

## **Cultural Effects on the Performance of Non- Profit and For-Profit Microfinance Institutions**

**Authors :** Patrick M. Stanton, William R. McCumber

**Abstract :** Using a large dataset of more than 2,400 individual microfinance institutions (MFIs) from 120 countries from 1999 to 2016, this study finds that nearly half of the international MFIs operate as for-profit institutions. Formal institutions (business regulatory environment, property rights, social protection, and a developed financial sector) impact the likelihood of MFIs being for-profit across countries. Cultural differences across countries (power distance, individualism, masculinity, and indulgence) seem to be a factor in the legal status of the MFI (non-profit or for-profit). MFIs in countries with stronger formal institutions, a greater degree of power distance, and a higher degree of collectivism experience better financial and social performance.

**Keywords :** Hofstede cultural dimensions, international finance, microfinance institutions, non-profit

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