

Good Corporate Governance and Accountability in Microfinance Institutions

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Abstract : Transitioning towards globalization in the business environment has necessitated more essential growing changes such as competition, business strategy, innovation in technology and effectiveness of societal trends on adopting corporate governance are seen to be drivers of the future. This transformations on business environment has a significant impact to organizations' performances. Many organizations are demanding for more proactive entrepreneurs with dynamic team, who can run and steer their business to success. Changing on strategy, roles, tasks, entrepreneurial skills and implementing corporate governance in relationship development is important to enhance the organization's performance towards being more cost-efficient and subsequently increase its efficiency. Small Medium Enterprises (SMEs) in most developing countries are contributors to the economic growth of a nation. However, the potential of Microfinance Institutions (MFIs) is always overlooked in contributing towards SMEs development. The adoption of corporate governance and accountability in MFIs as driving forces for these SMEs is not incorporated in measurements of organization performance. This paper attempts to address some of the governance issues associated with dimensions of accountability in improving performances of microfinance institutions. Qualitative approach was adopted in this study to analyze the data collected. The qualitative approach emerges as contributing factor in understanding and critiquing accountability processes, as well as addressing the concerns of practitioners and policymakers. A close researcher engagement with the field which concerns process, embracing of situational complexity, as well as critical and reflective understandings of organizational phenomena remain as hallmarks of the tradition. It is concluded that in describing and scrutinizing an understanding of managerial behavior, organizational factors and macro-economic relationship in SMEs firm need to be improved. This is also the case in MFIs. A framework is developed to explore the linkage of corporate governance and accountability issues related to entrepreneurship as factors affecting MFIs performances in facing ongoing transformation of organization performance within Malaysian SMEs industries.

Keywords : accountability, corporate governance, microfinance, organization performance

Conference Title : ICBEFMS 2015 : International Conference on Business, Economics, Finance and Management Sciences

Conference Location : Paris, France

Conference Dates : January 23-24, 2015