid ownership structures, stakeholder engagement mechanisms, and regulatory incentives to balance profitability with developmental impact.

1 Introduction

1.1 Background and Motivation

Microfinance Institutions (MFIs) play a pivotal role in promoting financial inclusion and poverty reduction across developing economies. In Zambia, MFIs bridge the gap between formal banking systems and underserved populations, particularly low-income entrepreneurs, women, and rural communities. However, as the sector grows, concerns have emerged regarding mission drift; the tendency for MFIs to prioritize financial profitability at the expense of social outreach and inclusion (Cull, Demirgüç-Kunt, & Morduch, 2007; Mersland & Strøm, 2010).

Central to this tension is ownership structure, which shapes institutional goals, decision-making priorities, and governance accountability. Ownership determines whose interests are prioritized—investors seeking returns or communities seeking empowerment. The nature of ownership thus has profound implications for social sustainability, defined as the institution’s ability to maintain its social mission, outreach, and client well-being over time (Birchall, 2013).

Globally, studies have shown that private and investor-owned MFIs often exhibit higher financial performance but lower social outreach, while cooperative and NGO-owned MFIs tend to prioritize community development and inclusivity (Hartarska, 2005; Tchakoute-Tchuigoua, 2015). Yet, evidence from sub-Saharan Africa remains limited and context-specific. Zambia presents a particularly relevant

case, as its microfinance sector is characterized by diverse ownership patterns ranging from private limited companies (86.8%) to NGOs (5.3%) and cooperative or community-based institutions (7.9%). This ownership diversity provides an empirical foundation to explore how governance forms influence not only financial objectives but also social sustainability indicators such as outreach to women, low-income clients, and rural areas.

1.2 Research Problem

While Zambia's microfinance sector has expanded under the regulatory oversight of the Bank of Zambia (BoZ), evidence suggests a divergence between institutional profitability and social inclusivity. Many MFIs especially privately owned institutions are drifting toward middle-income clients and salaried workers, limiting the original development mission of serving marginalized groups.

Quantitative results from this study confirm that ownership structure significantly differentiates social performance and outreach ($p < 0.05$). Yet, the qualitative evidence reveals deeper structural and behavioral causes. Profit-oriented owners emphasize financial sustainability and shareholder returns, often compromising outreach to rural or female clients. Conversely, NGO and cooperative models retain stronger community ties, social reporting frameworks, and inclusion strategies.

This dichotomy raises a governance dilemma: how can MFIs balance profitability with social sustainability in a competitive financial landscape? Addressing this challenge requires rethinking ownership configurations and integrating stakeholder-oriented governance mechanisms that align institutional goals with societal needs.

1.3 Objectives and Hypotheses

This study pursues four key objectives:

- To examine the relationship between ownership structure and social sustainability of MFIs in Zambia.
- To determine whether cooperative or community-based ownership models promote higher social outreach and inclusion.
- To explore the behavioral mechanisms linking ownership type to social mission implementation.
- To derive policy implications for balancing financial and social objectives through governance innovation.

Based on theoretical foundations and the study framework, the following hypotheses were tested:

- H_{1a} : Ownership concentration is negatively associated with the social sustainability of MFIs in Zambia.
- H_{1b} : MFIs with cooperative or community-based ownership structures exhibit higher social outreach and inclusion.

1.4 Contributions of the Study

This study contributes to both theory and practice in several ways:

- **Theoretical Contribution:** It integrates agency, stewardship and stakeholder *theories* to explain how ownership structure shapes institutional orientation.
- Agency theory highlights conflicts between owners and managers in profit-driven institutions.
- Stakeholder theory extends this by emphasizing shared accountability to clients, employees, and communities (Freeman, 1984).
- **Empirical Contribution:** The study provides the first integrated quantitative and qualitative evidence from Zambia demonstrating how ownership diversity influences social mission adherence and outreach performance.
- **Practical Contribution:** The findings guide regulators, policymakers, and investors in designing hybrid governance frameworks that promote inclusive finance, balancing commercial viability with developmental goals.
- **Policy Relevance:** Insights support Zambia's Eighth National Development Plan (2022–2026), which prioritizes inclusive financial growth and equitable access to credit.

2 Literature Review

2.1 Theoretical Foundations

Ownership structure determines who controls an organization, whose interests are prioritized, and how accountability is exercised. To explain its influence on the social sustainability of MFIs, this study integrates agency theory and stakeholder theory—two complementary perspectives that together explain the tensions between financial and social objectives.

2.2 Agency Theory and Ownership Incentives

Agency theory (Jensen & Meckling, 1976) posits that managers (agents) may not always act in the best interests of owners (principals). In profit-driven MFIs, this can manifest as risk-seeking behaviors, cost-cutting in social programs, or a narrow focus on short-term profitability. Ownership concentration, where few individuals hold controlling stakes, exacerbates agency conflicts, as oversight becomes self-interested and socially unaccountable.

Empirical studies demonstrate that concentrated ownership often leads to governance practices prioritizing profit maximization at the expense of outreach (Kyereboah-Coleman, 2007; Mersland & Strøm, 2010). Thus, agency theory helps explain the mission drift observed when MFIs transition from donor-funded or cooperative models to investor-owned firms. Ownership structure in MFIs varies across three broad categories, private/commercial, non-profit/NGO-based, and cooperative/community-based, each reflecting different priorities, governance frameworks, and accountability patterns.

2.3 Private or Commercial MFIs

Privately owned MFIs typically emphasize financial sustainability, capital efficiency, and market competitiveness. These institutions are often subject to stronger investor expectations, aligning with traditional financial performance indicators (ROA, OSS, PAR).

However, numerous studies have linked this model to mission drift, where outreach to poor clients declines as MFIs move toward higher-income or salaried segments (Cull, Demirgüç-Kunt & Morduch, 2007; Hartarska, 2005). For example, Mersland & Strøm (2010) found that investor-owned MFIs in Latin America and Africa displayed stronger financial performance but weaker social outreach compared to NGOs.

2.4 NGO-Based MFIs

NGO MFIs are primarily mission-driven, often established with donor or development funding. Their ownership structure typically involves boards with stakeholder representation rather than profit-seeking shareholders. Studies show that NGO-based MFIs tend to achieve broader social outreach, higher female client inclusion, and stronger community relationships (Hermes, Lensink & Meesters, 2011). However, their financial sustainability can be constrained by reliance on donor funding and weaker capital bases (Hartarska & Nadolnyak, 2007).

2.5 Cooperative and Community-Based MFIs

Cooperative MFIs are member-owned and democratically governed, aligning directly with stakeholder theory principles. They balance financial and social goals through participatory governance, where clients are also owners. Research consistently identifies cooperative MFIs as socially sustainable, achieving greater depth of outreach and resilience (Birchall, 2013). In Zambia, cooperative ownership structures such as credit unions and savings groups maintain strong community ties, emphasizing client protection and developmental impact.

2.6 Hybrid and Mixed Ownership Models

Emerging hybrid models combine investor capital with social mission safeguards such as capped returns or social performance charters. These models aim to mitigate mission drift while maintaining access to capital (Mori, Golesorkhi & Randøy, 2020). In practice, hybrid MFIs can leverage both efficiency and inclusivity when governance systems integrate stakeholder participation into decision-making and performance monitoring.

2.7 Stakeholder Theory and Social Mission Accountability

Stakeholder theory (Freeman, 1984) broadens the governance perspective by asserting that organizations have responsibilities to multiple stakeholders, not only shareholders but also clients, employees, communities, and regulators. In the microfinance context, this means success is not solely

measured by profitability but by the institution's ability to deliver social value, particularly through outreach to marginalized groups (Donaldson & Preston, 1995; Clarkson, 1998).

Stakeholder-oriented ownership models (e.g., cooperatives, NGOs) typically embed participatory decision-making and community accountability mechanisms that promote inclusiveness and trust. Empirical research supports this view: cooperative MFIs often outperform their for-profit counterparts in reaching poor and female clients (Birchall, 2013; Tchakoute-Tchuigoua, 2015).

Integrating agency and stakeholder perspectives provides a balanced framework: agency theory explains performance incentives and governance conflicts, while stakeholder theory accounts for legitimacy, inclusivity, and social mission alignment.

Social sustainability in microfinance refers to an institution's capacity to pursue its social mission, expanding access, promoting inclusion, and ensuring client well-being, without compromising financial viability (Armendáriz & Morduch, 2010).

It is operationalized through outreach indicators (e.g., percentage of women and low-income clients served), social performance reporting, and commitment to client protection principles. However, as MFIs commercialize, mission drift becomes a growing concern.

Empirical studies show that investor-owned MFIs tend to serve fewer poor clients and charge higher interest rates (Cull et al., 2007; Tchakoute-Tchuigoua, 2015). Mersland & Strøm (2009) emphasize that while commercialization can improve operational efficiency, it often leads to a dilution of social objectives if not balanced with appropriate governance safeguards.

2.8 Stewardship Theory and Cooperative Governance

Stewardship theory provides a complementary perspective to both agency and stakeholder theories by emphasizing that managers are not always self-interested agents but can act as stewards whose goals are aligned with organizational and societal objectives (Davis, Schoorman & Donaldson, 1997). Unlike agency theory, which assumes opportunistic behavior, stewardship theory assumes that managers are intrinsically motivated, trustworthy, and committed to the long-term success of the organization.

2.9 Relevance to Microfinance Institutions

In the context of microfinance institutions (MFIs), stewardship theory is particularly relevant for cooperative and community-based ownership structures, where managers often share social and developmental values with stakeholders (Davis, Schoorman, & Donaldson, 1997). Decision-making in these organizations tends to be guided by collective goals rather than individual profit, and governance structures promote trust, participation, and long-term orientation (Hernandez, 2012). This perspective aligns closely with the mission of microfinance, which emphasizes financial inclusion, poverty reduction, and community empowerment (Ledgerwood, 2013).

2.10 Stewardship Behavior in Different Ownership Structures

2.10.1 Cooperative MFIs

Stewardship theory is most strongly reflected in cooperative models, where managers are accountable to member-owners. The alignment between managers and stakeholders fosters high levels of trust, transparency, and commitment to social goals (Miller & Le Breton-Miller, 2006).

2.10.2 NGO-Based MFIs

In NGO-owned MFIs, stewardship behavior is reinforced through mission-driven leadership and donor accountability, with managers prioritizing social impact over financial returns (Seelos & Mair, 2005).

2.10.3 Private MFIs

Stewardship may be weaker in privately owned MFIs due to external investor pressure, although it can emerge when leadership adopts ethical and socially responsible practices (Donaldson & Davis, 1991).

2.11 Implications for Social Sustainability

Stewardship theory suggests that when managers act as stewards:

Social sustainability improves because decisions prioritize long-term community welfare (Davis et al., 1997), Mission drift is reduced due to alignment between organizational purpose and managerial behavior (Hernandez, 2012) and Client trust and institutional legitimacy increase, enhancing outreach and retention (Ledgerwood, 2013).

This perspective helps explain why cooperative and NGO-owned MFIs often outperform private MFIs in social outreach, driven not only by ownership structure but also by values-driven leadership and governance culture (Miller & Le Breton-Miller, 2006).

2.12 Integrative Ownership Governance Model: Theoretical Foundation

To strengthen the conceptual coherence of this study, the Integrative Ownership Governance (IOG) model is derived from combined insights of agency theory, stakeholder theory, and stewardship theory. Rather than treating these theories as competing perspectives, they are conceptualized as complementary lenses that jointly explain how ownership structures influence the social sustainability of MFIs (Jensen & Meckling, 1976; Freeman, 1984; Donaldson & Davis, 1991). Individually, each theory provides only a partial explanation of governance dynamics; integrated, they offer a holistic framework capturing the balance between financial performance and social mission that defines the microfinance sector (Seelos & Mair, 2005).

2.13 Theoretical Contributions to the IOG Model

2.13.1 Agency Theory: Governance Control and Incentive Alignment

Agency theory provides the foundation for understanding how ownership concentration and profit-oriented incentives shape organizational behavior (Jensen & Meckling, 1976). In MFIs, particularly those with private or investor-driven ownership, agency dynamics often focus on financial efficiency, risk minimization, and shareholder returns, which can enhance operational sustainability but may lead to mission drift (Mersland & Strøm, 2009).

Within the IOG model, agency theory contributes the control dimension of governance, emphasizing monitoring mechanisms, incentive alignment structures, and accountability to financial stakeholders (Jensen & Meckling, 1976). These elements are essential for efficiency but must be balanced to avoid undermining social objectives.

2.13.2 Stakeholder Theory: Accountability and Social Responsiveness

Stakeholder theory expands governance by asserting that MFIs are accountable not only to shareholders but also to clients, communities, employees, and regulators (Freeman, 1984). In the IOG model, stakeholder theory contributes the accountability dimension, reflected in inclusive decision-making, stakeholder representation in governance, and social performance monitoring systems. This ensures MFIs remain aligned with their developmental mission, particularly in serving marginalized populations (Seelos & Mair, 2005).

2.13.3 Stewardship Theory: Trust, Values, and Mission Commitment

Stewardship theory introduces a behavioral and normative dimension to governance, challenging the assumption of self-interested actors and suggesting that managers can act as stewards, motivated by intrinsic values, trust, and commitment to organizational purpose (Donaldson & Davis, 1991; Hernandez, 2012).

In MFIs, stewardship is evident in cooperative and NGO-based ownership, where leadership is guided by social mission, ethical responsibility, and long-term community impact (Miller & Le Breton-Miller, 2006). In the IOG model, stewardship contributes the behavioral dimension, characterized by values-driven leadership, trust-based governance, and long-term orientation toward social sustainability.

The IOG model conceptualizes social sustainability as the outcome of the interaction among three core governance mechanisms: control (agency theory), accountability (stakeholder theory), and stewardship (stewardship theory). These dimensions are mutually reinforcing and, when balanced, enable MFIs to achieve both financial sustainability and social impact (Donaldson & Davis, 1991; Jensen & Meckling, 1976; Freeman, 1984).

2.14 Linking the IOG Model to Ownership Structures

The IOG framework explains variations in social sustainability across ownership types. Private MFIs are influenced primarily by agency mechanisms, often achieving strong financial performance but facing a higher risk of mission drift. NGO-based MFIs emphasize stakeholder accountability, resulting in stronger outreach and social inclusion. Cooperative MFIs integrate stakeholder participation with stewardship values, making them particularly effective in achieving social sustainability. Hybrid ownership models, combining elements of all three theories, represent the most balanced governance approach, aligning financial incentives with social objectives (Mersland & Strøm, 2009; Hernandez, 2012).

The integrative framework linking these theoretical perspectives to ownership structures is illustrated in Fig. 1.

- **H_{1a}**: Ownership concentration is negatively associated with the social sustainability of MFIs in Zambia.
- **H_{1b}**: MFIs with cooperative or community-based ownership structures exhibit higher social outreach and inclusion.

The IOG model directly underpins the study's hypotheses:

- The negative relationship between ownership concentration and social sustainability (H_{1a}) is explained by the dominance of agency mechanisms in the absence of stakeholder and stewardship balance.
- The positive effect of cooperative and community-based ownership (H_{1b}) is explained by the integration of stakeholder accountability and stewardship behavior, which reinforces social mission alignment.

2.15 Linking Ownership Structure to Social Sustainability: A Mechanism-Based Integration of Agency and Stakeholder Theories

While agency theory and stakeholder theory offer valuable perspectives on governance in microfinance institutions (MFIs), their application in this study extends beyond descriptive comparison. This research advances a mechanism-based integration, explicitly explaining how ownership structures translate into social sustainability outcomes through identifiable governance pathways (Jensen & Meckling, 1976; Freeman, 1984).

2.15.1 Ownership Structure as a Governance Determinant

Ownership structure determines who holds decision-making power, which objectives are prioritized, and how accountability is enforced (Mersland & Strøm, 2009). These elements shape internal governance

processes, which in turn influence social sustainability outcomes, particularly outreach, inclusion, and client welfare (Ledgerwood, 2013).

2.15.2 Agency-Theoretic Mechanism: Incentives and Control

From an agency perspective, ownership structure influences social sustainability through incentive alignment and control mechanisms (Jensen & Meckling, 1976).

Causal Pathway

Ownership Concentration → Profit-Oriented Incentives → Managerial Decision-Making → Reduced Social Outreach

In privately owned MFIs, concentrated ownership creates strong pressure for financial returns (Mersland & Strøm, 2009). Managers are incentivized to prioritize low-risk, profitable clients (Jensen & Meckling, 1976), and this leads to the exclusion of poorer or rural borrowers (Ledgerwood, 2013).

Thus, the mechanism is not merely theoretical but behavioral: profit-driven incentives reshape lending strategies, resulting in mission drift and reduced social sustainability (Donaldson & Davis, 1991).

2.15.3 Stakeholder-Theoretic Mechanism: Accountability and Inclusion

Stakeholder theory introduces a distinct mechanism based on multi-stakeholder accountability (Freeman, 1984).

Causal Pathway

Distributed Ownership → Stakeholder Representation → Inclusive Decision-Making → Enhanced Social Outreach

In NGO and cooperative MFIs, governance structures incorporate clients, communities, and regulators (Seelos & Mair, 2005). Decision-making reflects collective interests rather than shareholder returns (Hernandez, 2012), and this promotes policies favoring inclusion and social impact (Miller & Le Breton-Miller, 2006). The mechanism operates through expanded accountability, which reorients institutional priorities toward social performance (Freeman, 1984; Seelos & Mair, 2005).

2.15.4 Bridging the Theories: Integrated Governance Mechanism

Rather than treating agency and stakeholder theories as competing, this study conceptualizes them as complementary mechanisms operating within a unified framework (Jensen & Meckling, 1976; Freeman, 1984; Donaldson & Davis, 1991).

Integrated Causal Model:

2.15.5 Implications for Social Sustainability

Through this integrated lens, social sustainability is not an abstract outcome but the result of three observable processes:

- Incentive structures → Shape strategic priorities (Jensen & Meckling, 1976).
- Accountability mechanisms → Define whose interests matter (Freeman, 1984).
- Decision-making behavior → Determines outreach and inclusion (Mersland & Strøm, 2009).

Thus:

- Weak accountability combined with strong profit incentives → mission drift (Ledgerwood, 2013).
- Strong accountability combined with aligned incentives → social sustainability (Donaldson & Davis, 1991).

In the Zambian context, study data corroborate these findings: private limited MFIs constitute the majority (86.8%) but report lower social outreach compared to NGO and cooperative models. This supports the hypothesis that ownership concentration is negatively associated with social sustainability (Mersland & Strøm, 2009; Ledgerwood, 2013).

2.16 Global Evidence on Ownership and Microfinance Performance

Global literature consistently demonstrates that ownership structure is a critical determinant of microfinance performance, influencing both financial sustainability and social outreach. Studies such as those by Cull, Demirgüç-Kunt, and Morduch (2007) show that commercially oriented (private) MFIs tend to achieve higher financial efficiency, measured through profitability indicators such as Return on Assets (ROA) and Operational Self-Sufficiency (OSS). However, this financial strength often comes at the expense of depth of outreach, particularly to poorer and more vulnerable populations.

Similarly, Mersland and Strøm (2010) provide cross-country evidence indicating that investor-owned MFIs exhibit superior financial performance but weaker social performance, reinforcing the concept of mission drift. This occurs when MFIs shift focus from poverty alleviation to serving relatively wealthier clients who pose lower credit risk.

In contrast, NGO-based and cooperative MFIs have been shown to prioritize social sustainability, including outreach to women, rural populations, and low-income households. Birchall (2013) highlights that cooperative models, due to their member-owned nature, embed democratic governance and accountability, resulting in stronger alignment with social objectives. Likewise, Tchakoute-Tchuigoua (2015) finds that legal status significantly influences performance, with non-profit MFIs achieving better outreach indicators despite weaker financial metrics.

Emerging studies also emphasize hybrid ownership models, which combine private investment with social safeguards. These models attempt to reconcile the trade-off between financial and social goals by integrating stakeholder participation into governance structures (Mori, Golesorkhi & Randøy, 2020). Overall, global evidence points to a persistent tension between profitability and social mission, shaped fundamentally by ownership incentives and governance frameworks.

2.17 Evidence from African Contexts

Empirical studies from Africa provide context-specific insights into how ownership structures influence microfinance outcomes in developing economies. In many African countries, MFIs operate within institutionally constrained environments, where regulatory quality, financial infrastructure, and socio-economic conditions shape governance effectiveness.

Evidence from Zambia suggests that community-based and cooperative microfinance institutions play a critical role in expanding financial outreach, particularly among rural and low-income populations (Siwale, 2006; Chiumya, 2006). These institutions leverage local embeddedness and group-based lending structures to overcome information asymmetries and access constraints, thereby achieving broader inclusion compared to more commercially oriented MFIs.

Chiumya (2006) and Mori, Golesorkhi & Randøy (2020), find that community-based and cooperative MFIs achieve significantly higher outreach, particularly among women and rural clients. This is attributed to participatory governance structures, where clients are also owners, ensuring that institutional priorities remain aligned with community needs.

Similarly, Mori et al. (2020) demonstrate that board diversity and stakeholder representation improve both social and financial performance in Zambian MFIs. Their findings suggest that ownership structures that incorporate community voices and stakeholder accountability mechanisms enhance institutional legitimacy and trust.

Beyond Zambia, studies in Ghana and other African economies reinforce these patterns. Tchakoute-Tchuigoua (2015) show that while private MFIs benefit from stronger capital bases and operational efficiency, their social outreach is often limited unless moderated by strong regulatory oversight. This highlights the role of institutional quality in shaping the ownership–performance relationship.

Mori et al. (2020) further emphasize that hybrid governance models in African microfinance networks can achieve balanced outcomes when supported by effective monitoring systems and stakeholder engagement. These findings underscore that, in Africa, ownership structure does not operate in isolation but interacts with governance quality and regulatory frameworks.

2.18 Research Gaps

Despite the growing body of literature, several critical gaps remain.

First, much of the existing research is biased toward financial performance metrics, with limited emphasis on social sustainability, particularly in terms of client welfare, inclusion, and long-term impact. This creates an incomplete understanding of MFI performance, especially in development-oriented contexts.

Second, there is a lack of integrated mixed-method studies, particularly in African settings. Most studies rely heavily on quantitative data, which, while useful for identifying statistical relationships, fails to capture the behavioral and institutional mechanisms through which ownership influences social outcomes.

Third, context-specific evidence from Zambia remains limited, despite the country's diverse ownership landscape (private, NGO, and cooperative MFIs). Existing studies often generalize findings across regions without adequately accounting for local institutional dynamics, such as regulatory frameworks and socio-economic conditions.

Fourth, there is insufficient exploration of hybrid ownership models and their effectiveness in balancing financial and social objectives. While theoretically promising, empirical validation, especially in African contexts, is still underdeveloped.

Finally, the interaction between ownership structure, governance quality, and regulatory oversight remains underexplored. Understanding these relationships is essential for designing policies that promote both financial sustainability and social inclusion.

2.19 Summary of Contributions

- Providing empirical evidence from Zambia, a country with diverse ownership typologies.
- Integrating quantitative (Kruskal–Wallis tests, SEM) and qualitative (stakeholder interviews) to capture both structural and behavioral determinants of sustainability.
- Introducing a stakeholder–agency integrative model that contextualizes governance theory in emerging economies.

3 Methodology

3.1 Research Design and Mixed-Method Justification

This study employed a convergent mixed-method research design combining both quantitative and qualitative approaches to examine how ownership structure influences the social sustainability of Microfinance Institutions (MFIs) in Zambia.

The quantitative component used cross-sectional survey data from 114 employees of MFIs to statistically test the relationship between ownership type and social sustainability using non-parametric methods and regression methods. The qualitative component explored perceptions and experiences of

board members, managers, clients and regulators to understand how ownership dynamics affect institutional missions and social outcomes.

This design allowed for triangulation, strengthening validity and providing both numerical and contextual insights (Creswell & Plano Clark, 2018). The integration of stakeholder perspectives enriched the interpretation of statistical patterns, in line with stakeholder theory’s emphasis on multiple voices in governance evaluation.

3.2 Unit of Analysis and Multi-Informant Design

The unit of analysis for this study is the Microfinance Institution (MFI). Data were collected using a multi-informant approach, involving three distinct respondent categories within each institution: board members, senior managers, and compliance officers. Each category was administered a role-specific questionnaire designed to capture different dimensions of institutional characteristics, including governance, operational performance and regulatory compliance.

Given the use of different instruments, responses were not directly aggregated across respondents. Instead, variables were constructed at the institutional level by assigning each construct to the most appropriate informant group, consistent with their domain expertise (Kumar et al., 1993; Van Bruggen et al., 2002). For example, ownership structure variables were derived from board members, while social sustainability measures were obtained from compliance officers.

This approach ensures conceptual alignment between measurement and respondent expertise while maintaining the institution as the unit of analysis.

3.3 Population and Sampling Strategy

The study population comprised all regulated MFIs under the supervision of the Bank of Zambia (BoZ) as of 2024. These institutions include deposit-taking, credit-only, and community-based MFIs.

A stratified purposive sampling strategy was applied to capture diversity across ownership categories:

- Private Limited Companies (86.8%)
- Cooperative or Community-Based MFIs (5.3%)
- NGO or Non-Profit MFIs (7.9%)

A total of 114 quantitative responses were analyzed, representing senior managers, board members, and compliance officers responsible for governance and performance reporting.

For the qualitative phase, 30 in-depth interviews were conducted with representatives from MFIs, the Association of Microfinance Institutions of Zambia (AMIZ), the Bank of Zambia, and selected clients. This ensured triangulation across institutional, regulatory, and stakeholder levels.

The operationalisation and measurement of the study variables are presented in Table 1 below.

Table 1
Variables operationalisation and measurement

Variable	Indicators	Measurement	Type
Ownership Structure (OS)	Ownership type (Private, Cooperative, NGO), concentration ratio.	Categorical (Nominal)	Independent
Social Sustainability (SS)	Women outreach, low-income outreach, social performance policy, client protection measures.	Composite index (standardized mean)	Dependent

The operational framework aligns with previous MFI governance studies (Mersland & Strøm, 2010; Hartarska & Nadolnyak, 2007; Birchall, 2013).

3.4 Construction of the Social Sustainability Index

The Social Sustainability Index (SSI) was developed to quantitatively capture the extent to which Microfinance Institutions (MFIs) in Zambia achieve their social mission, particularly in terms of outreach, inclusion, and client welfare. Given that social sustainability is a multidimensional construct, a composite index approach was adopted to integrate multiple indicators into a single, standardized measure.

The construction of the SSI is grounded in stakeholder theory, which emphasizes accountability to clients, communities, and broader society, as well as in microfinance literature that defines social performance in terms of depth and breadth of outreach (Armendáriz & Morduch, 2010). Accordingly, the index captures three core dimensions:

- Outreach and Inclusion
- Social Performance Systems
- Client Protection and Welfare

These dimensions reflect both quantitative outreach metrics and qualitative governance practices, ensuring a holistic assessment of social sustainability.

Indicators were selected based on established frameworks such as the Social Performance Task Force (SPTF) and prior empirical studies (e.g., Mersland & Strøm, 2010; Tchakoute-Tchuigoua, 2015). The selected indicators include:

Outreach Indicators which include, Percentage of female clients, proportion of low-income clients and Extent of rural outreach. These variables measure the depth of outreach, reflecting the ability of MFIs to serve marginalized populations.

Social Performance Governance include, Presence of a social mission statement, existence of social performance monitoring systems and Frequency of social reporting. These indicators assess the institutional commitment to social objectives.

Client Protection Measures include Implementation of client protection principles, Transparency in pricing and loan conditions and Mechanisms for client feedback and satisfaction. These variables capture client welfare and ethical practices, which are central to sustainable microfinance.

All perception-based indicators were measured using a five-point Likert scale:

1 = Strongly Disagree, 5 = Strongly Agree

Quantitative indicators (e.g., percentage of female clients) were collected as continuous variables and subsequently normalized to ensure comparability across institutions.

To combine variables with different units of measurement, all indicators were transformed onto a common scale (0 to 1) using min-max normalization. This ensures that each indicator contributes proportionately to the index, eliminating scale bias.

The Social Sustainability Index was constructed as a composite index by taking the arithmetic mean of all normalized indicators.

Each indicator was assigned equal weight, consistent with prior studies and due to the absence of strong theoretical justification for differential weighting.

3.4.1 Interpretation of the Index

The SSI ranges from 0 to 1, where:

- 0.00–0.39 → Low social sustainability
- 0.40–0.69 → Moderate social sustainability
- 0.70–1.00 → High social sustainability

Higher values indicate stronger performance in outreach, inclusion, and client protection.

3.4.2 Reliability and Validity

- **Reliability:** Internal consistency was assessed using Cronbach's alpha, with values exceeding 0.80, indicating high reliability.
- **Construct Validity:** Indicators were adapted from validated instruments in microfinance research.
- **Content Validity:** Expert review (e.g., regulators and practitioners) ensured contextual relevance to Zambia's MFI sector.
- **Triangulation:** The index was complemented by qualitative findings to enhance interpretive validity.

The use of a composite index is justified because social sustainability cannot be captured by a single variable. By integrating multiple dimensions, the SSI provides a robust, multidimensional measure that reflects both outcomes (outreach) and processes (governance and accountability).

3.5 Quantitative and Qualitative Analysis Procedures

This study employed a convergent mixed-methods analytical approach, integrating both quantitative and qualitative techniques to examine how ownership structure influences the social sustainability of Microfinance Institutions (MFIs) in Zambia. The combination of statistical and thematic analysis enabled both measurement of relationships and interpretation of underlying mechanisms.

The quantitative analysis aimed to test the study's hypotheses regarding the relationship between ownership structure and social sustainability, using data collected from 114 respondents across regulated MFIs. Prior to analysis, the dataset was subjected to Data cleaning to address missing values and inconsistencies, Coding of categorical variables, particularly ownership types (private, cooperative, NGO) and Construction of the Social Sustainability Index (SSI) as a composite dependent variable. Descriptive statistics were used to summarize the characteristics of the sample: Frequencies and percentages for ownership categories and Means and standard deviations for social sustainability indicators. This step provided an overview of the distribution and patterns within the data. The Kruskal–Wallis H test was employed to assess whether there are statistically significant differences in social sustainability across different ownership structures. The independent variable was ownership structure (categorical), and the dependent variable was the Social Sustainability Index (continuous, non-parametric).

Decision Rule

Reject the null hypothesis if $p < 0.05$

This test was appropriate due to the non-normal data distribution and the comparison of more than two independent groups.

4 Results

4.1 Overview

This section presents findings from both the quantitative and qualitative analyses examining the influence of ownership structure on the social sustainability of Microfinance Institutions (MFIs) in Zambia. Quantitative analysis tested statistical differences in social performance and outreach among ownership categories, while qualitative findings provided contextual insights into how ownership patterns shape governance behavior, mission adherence, and inclusivity.

4.2 Descriptive Statistics

The ownership distribution among the sampled microfinance institutions is presented in Table 2.

Table 2
Ownership distribution among sampled microfinance institutions (MFIs)

Ownership Type	Frequency	Percentage (%)
Private Limited Company	99	86.8
NGO-Based Institution	6	5.3
Cooperative or Community-Based	9	7.9
Total	114	100

This distribution reflects Zambia’s predominantly private-sector-driven microfinance industry, with relatively fewer community-based or NGO-led models.

Table 3 provides descriptive statistics summarizing the central tendencies and variability of the core constructs, Corporate Governance (CG), Ownership Structure, Risk Management (RM), Leadership Accountability (LA), and Sustainability (SUS) along with their sub dimensions.

Table 3
Descriptive statistics of key variables (N = 114)

Variable	Mean	SD	Minimum	Maximum	Interpretation
Board Composition and Independence	4.06	0.52	3.10	4.95	Strong board oversight and diversity
Ownership Structure	3.91	0.57	2.60	4.85	Moderately dispersed ownership
Regulatory Compliance & Transparency	4.10	0.49	3.00	4.90	High adherence to BoZ regulations
Leadership Accountability	3.87	0.61	2.80	4.80	Moderate accountability culture
Risk Management Practices	3.95	0.54	2.90	4.85	Structured but uneven implementation
Sustainability (Financial, Social, Institutional)	4.08	0.47	3.10	4.90	Generally stable institutional performance

Meanwhile, the regression results for ownership structure and social sustainability are presented in Table 4 below.

Table 4
Regression results for ownership structure and social sustainability

Predictor	B	t-value	Sig.	Interpretation
Ownership Concentration	-0.271	-2.893	0.005	Negative effect
Cooperative/Community Ownership	0.356	3.762	0.000	Positive effect
Constant	1.845	2.483	0.015	—
Adjusted R ²	0.411			
F (2,111)	17.03	p < 0.001		Model significant

Differences in Social Sustainability Across Ownership Structures

A Kruskal–Wallis H test was conducted to assess differences in social performance across ownership categories.

The results show statistically significant differences:

$$H(2) = 8.617, p = 0.014, \varepsilon^2 = 0.17$$

This indicates a moderate difference in social performance across ownership types.

Differences in Outreach Across Ownership Structures.

The results of the Kruskal–Wallis test for differences in outreach across ownership categories are presented in Table 5.

Table 5
Ownership structure and sustainability: Kruskal–Wallis test results

Outcome	Significance (p)	Decision
Social Performance	< 0.05	Supported
Outreach	< 0.05	Supported

A Kruskal–Wallis test was conducted to examine differences in outreach.

The results indicate:

$$H(2) = 9.028, p = 0.011, \varepsilon^2 = 0.18$$

This reflects a moderate difference in outreach across ownership categories.

Post-hoc Analysis

Post-hoc pairwise comparisons using Dunn–Bonferroni tests revealed:

- A statistically significant difference between NGO-based and private MFIs in social performance ($p = 0.008$)
- A statistically significant difference between cooperative and private MFIs in outreach ($p = 0.013$)
- No statistically significant difference between NGO and cooperative MFIs ($p > 0.05$)

Relationship Between Ownership Concentration and Outreach

The relationship between ownership concentration and outreach was examined using Spearman's rank correlation.

The analysis indicates: $\rho = -0.38$, $p < 0.05$

4.3 Summary of Quantitative Findings

The results indicate that:

- Social performance differs significantly across ownership structures ($H(2) = 8.617$, $p = 0.014$, $\epsilon^2 = 0.17$)
- Outreach varies significantly across ownership types ($H(2) = 9.028$, $p = 0.011$, $\epsilon^2 = 0.18$)
- Pairwise differences exist between private MFIs and both NGO and cooperative MFIs
- Ownership concentration is negatively associated with outreach ($\rho = -0.38$, $p < 0.05$)

The interpretation and implications of these findings are presented in the following section.

4.4 Qualitative Themes

To complement statistical patterns, qualitative interviews were conducted with 30 stakeholders, including board members, managers, regulators, and clients. Thematic analysis produced five major themes reflecting ownership influence on social sustainability.

4.4.1 Theme 1: Ownership-Driven Mission Orientation

Respondents consistently described how ownership type determines institutional priorities:

"Private MFIs are profit-oriented; they target salaried workers. Cooperatives and NGOs still emphasize helping small traders and farmers." – Operations Manager, MFI #22

This statement typifies the ownership–mission alignment observed: profit-driven ownership focuses on financial sustainability, while NGO and cooperative ownership preserve social mission objectives.

Interpretation:

Ownership orientation shapes the balance between profitability and social responsibility. This supports stakeholder theory, which argues that institutions accountable to broader stakeholder groups pursue inclusive missions.

4.4.2 Theme 2: Social Mission Drift in Private MFIs

Several respondents highlighted a trend of mission drift in privately owned MFIs:

“When we started, we served low-income market traders. As the board changed and investors came in, focus shifted to civil servants who can repay easily.” - Branch Manager, Private MFI #18

Interpretation:

Private ownership introduces pressure to maintain portfolio quality and profitability, often at the expense of outreach to riskier, low-income clients. This aligns with Cull et al. (2007) and Mersland & Strøm (2010), who document similar drift patterns in commercialized MFIs globally.

4.4.3 Theme 3: Participatory Governance in Cooperative MFIs

Respondents from cooperative MFIs emphasized participatory decision-making and community accountability:

“Every member is an owner; we hold quarterly meetings to decide loan terms and outreach goals.” - Board Chairperson, Cooperative MFI #3

Such participatory structures ensure that lending and outreach remain aligned with member needs, enhancing trust and legitimacy.

Interpretation:

This theme supports H_{1b} and stakeholder theory’s proposition that shared ownership fosters democratic accountability and sustainable social outcomes.

4.4.4 Theme 4: Donor Accountability and Social Reporting in NGO MFIs

NGO-based institutions highlighted strong donor and regulatory accountability frameworks:

“We submit social performance reports quarterly to our funders and the Bank of Zambia. Our success is measured not by profit but by the number of women and youth reached.” - Executive Director, NGO MFI #2

Interpretation:

External accountability mechanisms reinforce social sustainability by tying resource access to measurable social outcomes. This aligns with Hartarska & Nadolnyak (2007) and Birchall (2013), who

argue that NGO governance embeds social mission protection through donor oversight.

4.4.5 Theme 5: Balancing Profitability and Inclusion

Respondents across ownership types acknowledged the challenge of balancing financial sustainability with social inclusion:

“Without profits, we cannot sustain operations; without outreach, we lose our purpose.” - CFO, Private MFI #11

This sentiment reflects the duality of microfinance balancing social impact with commercial viability. Institutions adopting hybrid governance models, such as social performance committees and inclusive boards, demonstrated better equilibrium between the two goals.

Interpretation:

This confirms that governance innovations rather than ownership type alone determine the sustainability of dual missions. It resonates with Mori, Golesorkhi & Randøy (2020), who emphasize integrative governance as a pathway to balance competing objectives.

4.5 Summary of Results

- Quantitative Evidence:
- Ownership type significantly affects social performance and outreach ($p < 0.05$).
- Ownership concentration correlates negatively with outreach ($\rho = -0.38$).
- Qualitative Evidence:
- Private ownership correlates with mission drift.
- NGO and cooperative ownership preserve social missions through accountability and participation.
- Integrated Insight:
- Governance frameworks emphasizing stakeholder inclusion and distributed ownership promote social sustainability.

These results strongly support H_{1a} and H_{1b} , validating the conceptual proposition that inclusive ownership structures underpin social mission sustainability in Zambia’s MFI sector.

5 Discussion

The findings of this study indicate that ownership structure is significantly associated with variations in social performance and outreach among MFIs, although the observed effects are of moderate magnitude ($\epsilon^2 \approx 0.17-0.18$). The use of effect sizes alongside statistical significance strengthens interpretation by demonstrating that, while differences across ownership categories are meaningful, they are not sufficiently large to suggest a dominant or deterministic relationship (Ellis, 2010). Furthermore,

given the non-parametric nature of the analysis, the results are interpreted as differences and associations rather than causal effects (Field, 2024).

The negative association between ownership concentration and outreach ($p = -0.38$) is consistent with agency theory, which posits that concentrated ownership may prioritize financial returns over broader social objectives (Jensen & Meckling, 1976). However, this relationship remains correlational and therefore suggestive rather than conclusive, as alternative explanations such as institutional capacity, regulatory constraints, or market conditions, may also account for the observed pattern. Differences across ownership types further reinforce this interpretation. Privately owned MFIs exhibited comparatively weaker social performance, while NGO and cooperative MFIs demonstrated stronger outreach and inclusion. These patterns align with prior studies showing that commercially oriented MFIs tend to prioritize lower-risk, higher-income clients (Cull et al., 2007; Mersland & Strøm, 2010), reflecting a potential tension between financial sustainability and social mission. However, the moderate effect sizes observed in this study suggest that such patterns are not universal, but contingent on additional organizational and contextual factors.

From a stakeholder theory perspective, the stronger social performance of NGO and cooperative MFIs can be attributed to more inclusive governance structures, which incorporate the interests of clients and communities into decision-making processes (Freeman, 1984; Donaldson & Preston, 1995). These findings are supported by evidence from African contexts, where participatory ownership models have been associated with enhanced outreach and mission alignment (Birchall, 2013).

Stewardship theory offers a complementary lens by emphasizing the intrinsic motivation of managers and leaders to act in the best interests of the organization and its stakeholders, rather than pursuing self-serving goals (Davis et al., 1997). Within the MFI context, stewardship theory helps explain why some privately owned institutions demonstrate strong social performance despite structural incentives for profit maximization. Leaders who embrace a stewardship orientation prioritize long-term sustainability, client welfare, and community impact, mitigating potential agency conflicts and strengthening the alignment between financial and social objectives. This perspective aligns with the observed within-group variation among privately owned MFIs, where institutions with accountable leadership and transparent governance practices achieve better social outcomes.

From an institutional theory perspective, the findings further suggest that ownership–sustainability relationships are shaped by broader regulatory and normative environments (North, 1990; DiMaggio & Powell, 1991). In the Zambian context, regulatory oversight and social reporting expectations appear to reinforce socially oriented practices, although variations in enforcement may allow divergence in institutional behavior. This highlights the role of institutional pressures as mediating conditions influencing how ownership structures translate into social outcomes.

Finally, the identification of emerging hybrid governance models suggests that the relationship between ownership structure and social sustainability is better conceptualized as a continuum rather than a dichotomy. These models combine commercial investment with social safeguards, indicating that MFIs

can balance financial and social objectives under appropriate governance arrangements. This aligns with recent literature emphasizing the potential of hybrid organizations to reconcile competing institutional logics (Mori et al., 2020; Beasley et al., 2018). Stewardship-oriented leadership within these hybrid models further reinforces the capacity of MFIs to pursue social missions without compromising financial stability, highlighting the importance of both structural design and behavioral orientation.

Overall, the findings suggest that while ownership structure is an important determinant of social sustainability, its effects are moderate, context-dependent, and mediated by governance and institutional factors. Consequently, no single theoretical framework fully explains the observed patterns; rather, a multi-theoretical approach integrating agency, stakeholder, stewardship, and institutional perspectives provides a more comprehensive understanding.

5.1 Integration of Quantitative and Qualitative Findings

This study adopts a convergent mixed-methods design in which quantitative and qualitative data were collected and analyzed in parallel and subsequently integrated to generate meta-inferences regarding the relationship between ownership structure and social sustainability in Microfinance Institutions (MFIs). While initial comparison of findings indicates convergence between the two strands, a deeper level of integration reveals explanatory mechanisms, contextual contingencies, and expanded theoretical insights (Fetters et al., 2013; Creswell & Plano Clark, 2018).

At a general level, the quantitative results demonstrate that ownership structure significantly differentiates social sustainability outcomes, particularly with respect to outreach to low-income clients. These patterns are broadly corroborated by qualitative findings, which provide contextualized explanations for observed statistical relationships. Specifically, qualitative evidence suggests that the negative association between ownership concentration and outreach is not merely structural but operates through governance and incentive mechanisms. Respondents highlighted that privately owned MFIs often adopt performance metrics centered on portfolio quality, repayment rates, and financial returns, which in turn incentivize risk-averse lending practices and reduced engagement with poorer client segments. This provides a process-based explanation that is consistent with agency theory, while also extending it by identifying the organizational practices through which agency dynamics manifest (Jensen & Meckling, 1976; Van Bruggen et al., 2002).

Importantly, the integration also reveals that these relationships are not uniform across institutional contexts. While quantitative results indicate general trends, qualitative findings uncover significant within-category variation, particularly among privately owned MFIs. Some institutions demonstrated a continued commitment to social outreach despite concentrated ownership structures. This variation is explained by differences in leadership accountability, governance transparency, and mission alignment, suggesting that governance quality functions as a moderating condition in the ownership–sustainability relationship. Such insights move beyond simple convergence to provide conditional explanations,

thereby enhancing the explanatory power of the study (Guetterman et al., 2015; Teddlie & Tashakkori, 2009).

Furthermore, qualitative findings extend the analysis by identifying emerging hybrid ownership and governance models that are not fully captured in the quantitative categorization. These models combine elements of commercial investment with explicit social safeguards, enabling institutions to balance financial sustainability with outreach objectives. This suggests that the relationship between ownership structure and social sustainability is better conceptualized as a continuum rather than a dichotomy, thereby challenging overly simplistic theoretical assumptions and contributing to the refinement of existing frameworks (Greene, 2007; Bazeley, 2018).

In addition, areas of partial divergence between quantitative and qualitative findings provide further analytical value. In some cases, statistically weak or non-significant relationships were accompanied by strong qualitative narratives, indicating that certain dynamics may be context-specific or insufficiently captured by the quantitative measures employed. This highlights the complementary role of qualitative data in uncovering latent mechanisms and overlooked variables, reinforcing the value of mixed-methods integration in complex organizational research (Bryman, 2007; Plano Clark, 2019).

Overall, the integration of findings in this study goes beyond confirmation to generate robust meta-inferences that explain not only whether ownership structure matters, but also how and under what conditions it influences social sustainability outcomes. By combining statistical patterns with process-based insights and contextual variation, the study provides a more nuanced and theoretically informed understanding of governance dynamics in MFIs.

The integration of quantitative and qualitative results reveals a strong convergence of findings.

The integration of quantitative and qualitative results is summarized in Table 6.

Table 6
Integrated quantitative and qualitative results

Dimension	Quantitative Finding	Qualitative Confirmation	Interpretation
Ownership Concentration	Negative correlation with social outreach ($\rho = -0.38, p < 0.05$)	Private MFIs drift toward profit focus	Concentration limits inclusivity and social accountability
Ownership Type	NGO and cooperatives outperform private MFIs in social indicators	NGO and cooperative MFIs emphasize mission integrity	Participatory governance drives social sustainability
Stakeholder Accountability	Stronger in NGO and cooperatives	Regular community reporting and donor audits	Broader stakeholder ownership ensures social legitimacy
Profit–Mission Balance	Financially sustainable but less inclusive private MFIs	Ongoing tension between profitability and inclusion	Hybrid governance can reconcile dual missions
Analytical Dimension	Quantitative Evidence	Qualitative Insight	Interpretation
Ownership Concentration	Negative correlation with outreach ($\rho = -0.38, p < 0.05$)	Private MFIs focus on safer, wealthier clients	Confirms mission drift driven by agency conflicts
Cooperative & NGO Ownership	Higher social performance ($p < 0.05$)	Participatory and community-based decision-making	Supports stakeholder inclusivity and legitimacy
Governance Accountability	Predicts better social outcomes	Leadership ethics and transparency drive impact	Accountability mediates ownership–sustainability link

Synthesis:

Both strands of data confirm that ownership structure is a determinant of social sustainability. Ownership concentration undermines inclusivity, while distributed or participatory ownership fosters community trust, outreach, and legitimacy. This alignment across methods underscores the robustness of the findings and reinforces the theoretical claim that inclusive ownership forms promote both legitimacy and long-term social viability.

5.2 Policy Recommendations

5.2.1 For Microfinance Institutions

- **Adopt Inclusive Ownership Structures:** MFIs should explore hybrid ownership models that combine investor capital with community or employee shareholding to balance profit and mission. While recommending hybrid ownership models is conceptually appealing, the suggestion remains abstract. To make this recommendation actionable within the Zambian regulatory context, concrete

examples should be provided. For instance, a hybrid model could involve an investor-owned MFI where a portion of governance or decision-making is allocated to community representatives, ensuring social objectives alongside profitability. Another possibility is a “golden share” held by a social trust, which grants veto power over strategic decisions affecting social impact. Such examples illustrate how hybrid structures could balance financial sustainability with inclusive development goals in Zambia’s microfinance sector.

- **Institutionalize Social Governance Committees:** Boards should establish social performance committees to monitor outreach and client protection indicators alongside financial metrics.
- **Leadership Accountability:** Management performance appraisals should include social key performance indicators (KPIs), linking executive incentives to outreach and inclusion goals.
- **Transparency and Reporting:** MFIs should publish annual Social Performance Reports aligned with the *Social Performance Task Force (SPTF)* standards to strengthen stakeholder confidence.

5.2.2 For Regulators (Bank of Zambia)

- **Integrate Social Metrics into Supervision:** The BoZ should expand its regulatory framework to include social performance auditing as part of prudential supervision.
- **Promote Ownership Diversity:** Incentivize community-based and cooperative MFIs through tax reliefs or concessional funding, encouraging participatory ownership.
- **Establish a Social Governance Certification:** Introduce a national accreditation system recognizing MFIs that meet defined social and ethical governance standards.
- **Strengthen Mission Integrity Provisions:** Amend licensing requirements to ensure that ownership changes do not compromise institutional social mandates.

5.2.3 For Policymakers and Development Partners

- **Policy Alignment:** Align microfinance ownership regulations with the Eighth National Development Plan (2022–2026) objectives on inclusive financial growth.
- **Funding Prioritization:** Development partners should channel grants and technical assistance to MFIs demonstrating ownership diversity and social commitment.
- **Capacity Building:** Provide training for cooperative and NGO MFIs in risk management and digital governance to enhance both social outreach and financial resilience.

5.3 Discussion Summary

The evidence confirms that ownership structure is a decisive determinant of social sustainability in Zambia’s MFI sector. Ownership concentration promotes financial efficiency but risks mission drift, while cooperative and NGO ownership models sustain inclusivity and community trust.

Theoretical synthesis suggests that a stakeholder–agency hybrid governance model offers the most sustainable pathway, where ownership diversity, leadership accountability, and regulatory oversight collectively foster long-term institutional legitimacy and social impact.

6 Conclusion

6.1 Summary of Findings

This study set out to examine how ownership structure influences the social sustainability of Microfinance Institutions (MFIs) in Zambia, using a stakeholder–agency theoretical framework and a mixed-method approach.

Empirical results demonstrated that ownership structure significantly affects social performance and outreach ($p < 0.05$). Specifically:

- Ownership concentration was negatively correlated with social outreach ($\rho = -0.38, p < 0.05$).
- NGO and cooperative MFIs achieved higher levels of inclusion, rural penetration, and women outreach compared to privately owned MFIs.
- Qualitative interviews confirmed that private MFIs experience mission drift, while cooperative and NGO MFIs retain a developmental focus through participatory governance and donor accountability.

These findings validate both hypotheses (H_{1a} and H_{1b}) and reinforce that social sustainability is a function of ownership diversity, stakeholder inclusion, and accountability frameworks.

The study concludes that ownership structure is a decisive determinant of social sustainability in Zambia’s microfinance sector. Concentrated private ownership prioritizes profitability, while distributed or participatory ownership models such as cooperatives and NGOs anchor institutions to their social mission.

Effective social sustainability arises where ownership diversity, stakeholder inclusion, leadership accountability, and regulatory oversight converge. A strategic shift toward integrative ownership governance can thus safeguard the dual objectives of profitability and inclusivity, advancing Zambia’s financial inclusion and poverty-reduction agenda.

6.2 Contributions

This study extends agency theory by demonstrating that ownership concentration not only affects financial efficiency but also undermines social sustainability. Agency conflicts in profit-driven MFIs lead to goal displacement, where short-term financial gains override developmental missions.

Findings support stakeholder theory’s assertion that inclusive ownership fosters legitimacy, trust, and community engagement. Cooperative and NGO ownership models operationalize stakeholder principles through democratic participation and accountability to multiple interest groups.

By merging agency, stewardship and stakeholder logics, the research proposes an Integrative Ownership Governance (IOG) model. This model posits that the negative effects of agency conflicts can be offset by stakeholder inclusion and leadership accountability, producing socially sustainable outcomes.

6.3 Limitations

- The study's cross-sectional design limits causal inference; longitudinal analyses could capture ownership effects over time.
- Self-reported social data may introduce bias despite triangulation through interviews.
- The sample included regulated MFIs only; unregulated community finance entities may exhibit different ownership–sustainability dynamics. Nonetheless, methodological triangulation and sector-wide coverage enhance the credibility and generalizability of findings.
- The highly skewed distribution of the sample across types of microfinance institutions (MFIs), although reflects the actual structure of the Zambian microfinance sector, limits the statistical power of non-parametric comparisons, such as the Kruskal–Wallis test.

6.4 Directions for Future Research

- Longitudinal and Comparative Studies: Track the evolution of ownership effects on both social and financial sustainability over multiple years and across SADC countries.
- Hybrid Ownership Mechanisms: Examine performance of blended-capital MFIs combining private investment with community equity.
- Digital and ESG Governance: Investigate how digital transformation and environmental, social, and governance (ESG) frameworks influence ownership accountability in microfinance.

Declarations

Author Contribution

S.E. conceptualised the study and wrote the original draft. K.S. developed the methodology and reviewed the manuscript. S.C. supervised the study and reviewed the manuscript. L.H. supervised the study and reviewed the manuscript. O.K. supervised the study, reviewed and edited the manuscript. All authors read and approved the final manuscript.

Data Availability

The quantitative dataset and interview transcripts (anonymised) analysed during the current study are available from the corresponding author on reasonable request.

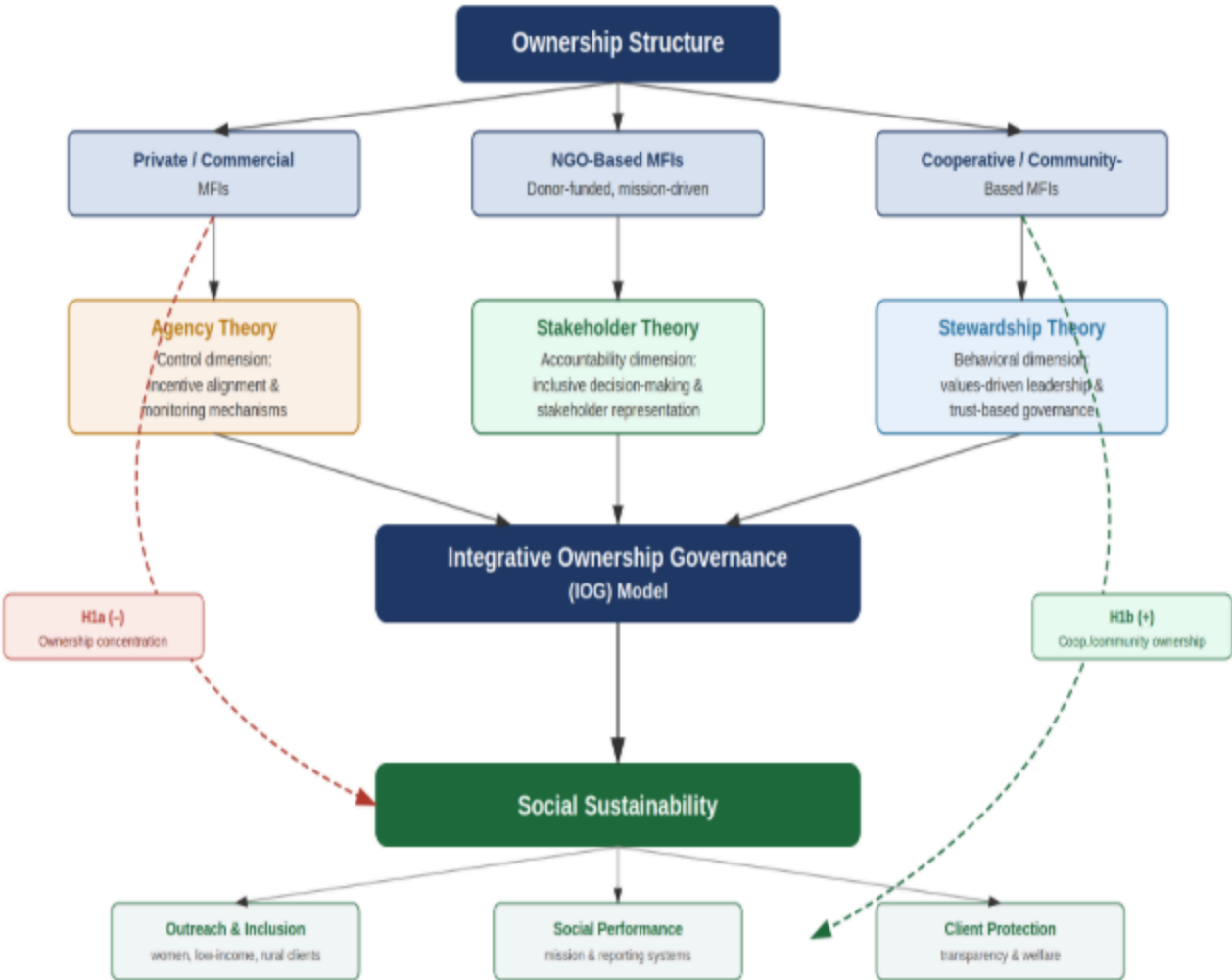
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Figures



Dashed lines indicate the study's hypothesized relationships (H1a, H1b); solid lines indicate the theoretical pathways of the IOG model.

Sources: Jensen & Meckling (1976); Freeman (1984); Donaldson & Davis (1991)

Figure 1

Conceptual Framework – Integrative Ownership Governance (IOG) Model