All in the Family?

The Impact of Founder Directors and Family Governance on Microfinance Institutions' Social Performance

Hossain, Shahadat; Galbreath, Jeremy; Hasan, Mostafa Monzur; Randøy, Trond

Document Version
Final published version

Published in:
Corporate Governance: An International Review

DOI:
10.1111/corg.12528

Publication date:
2024

Received: 4 April 2022 | Revised: 21 November 2022 | Accepted: 13 March 2023

DOI: 10.1111/corg.12528

ORIGINAL ARTICLE

WILEY

All in the family? The impact of founder directors and family governance on microfinance institutions' social performance

Shahadat Hossain [1,2] | Jeremy Galbreath [3] | Mostafa Monzur Hasan [4] | Trond Randøy [5,6]

[1]Department of Finance, University of Chittagong, Chittagong, Bangladesh

[2]School of Accounting, Economics and Finance, Curtin University, Perth, Western Australia, Australia

[3]School of Management and Marketing, Curtin University, Perth, Western Australia, Australia

[4]Department of Accounting and Corporate Governance, Macquarie University, Sydney, New South Wales, Australia

[5]Center for Corporate Governance, Copenhagen Business School, Copenhagen, Denmark

[6]School of Business and Law, University of Agder, Kristiansand, Norway

Correspondence
Shahadat Hossain, Department of Finance, University of Chittagong, Chittagong, Bangladesh.
Email: shahadath@cu.ac.bd; shahadat.hossain@curtin.edu.au

Abstract

Research Question/Issue: This study investigates the impact of family governance, including founder directors and their ties to family members on the board, on the social performance of microfinance institutions (MFIs), a special kind of social enterprise with dual objectives.

Research Findings/Insights: Using a dataset of 735 MFIs operating in Bangladesh from 2007 to 2017, we find that founder directors and board members with family ties to the founder have an adverse impact on MFIs' social performance. These findings hold when we perform several robustness tests and endogeneity tests.

Theoretical/Academic Implications: We contribute to the corporate governance literature on MFIs and social enterprises in two ways. First, our findings suggest that, when MFIs are confronted with dual performance objectives, founder directors may "trade off" social outcomes in favor of economic outcomes and therefore adversely affect MFIs' social performance. Second, our findings extend the literature by showing that the presence of board members with family ties to founder directors also adversely affects MFIs' social performance.

Practitioner/Policy Implications: This study suggests that MFIs' board composition influences their governance and ability to oversee their social and financial performance effectively. If MFIs' social performance is a major concern of national policy makers, then regulation should be put in place to limit board recruitment with family ties.

KEYWORDS

boards of directors, corporate governance, family ties, founder directors, microfinance institutions, social performance

1 | INTRODUCTION

Motivated by the fact that the microfinance sector serves the banking needs of the poorest citizens of the world (Hermes et al., 2011; Lopatta & Tchikov, 2016), recent research has highlighted the need to focus on the social performance of microfinance institutions (MFIs) (Alon et al., 2020). The extant literature has suggested that good governance is vital for the performance of social enterprises such as MFIs (Centre for the Study of Financial Innovation [CSFI], 2014, 2016), but their governance is complex due to their simultaneous pursuit of both

financial and social goals (Armendáriz & Morduch, 2010; Mersland & Strøm, 2009). This dual purpose may produce trade-offs in the extent to which both goals can be achieved equally well (Jensen, 2002). Therefore, this study scrutinizes the effect of corporate governance factors (family governance in particular) on the performance in the microfinance sector.

Our starting premise is that MFI board members—pursuing both financial and social performance objectives—can be exposed to conflicting interests when facing multitask goals (Hahn et al., 2015; Holmstrom & Milgrom, 1991; Lynn, 2021). Although past research has addressed the benefits of independent directors for good MFI governance (Bassem, 2009; Hartarska, 2005; Hartarska & Mersland, 2012; Kyereboah-Coleman & Osei, 2008), the impact of founder directors and their ties to family board members has received far less attention in the MFI literature (Mori et al., 2015). Accordingly, this study takes the opportunity to address a research gap.

We posit that founders on MFIs' boards of directors face a trade-off dilemma between financial and social interests that leads them, in effect, to make decisions that have an adverse impact on their social performance. An adverse relationship is posited because founder directors on the board are more likely to have invested significant time, effort, and finance and, to protect their capital interests, are likely to place greater emphasis on the financial outcomes than on the social outcomes, advancing the mission of MFIs. We also posit that this adverse relationship with social performance may be prevalent when the founder has ties to family members on the board. When more than one member of the founder's family is present on the board, these family members may try to dominate deliberations overall. Attempts to dominate board activity and decision making stem from the fact that founding members bring funds from their family resources to the MFI. We argue that, due to their embedded economic interest, board members who have a family connection to the founder exacerbate the trade-off problem, thereby adversely affecting the MFI's social performance.

To test our hypotheses, we use the setting of Bangladesh and employ an unbalanced panel dataset of 735 non-governmental organization (NGO) MFIs from 2007 to 2017. We chose Bangladesh because the modern version of the microfinance movement started here, the sector has grown fast, and the market is mature and now one of the largest in the world (Mia et al., 2017). The findings of our study suggest that founder directors on the board do adversely affect social performance. For instance, for a one-standard-deviation increase in the proportion of founder directors to total directors, the breadth of outreach decreases by 4.40% (i.e., a decrease of 3522 borrowers from the loan portfolio) and the depth of outreach decreases by 3.89% (i.e., an increase in the average loan balance of BDT373.68 or US $4.99) relative to the mean value.[1] An increase in the average loan balance suggests that the most economically underprivileged citizens receive less focus, thereby undermining the social mission of MFIs.

Our study also demonstrates a negative effect of family members' dominance of the board. For instance, for a one-standard-deviation increase in the proportion of founder directors with ties with family board members to total directors, the breadth of outreach decreases by 3.52% (i.e., 4254 fewer borrowers) and an inverse (adverse) relationship with the depth of outreach is found, whereby the average loan balance increases by BDT467.19 (or US$6.23) relative to the mean value. The results remain robust after controlling for endogeneity and using a lagged regression model, alternative measures of key variables, and seemingly unrelated regression (SUR) analysis.

The findings contribute to the literature in several ways. First, our findings provide insights into how MFIs, a particular kind of social enterprise, manage a dual objective. Our findings suggest that, when confronted with a dual objective, founder directors may "trade off" social outcomes in favor of economic outcomes and therefore adversely affect MFIs' social performance. Second, our study extends the literature by exploring founders' ties to family members on the board. Like founder directors, we find that their ties with family members on the board have an adverse impact on MFIs' social performance. Lastly, our study has implications for policy makers. Specifically, policy makers overseeing the microfinance sector may need to limit the presence of MFI founders and ties to family members on the board.

2 | INSTITUTIONAL SETTING: MICROFINANCE IN BANGLADESH

The modern version of the microfinance program was established in 1976 in Bangladesh by Muhammad Yunus. Microfinance in Bangladesh is pioneering because, after the success of the Grameen Bank's microcredit model, many new players entered the market and the microfinance movement spread worldwide (Yunus, 2013). Modifications to the core principles of the Grameen Bank took place to meet the market demand and provide better services to the world's poorest people (Cull et al., 2009; Mia et al., 2017). The microfinance market in Bangladesh is now the world's second largest (after India) in terms of clients served, with at least 32 million borrowers (Microcredit Regulatory Authority [MRA], 2017).

With respect to the microfinance sector, MFIs in Bangladesh have specific requirements regarding formation, regulatory requirements, and corporate governance practices. For example, the MRA established the "MRA Rules 2010" for the licensing and operation of MFIs operating in Bangladesh. Regarding corporate governance practices, the boards of MFIs need to comprise a minimum of 5 and a maximum of 10 members and should include female members. The rules also state that an individual should not be a board member for more than three consecutive terms and that the total number of new members should be lower than the total number of board members for any term.

3 | LITERATURE AND HYPOTHESES

3.1 | Theoretical background and literature

In general, the perspectives that address trade-off problems consider circumstances that involve choosing between two options that

effectively balance the costs and benefits. For example, as far back as the 1950s, some scholars raised concerns that firms attempting to engage in social responsibilities were diverting their attention away from profit-maximizing activities or the overarching purpose of the firm (Levitt, 1958). In effect, there is a view that time, attention, and resources committed to social responsibilities can result in suboptimal efforts to maximize financial profits (or vice versa), resulting in a trade-off (Berens et al., 2007; Krishnamurti et al., 2021; Van der Byl & Slawinski, 2015; Z. Wang et al., 2018). Specifically, relative to financial objectives, social objectives are believed to be voluntary, yet engagement in voluntary objectives is not cost free (Barnett, 2007; Brammer & Pavelin, 2008; Friedman, 1970; McWilliams & Siegel, 2001). Friedman (1970) posited that firms' only responsibility is to maximize profits and that social responsibility is, in effect, a corporate tax. Others, such as Galbreath (2017), have suggested that engaging in social responsibility places an increased burden on already-scarce resources. Hence, managers are believed to face trade-offs in terms of the extent to which they attempt to maximize social outcomes while also optimizing financial returns (Hahn et al., 2014; Jensen, 2002; Krishnamurti et al., 2021; Lynn, 2021). While it has been recognized that MFIs are social enterprises and operate differently from commercial firms (Hermes et al., 2011), we submit nonetheless that they are likely to face potential trade-offs in fulfilling their dual mission because of bounded rationality and satisficing behavior (Cyert & March, 1963).

Research into the trade-off dilemma has presented some interesting findings. For example, Galbreath (2017) found that the presence of insiders on boards of directors is negatively associated with social performance, implying that they are likely to favor financial results. Such a perspective was confirmed by Graham et al. (2005), who reported that over 80% of corporate executives (insiders) whom they surveyed said that they would decrease voluntary projects, such as those related to social responsibility, to meet quarterly or annual financial earnings targets. Using a sample of 63 MFIs, Mori et al. (2015) established that founder directors have an insignificant effect on social performance in the short term. In a related study, Randøy et al. (2015) concluded that MFI entrepreneurial CEOs have a positive association with both financial and social performance. However, executives such as CEOs and members of boards of directors can have very different roles and impacts, as we explain below.

In the first instance, CEOs are full-time employees who have overall responsibility for outcomes and are dependent upon a firm for their income. If they are unable to deliver on outcomes, the board has the authority to fire them (Hillman & Dalziel, 2003). Boards of directors, however, are an elite decision-making group that is not largely involved in the day-to-day activities of firms. They are generally not full-time employees of the focal firm; rather, they are concerned with the overall strategy, they make major policy decisions, and they oversee and monitor the management, including the performance of the CEO (Hillman & Dalziel, 2003).[2] With boards occupying such an elite position, power structures can emerge in which board members assume dominant roles and exert considerable influence to protect their own agendas and interests (Finkelstein, 1992; Finkelstein & Mooney, 2003; Golden & Zajac, 2001). MFI founder directors and their family members on the board may seek to influence strategies and decisions that favor their interests, such as financial interests, as already noted (Randøy & Goel, 2003).[3]

3.2 | Hypotheses

The extant literature has suggested that founding members on the board can have a positive influence on the performance of firms (Chen et al., 2012; He, 2008). Founders are the initial architects of a firm's structure and of its direction (Gimeno et al., 1997; Nelson, 2003). They have a strong psychological attachment to the firm (Gimeno et al., 1997), and they imprint their beliefs on the business (e.g., Baron et al., 1999; He, 2008; Nelson, 2003). Therefore, their involvement in the board is believed to create positive benefits. Others have argued, however, that founding members may have an adverse effect because they can interfere with decision making to benefit themselves or their friends or their extended stay on the board can provoke them to engage in opportunistic behavior (Anderson et al., 2003; Anderson & Reeb, 2003; Randøy & Goel, 2003).[4]

In the case of MFIs, founders on the board are likely to have high levels of power and political persuasion (Finkelstein, 1992; Finkelstein & Mooney, 2003; Golden & Zajac, 2001). As MFIs generally have limited access to the capital market, they cannot easily secure funds from public sources. Hence, at the inception of an MFI, a key source of capital is founder-provided funds. In such circumstances, MFI founding directors can take substantial equity stakes and act as block holders. As a result, founding directors tend to play an active role in board functioning and decision making (e.g., Chen et al., 2012). Hence, founder directors' influence is believed to be stronger than that of the other members of the board. However, MFIs must account for a double bottom-line objective, and we believe that this can cause the attention and focus of founder directors to become diffused. Specifically, within the microfinance context, we expect founders' presence on the board to have an adverse influence on social performance based on the following arguments.

First, founders are considered to be the most influential board members of MFIs as they define the goals of the firm and design the structure of the organization (Gimeno et al., 1997). Hence, they possess a strong psychological attachment to economic outcomes because they are intrinsically motivated to see their financial investment generate a return (Demsetz & Lehn, 1985; Li & Srinivasan, 2011). Further, MFI founder directors have a strong economic interest in the firm as they provide funds during inception, possibly the only source of capital for the MFI at that stage. These founder directors act as block holders since most MFIs do not generally issue shares publicly for the establishment of the firm. Hence, MFI founder directors have a high stake in the firm's economic performance as they are the residual claimants for it (Chen et al., 2012; Fama & Jensen, 1983). This can affect the extent to which social objectives are met at their highest levels. In other words, when

financial outcomes absorb founder directors' attention, board deliberations and decisions can ultimately be skewed and trade-offs that favor economic over social outcomes can be made.

Second, as additional funding is needed, founder directors create a secure network through their personal relationships and interactions with potential fund providers (Ben-Ner & Van Hoomissen, 1994). However, with additional funding comes the pressure to repay this capital in a timely manner to maintain continuity with the providers. To ensure the timely repayment of these funds, we argue that founding board members are likely to place greater emphasis on the financial performance of MFIs, which may have an adverse effect on their social performance. This is because founder directors will favor financial performance by reducing operating costs (Hermes et al., 2011). The average loan size per borrower is small for MFIs, which results in high operating costs per dollar of credit and difficult or unpredictable repayment collection. Therefore, if founder board members place a greater priority on financial outcomes, they may direct the MFI to provide a larger amount of credit per client. To achieve this, an MFI tends to attract clients with more collateral or those who are considered "wealthier" by relative standards and can more readily repay their loans on time. Attracting these clients has the advantage of lowering the cost of credit per dollar (Hermes et al., 2011). In this way, providing a larger amount of credit reduces the operating costs and increases the economic performance of MFIs.

Nonetheless, we argue that providing a larger average loan size has an adverse impact on a firm's social outreach. This is because the poorest and lowest income earners have a limited ability to use larger loan amounts and find it challenging to manage the repayment of a larger loan amount (Collins et al., 2009). Thus, providing larger loan amounts to economically disadvantaged and vulnerable borrowers may result in borrower over-indebtedness and loan defaults (Guha & Chowdhury, 2013). As MFIs provide credit without formal collateral and the methods of enforcing contracts are informal (Collins et al., 2009; Morduch, 1999), MFIs have difficulty with enforcement against defaulted clients to ensure the repayment of credit in a timely manner. This scenario complicates lending practices for MFIs because, if relatively "wealthier" or more financially stable borrowers are served to reduce loan costs, the social objective can be undermined. We expect founder directors to emphasize economic outcomes through the provision of larger amounts of credit, which in turn reduces the possibility to reach poorer borrowers (Cull et al., 2007). Such practices result in a trade-off and are likely to undermine social goals. Therefore, the presence of founding directors on the board is predicted to have an adverse impact on MFIs' social performance. More formally:

> **Hypothesis 1.** Founding members on the board reduce MFIs' social performance.

Our second hypothesis is based on a classic debate within the corporate governance literature revolving around board of director composition (Fama & Jensen, 1983; Finegold et al., 2007; Galbreath, 2017; Jensen & Meckling, 1976). The most common recommendation is for board independence or for boards to have a majority of independent directors who have no current or previous ties to a firm and no shareholding positions (Finegold et al., 2007). Independence is prized because managers are believed to be opportunistic and need to be monitored to ensure that resources are not misappropriated (Fama & Jensen, 1983; Jensen & Meckling, 1976). Nevertheless, boards continue to consist of a variety of directors with various degrees of independence from managers (Galbreath, 2017). Our interest is in members of the boards of MFIs who are related to the founder (founder family ties) (Mori et al., 2015). Specifically, Mori et al. (2015) posited that founding MFI board members have a positive impact on social performance. However, they found an insignificant effect. We note that Mori et al. (2015) did not account for members of the board who might be part of the founder's family, even though previous research has suggested that examining such board members is of value (Gomez-Mejia et al., 2001; Thomsen & Pedersen, 2000). We build on their study to offer an alternative perspective that suggests an adverse relationship between founder family ties on the board and MFIs' social performance.

First, members of the boards of MFIs who are part of the founder's family (i.e., family ties) have characteristics of family ownership and family control as well as having both financial and physical investments in the firm (Randøy & Goel, 2003). Given the small capital base of MFIs and minimal shareholder involvement, the family members of founders not only provide funds but also are known to have a high propensity for risk taking (Randøy & Goel, 2003). Investing funds in the MFI is an exercise in which returns are put at risk; therefore, the expectation is that the founder's family members on the board will emphasize the firm's economic outcomes and financial sustainability (Randøy & Goel, 2003). While we certainly do not discount the interest of founder family members in the social mission, we argue that, owing to the investment of family funds, they are highly motivated to monitor the management to ensure that their economic interests are not misappropriated but rather maximized (Anderson et al., 2003; Anderson & Reeb, 2003). This effort is likely to divert attention from broader social outreach, creating a trade-off that results in suboptimal social outcomes for the MFI.

Second, founding directors work to reduce the costs per dollar of credit provided while providing larger loan amounts to more financially stable borrowers, ensuring that their personally invested capital is not at risk. When the founding director has a family relationship with other member(s) of the board, those members may come together not only to invest more funds but also to secure positive financial outcomes. Hence, their disproportionate focus on financial outcomes is likely to jeopardize MFIs' social outreach. Further, founding directors use their personal and family networks as well as their family assets and reputations as collateral to attract external funds (Barontini & Caprio, 2006; Patel & Cooper, 2014). Here, they often rely on their family connections. Founding directors and their family members on the board therefore place a higher priority on financial performance to ensure that the MFI can repay the external funds. However, such a focus on financial sustainability may, in turn, result in MFIs reducing their operating costs by serving more stable clients

with larger loan sizes (Hermes et al., 2011). As this occurs, there is a loss of the more economically disadvantaged borrowers at the bottom of the pyramid, lowering the number of total borrowers from the loan portfolio and hence undermining the social mission. Given these perspectives, we argue that members of the board who have family ties to the founder have an adverse effect on both the breadth and depth of social outreach. Therefore, we develop the following hypothesis:

> **Hypothesis 2.** Members of the board who are tied to the founder director through a family connection reduce MFIs' social performance.

4 | RESEARCH DESIGN

4.1 | Sample and data sources

The data for this study come from MFIs operating in Bangladesh. Drawn from the Microcredit Regulatory Authority (MRA), our study uses data from 735 MFIs with 5531 firm-year observations.[5] Performance data are collected from yearly statistical publications by the Management Information Systems (MIS) department of the MRA. Data on the boards of the MFIs are hand collected from the MIS department and the licensing department as MFIs have to supply relevant information about directors to the MRA to obtain a license to operate.[6] The sample covers a period of 11 years (from 2007 to 2017).[7] The dataset in the panel is unbalanced as some of the MFIs are newly established and have only been licensed in recent years and some have ceased to operate at different times in the study period.

4.2 | Variables and measures

4.2.1 | Dependent variables

Based on the microfinance literature (e.g., Hartarska, 2005; Hossain et al., 2020; Mersland & Strøm, 2009), our study uses the following two measures of social performance.

Number of active borrowers (NAB Log)

The breadth of outreach is measured using the natural logarithm of the total number of active borrowers (*NAB Log*) (Hartarska, 2005; Hossain et al., 2020). Borrowers include those individuals who currently have an outstanding loan balance with the MFI or are responsible for paying any portion of the loan or interest included in the gross loan portfolio (Hartarska, 2005; Mersland & Strøm, 2009). The larger the *NAB Log*, the greater the social orientation of the MFI. We expect that an MFI will be more socially oriented, reaching more clients, when the breadth of outreach (*NAB Log*) is larger.

Average loan balance per borrower (ALB Log)

The depth of outreach is measured as the natural logarithm of the average loan balance per borrower (*ALB Log*) (Mersland & Strøm, 2009). The smaller the loan provided, the deeper the outreach to the poorest and most socio-economically disadvantaged people (Collins et al., 2009). This idea is based on the argument that poor people have limited capacity to use larger loans and virtually no means to provide collateral (Collins et al., 2009). Their ability to repay a larger loan is limited due to their small and irregular incomes. Relative to the poorest of borrowers, "wealthier" borrowers are generally provided with larger loans, an action that appears counter to the ultimate aim of MFIs' social mission (Hossain et al., 2020).

However, the measures discussed above are not free from criticism as they may not fully capture MFIs' social performance. For example, the number of active borrowers does not indicate how active the clients are (Copestake, 2007). Further, the average loan balance per borrower does not provide information about the income and wealth level of microfinance borrowers (Quayes, 2012). Moreover, this measure may be distorted by changes in the exchange rate, inflation, or a shift of MFIs toward richer clients (Copestake, 2007). In addition, the average loan amount may be distorted as devoted borrowers become wealthier over time and because of the accumulation of a few very big loans with many little ones (Bibi et al., 2018). Finally, the number of borrowers and the outstanding loans per borrower consider only the lending side of MFI activities and may reflect their aggressiveness (e.g., providing multiple loans to the same borrowers and overlapping borrowers), among other factors.

Importantly, in many countries, MFIs provide micro savings facilities, suggesting that MFIs' activities are not only tied to credit. The microfinance literature has argued that poor people want to save from their tiny income, through either commitment savings (Ashraf et al., 2010) or voluntary savings (Morduch, 1999), as a precaution against future uncertainties and unwanted economic shocks (Collins et al., 2009) or to use accumulated savings as collateral to obtain credit (Armendáriz & Morduch, 2010). Following the literature, we argue that poor people at the bottom of the pyramid have the smallest of incomes, making them unattractive to the banking system. Hence, they are unlikely to be able to open savings accounts with commercial banks and remain excluded from formal banking channels. Therefore, taking this micro savings dimension into account, we use two additional measures to reflect the social performance of MFIs (e.g., Armendáriz & Morduch, 2010; Collins et al., 2009; Morduch, 1999).

Number of saving clients (NSAV Log)

We use the log of number of saving clients (*NSAV Log*) as an additional measure of the breadth of outreach. We argue that, with their savings products, MFIs can reach more clients, particularly those excluded from the formal banking channels. Therefore, a higher value of *NSAV Log* suggests a greater breadth of outreach of MFIs.

Average savings balance per saver (ASB Log)

We use the log of the average savings balance per saver (*ASB Log*) as an additional measure of the depth of outreach. We argue that MFIs provide micro savings facilities to the extremely poor by enabling their

clients to hold very small amounts in saving accounts. Therefore, the smaller the *ASB Log*, the deeper the outreach of MFIs.

Return on equity (ROE)

Because we explore the potential trade-offs between economic and social outcomes and the extent to which attention may be divided with respect to the dual purpose of MFIs, we include financial performance as a reference point against our focus on social performance. Because founder directors and their family members on the board have ownership and/or equity positions in an MFI, we use return on equity (*ROE*) as the measure of financial performance (Strøm et al., 2014). *ROE* is calculated as the net operating income after tax scaled by the average total equity. As an alternative measure of financial performance, following prior research (Cull et al., 2007; Mersland & Strøm, 2009), we use the yield on the gross loan portfolio (*Yield*). The portfolio yield is calculated as the net interest income scaled by the average loan outstanding.

4.2.2 | Explanatory variables

To test the first hypothesis, we use the presence of founder directors on the board as the key explanatory variable (Anderson et al., 2003; Nelson, 2003). We define founding directors as those who have resided on the board of the MFI since inception (T. Wang & Song, 2016). In our main analysis, following prior studies (e.g., Kroll et al., 2007; T. Wang & Song, 2016), we use two variants of this variable: the natural logarithm of one plus the total number of founders on the board (*Founder Log*) and the proportion of founder directors on the board, which is calculated as the number of founder directors scaled by the total number of directors on the board (*Founder Prop*). In the robustness analysis, we use the total number of founding directors on the board (*Founder Total*) as the key explanatory variable.

To test the second hypothesis, our study considers founder members with family ties as the key explanatory variable (Anderson et al., 2003; Anderson & Reeb, 2003; Patel & Cooper, 2014). Following Bennedsen et al. (2008), if a founder member on the board has a family relationship (e.g., sibling, child, spouse, or parent) with another board member, they are considered to be founders with a family tie. To identify family relationships, we check the curriculum vitae of each of the directors. As the MRA has made it mandatory for MFIs to disclose the kinship (any of the following: parent, siblings' child, or spouse) of the directors with their name and the level of kinship, we utilize this opportunity to trace founder directors' family relationships with other director(s) on the board accurately. Following the extant literature (e.g., Kroll et al., 2007; T. Wang & Song, 2016), our study uses two alternative measures of this variable as the explanatory variable: the natural logarithm of one plus the total number of founders with family ties on the board (*Family Log*) and the proportion of founder directors with family ties on the board, which is calculated as the number of founder directors with family ties scaled by the total number of directors on the board (*Family Prop*). In the robustness analysis, we also use the total number of founding directors with family ties on the board (*Family Total*) as the key explanatory variable.

4.2.3 | Control variables

Several variables are included to control for potential confounding effects. Based on the previous literature (e.g., Bennedsen et al., 2008; Dalton et al., 1998), we include the log of the total board size (*Board Size*) as it may influence the strategic decision making and the effectiveness of governance mechanisms. Based on the extant literature (Adams et al., 2010; He, 2008; Xu et al., 2015), we also include the log of the number of independent directors on the board (*Independence*). Given that MFIs in Bangladesh are required to have women on their board, we control for the log of the number of female directors on the board (*Female Directors*). Because a powerful CEO can exert more influence on the decision making of the board of directors, we include *CEO Power* as another governance variable, which is a dummy variable that takes the value of 1 if the CEO also acts as the chair of the board and 0 otherwise (Galema et al., 2012).

We also control for firm size since the scale of operation and the performance of MFIs differ depending on their size. Following prior microfinance studies (e.g., Cuéllar-Fernández et al., 2016; Malikov & Hartarska, 2018), we use the natural logarithm of the gross loan portfolio as a proxy for firm size. Following Hossain et al. (2020), we also include the *Operating Expense* ratio, measured as the operating expenses over the total assets. We include the debt-to-equity ratio (*Debt–Equity*) to control for the effect of MFIs' risk profile and capital structure on their performance (Chen et al., 2012). Finally, following the MFI literature (e.g., Ahlin et al., 2011), our study includes loan loss provision expenses (*Provision Expense*) to control for its effect on MFI performance. We measure *Provision Expense* as the fraction of the loan portfolio retained for bad loans over a year (Ahlin et al., 2011). All the variable descriptions and measurements are presented in Table 1.

4.2.4 | Estimation method

Following the prior literature (e.g., Randøy & Goel, 2003; Xu et al., 2015), we use the following pooled ordinary least squares (OLS) regression models to test our hypotheses[8]:

$$P_{it} = \alpha_0 + \beta_1\, Founder\ Directors_{i,t} + \gamma_i\, Corporate\ Governance_{i,t} + \delta_i\, Firm\ Characteristics_{i,t} + Y_d + \varepsilon_{i,t} \quad (1)$$

$$P_{it} = \alpha_0 + \beta_1\, Family\ Tie_{i,t} + \gamma_i\, Corporate\ Governance_{i,t} + \delta_i\, Firm\ Characteristics_{i,t} + Y_d + \varepsilon_{i,t} \quad (2)$$

where the subscript i denotes the individual MFI ($i = 1, 2, \ldots, 735$), t refers to the time in years ($t = 2007, 2008, \ldots, 2017$), and β_i, γ_i, and δ_i are the vectors of the coefficients for the main explanatory variables, governance variables, and firm characteristic variables, respectively. Moreover, Y_d refers to year effects and $\varepsilon_{i,t}$ is the idiosyncratic

TABLE 1 Description and measurement of variables.

Variable	Description and measurement
Dependent variables	
NAB Log	Breadth of outreach, measured as the number of active borrowers (natural logarithm) who have an outstanding loan balance at the MFI or have yet to pay the unpaid portion of the credit to the MFI. The larger the *NAB Log*, the greater the breadth of outreach.
NSAV Log	Breadth of outreach, measured as the log of the number of savings members of the MFIs. The larger the number, the greater the breadth of outreach.
ALB Log	Depth of outreach, measured as the average loan balance per borrower (natural logarithm) in Bangladeshi currency (BDT). The smaller the average loan size per borrower, the deeper the outreach to poor borrowers.
ASB Log	Depth of outreach, measured as the natural logarithm of average savings balance (in BDT) per member. The smaller the number, the deeper the outreach to poor savers.
ROE	Return on equity = net income after tax/total equity. *ROE* serves as the financial performance measure and a reference point given our focus on social performance.
Explanatory variables	
Founder Log	Natural log of (1 + total number of founder directors).
Founder Prop	Proportion of founder directors on the board (i.e., total founder directors/total number of directors).
Family Log	Founder directors with a family tie = log (1 + total founders with a family tie).
Family Prop	Proportion of founder directors with a family tie (i.e., total founders with a family tie/total number of directors on board).
Control variables	
Board Size	Total number of board of directors (logarithmic).
Independence	Log of the number of independent directors on the board.
Female Directors	Log of the number of female directors on the board.
CEO Power	*CEO Power* is a dummy variable that equals 1 if the CEO and chair are the same person and 0 otherwise.
Firm Size	Size of the firm, measured as the natural logarithm of the total loan portfolio in Bangladeshi taka (BDT).
Debt–Equity	Total debt (short-term and long-term debts) to total equity. Equity is the residual interest of the assets after payment of all obligations.
Operating Expense	Operating expenses to total assets.
Provision Expense	Loan loss provision expenses. The proportion of the loan amount set aside as the allowance for the loan losses to cover the costs of loan that the MFI is not expected to recover from the default borrowers.
Variables used in the sensitivity analysis	
Founder Total	Total number of founder directors on the board.
Family Total	Total number of founder directors who have a family tie with other directors on the board.
Yield	Portfolio yield. Calculated as the financial revenue from the loan portfolio scaled by the average gross loan portfolio.

error term. The dependent variables (P_{it}) are the social performance of the firm (*NAB Log*, *ALB Log*, *NSAV Log*, and *ASB Log*). We also include financial performance (*ROE*) as a reference point, as noted above.

5 | RESULTS

5.1 | Descriptive statistics, univariate tests, and correlation analysis

Panel A of Table 2 presents the summary statistics of the variables. The mean and maximum values of the number of active borrowers (*NAB Total*) are 34,000 and 740,000, which indicate that, except for a few dominant MFIs, most of the MFIs have a low-level client base. They also indicate that the mean *NAB Total* is skewed to a few dominant MFIs. In the multivariate analysis, we use the log transformation of *NAB Total* (i.e., *NAB Log*), which shows a mean (maximum) value of 8.847 (13.51), thus removing the impact of outliers to a large extent. The natural logarithm of the number of savings members of the MFIs (i.e., *NSAV Log*) exhibits a mean (median) value of 9.092 (8.733). Moreover, the mean and maximum average loan balance per borrower (*ALB Total*) are BDT9378 and BDT31,000, respectively, implying that MFIs in Bangladesh target the poor strata of the population who are at the bottom of the economic pyramid. When taking a log transformation, the mean (maximum) *ALB Log* takes the value of 8.993 (10.333). The average return on equity (*ROE*) is 0.16, substantially higher than Strøm et al.'s (2014) average. The mean (median) value of the ratio of founding members to total members on the board (*Founder Prop*) is 39.4% (33.3%), which is slightly higher than Mori et al.'s (2015) average of 33.5% from an East African microfinance

TABLE 2 Descriptive statistics and univariate test.

Panel A: Descriptive statistics								
					Quantiles			
Variable	Obs.	Mean	SD	Min	0.25	Median	0.75	Max
NAB Total	5531	34,000	100,000	491	2044	4673	21,000	740,000
NAB Log	5531	8.847	1.597	6.196	7.623	8.45	9.929	13.510
NSAV Log	5493	9.092	1.582	6.465	7.861	8.733	10.153	13.666
ALB Total (BDT)	5531	9378	5469	1977	5519	7933	12,000	31,000
ALB Log	5531	8.993	0.554	7.624	8.616	8.979	9.376	10.333
ASB Log	5508	7.739	0.627	5.779	7.366	7.751	8.154	9.156
ROE	5530	0.160	0.362	−1.350	0.030	0.120	0.250	1.990
Founder Total	5531	2.964	1.804	0.000	2.000	3.000	4.000	7.000
Founder Prop	5531	0.394	0.246	0.000	0.222	0.333	0.571	1.000
Founder Log	5531	1.257	0.52	0.000	1.099	1.386	1.609	2.079
Family Total	5531	0.794	1.014	0.000	0.000	0.000	2.000	3.000
Family Prop	5531	0.105	0.136	0.000	0.000	0.000	0.286	0.429
Family Log	5531	0.43	0.545	0.000	0.000	0.000	1.099	1.386
Board Size	5531	2.033	0.143	1.792	1.946	1.946	2.197	2.485
Independence	5531	1.038	0.710	0.000	0.000	1.099	1.609	2.197
Female Directors	5531	0.880	0.349	0.000	0.693	0.693	1.099	2.197
CEO Power	5531	0.006	0.076	0.000	0.000	0.000	0.000	1.000
Firm Size	5531	17.826	1.771	15.023	16.426	17.359	19.006	22.793
Debt–Equity	5531	4.825	13.822	−10.55	0.470	1.740	4.420	114.98
Operating Expense	5531	0.038	0.045	−0.098	0.010	0.030	0.060	0.240
Provision Expense	5531	0.011	0.020	0.000	0.000	0.000	0.010	0.130
Yield	5402	0.221	0.076	0.016	0.184	0.228	0.255	0.619

perspective. In addition, the mean (median) value of the ratio of founding members with a family tie to total members on the board (*Family Prop*) is 10.5% (0.00%).

Panel B of Table 2 shows the result of the mean difference test of the variables based on founder directors' presence and family ties. The results show that the mean values of *NAB Log*, *NSAV Log*, and *ALB Log* are significantly higher (t-stat. = 16.60, $p < .01$ for *NAB Log*; t-stat. = 16.21, $p < .01$ for *NSAV Log*; and t-stat. = 3.24, $p < .01$ for *ALB Log*) for the sub-sample with below-median founder directors than for its above-median counterpart. Similar results are uncovered for the family ties of founder directors with respect to the financial and social performance variables (t-stat. = 25.80, $p < .01$ for *NAB Log*; t-stat. = 24.81, $p < .01$ for *NSAV Log*; t-stat. = 4.91, $p < .01$ for *ALB Log*). Overall, these univariate test statistics support our prediction of an adverse impact of founder directors and their family governance on social performance.

Table 3 presents the results of the Pearson correlation between the variables. The results show that founder directors (*Founder Log*) have a negative correlation with *NAB Log* (−0.273, $p < .01$), *ALB Log* (−0.081, $p < .01$), *NSAV Log* (−0.268, $p < .01$), and *ASB Log* (−0.056, $p < .01$) and a positive correlation (0.028, $p < .05$) with *ROE*. Furthermore, the family ties of founder directors (*Family Log*) are negatively correlated with *NAB Log* (−0.298, $p < .01$), *ALB Log* (−0.066, $p < .01$), *NSAV Log* (−0.288, $p < .01$), and *ASB Log* (−0.047, $p < .01$). We note that the negative and significant correlations of *ALB Log* and *ASB Log* with both *Founder Log* and *Family Log* are not consistent with our expectation. A possible reason for this inconsistent finding is that the Pearson correlation does not take into account the effects of other controls that may affect *ALB Log*. Therefore, we also perform partial correlation analysis and report the results in Table S1, of the Online Appendix. We find that, consistent with our expectation, both *Founder Log* and *Family Log* are negatively and significantly correlated with *NAB Log* ($p < .01$) and *NSAV Log* ($p < .05$), while they are significantly positively correlated with *ALB Log* ($p < .01$) and *ASB Log* ($p < .05$).[9]

5.2 | Multivariate analysis

5.2.1 | Founder directors and MFIs' performance

Panel A of Table 4 presents the regression results for the relationship between founder directors and MFIs' performance. Columns (1)–(4) show the results for the breadth of outreach, as captured by *NAB Log* and *NSAV Log*. We find that *Founder Log* has a negative impact on

TABLE 2 (Continued)

Panel B: Mean difference test of the variables (assuming unequal variance)						
	Founder directors			Family ties		
Variable	Less than median	Above median	*t*-value	Less than median	Above median	*t*-value
Dependent variables						
NAB Log	9.231	8.522	16.596***	9.220	8.240	25.804***
NSAV Log	9.466	8.777	16.211***	9.449	8.511	24.805***
ALB Log	9.019	8.970	3.235***	9.022	8.946	4.910***
ASB Log	7.755	7.725	1.764**	7.761	7.703	3.410***
ROE (reference point)	0.149	0.169	−2.063**	0.157	0.165	−0.769
Control variables						
Board Size	2.035	2.032	0.683	2.034	2.032	0.496
Independence	1.102	0.983	6.226***	1.061	0.999	3.151***
Female Directors	0.896	0.867	3.102***	0.894	0.858	3.744***
CEO Power	0.002	0.009	−3.604***	0.001	0.013	−4.468***
Firm Size	18.232	17.480	15.858***	18.224	17.175	24.549***
Debt–Equity	4.797	4.832	−0.096	4.902	4.678	0.586
Operating Expense	0.037	0.038	−0.307	0.038	0.038	0.025
Provision Expense	0.011	0.011	0.998	0.011	0.011	0.361

Note: Panel A shows the descriptive statistics of the variables. The financial performance variables (*ROE* and *Yield*) are in decimals. The social performance variables include the natural logarithm of the number of active borrowers (*NAB Log*), the natural logarithm of the average loan balance per borrower (*ALB Log*) in Bangladeshi currency (BDT), the natural logarithm of the total number of savers (*NSAV Log*), and the natural logarithm of the average savings balance per member (*ASB Log*) in BDT. The main explanatory variables (*Founder* and *Family*) are presented in total, ratio, and logarithmic measures. Descriptions of all the variables are in Table 1. We winsorize all the continuous variables at 1% and 99%. Panel B shows the univariate test of the dependent and control variables based on the median value of *Founder Prop* and *Family Prop*.

***Statistically significant at the 1% level.

**Statistically significant at the 5% level.

*Statistically significant at the 10% level.

NAB Log ($\beta_1 = -0.092$, $p < .01$) and *NSAV Log* ($\beta_1 = -0.068$, $p < .05$). We observe a similar negative impact when using *Founder Prop* as a proxy for founder directors in Columns (2) and (4). Economically, Column (1) indicates that, for a one-standard-deviation increase in *Founder Log*, *NAB Log* decreases by 4.78%, which equals a decrease of 1625 borrowers relative to its mean. Similarly, in Column (2), for *Founder Prop*, the reduction in *NAB Log* is 4.40% (i.e., a decrease of 1497 borrowers) relative to the mean. Overall, these findings support our Hypothesis 1 that founder directors have an adverse influence on the breadth of outreach of MFIs.

Columns (5)–(8) present the results for the depth of outreach, as captured by *ALB Log* and *ASB Log*. Columns (5) and (7) show that *Founder Log* is positively related to both *ALB Log* ($\beta_1 = 0.082$, $p < .01$) and *ASB Log* ($\beta_1 = 0.074$, $p < .05$). Likewise, *Founder Prop* exhibits a positive and significant relationship with *ALB Log* ($\beta_1 = 0.158$, $p < .01$) and *ASB Log* ($\beta_1 = 0.129$, $p < .10$) in Columns (6) and (8). Economically, the coefficient in Column (5) indicates that, for a one-standard-deviation increase in *Founder Log*, *ALB Log* increases by 4.26% relative to the mean, which accounts for a BDT399.50 (US$5.33) increase in credit size per borrower. Similarly, Column (6) shows a 3.89% increase (which represents BDT364.80 or US$4.87) in *ALB Log* for a one-standard-deviation increase in *Founder Prop*. Overall, these findings suggest that the higher the level of founding directors on the board, the more the MFIs provide a larger average loan to their borrowers, which in effect undermines (or exerts a negative impact on) their outreach to the poorest people. This is because a larger loan size means that "wealthier" clients are likely to receive funds at the expense of the poorest of borrowers (Collins et al., 2009).

Interestingly, in Columns (9) and (10), financial performance (i.e., *ROE*) shows a positive association with *Founder Log* ($\beta_1 = 0.019$, $p < .10$) and *Founder Prop* ($\beta_1 = 0.050$, $p < .05$). Economically, Column (10) suggests that, for a one-standard-deviation increase in *Founder Prop*, *ROE* increases by 7.69% relative to the mean. Overall, this finding shows that founders may have traded off social excellence for economic success, which would have a favorable influence on financial performance but a detrimental impact on social performance.

5.2.2 | Founder directors' family ties on the board and MFIs' performance

Panel B of Table 4 presents the results for the relationship between founder directors' family ties on the board and MFIs' performance. Columns (1)–(4) consider how family ties affect MFIs' breadth of

TABLE 3 Correlation matrix: The Pearson pairwise correlation.

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	*NAB Log*	1														
2	*ALB Log*	.159**	1													
3	*NSAV Log*	.984**	.178**	1												
4	*ASB Log*	.115**	.725**	.128**	1											
5	*ROE*	.037**	.037**	.031*	.010	1										
6	*Founder Log*	−.273**	−.081**	−.268**	−.056**	.028*	1									
7	*Family Log*	−.298**	−.066**	−.288**	−.047**	.014	.585**	1								
8	*Board Size*	.152**	.005	.152**	.032*	−.015	−.060**	.001	1							
9	*Independence*	.215**	.101**	.215**	.026	.027*	−.078**	−.044**	.058**	1						
10	*Female Directors*	.098**	.024	.099**	.058**	−.045**	−.053**	−.053**	.325**	−.028*	1					
11	*CEO Power*	−.037**	.033*	−.039**	.054**	−.007	.061**	.070**	.006	−.002	.063**	1				
12	*Firm Size*	.647**	.456**	.645**	.329**	.047**	−.269**	−.287**	.138**	.224**	.094**	−.021	1			
13	*Debt–Equity*	.014	−.018	.014	−.088**	−.090**	−.004	−.006	−.063**	−.001	−.025	−.022	.006	1		
14	*Operating Expense*	.080**	.117**	.075**	.085**	.280**	−.002	.002	.037**	.056**	−.001	.020	.109**	−.107**	1	
15	*Provision Expense*	.036**	−.006	.030*	−.040**	−.114**	−.025	−.004	−.034*	.005*	.021	.011	.030**	−.001	.075**	1

Note: This table presents the correlation matrix. Descriptions of all the variables are in Table 1.

**Statistically significant at the 1% level.

*Statistically significant at the 5% level.

TABLE 4 Baseline regression results using ordinary least squares (pooled OLS) method.

Panel A: Founder directors and MFI social performance										
	NAB Log		*NSAV Log*		*ALB Log*		*ASB Log*		*ROE* (reference point)	
Variable	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**
Founder Log	−0.092***		−0.068**		0.082***		0.074**		0.019*	
	(0.029)		(0.028)		(0.027)		(0.034)		(0.010)	
Founder Prop		−0.179***		−0.113*		0.158***		0.129*		0.050**
		(0.060)		(0.059)		(0.060)		(0.073)		(0.024)
Board Size	0.202**	0.155	0.185**	0.156*	−0.196**	−0.154	−0.093	−0.059	−0.069*	−0.055
	(0.096)	(0.097)	(0.090)	(0.092)	(0.094)	(0.094)	(0.131)	(0.131)	(0.036)	(0.036)
Independence	0.03	0.031	0.034*	0.035*	−0.026	−0.027	−0.063**	−0.064**	0.006	0.006
	(0.019)	(0.019)	(0.019)	(0.019)	(0.019)	(0.019)	(0.026)	(0.026)	(0.007)	(0.007)
Female Directors	0.018	0.02	0.025	0.026	−0.01	−0.011	0.047	0.046	−0.037**	−0.037**
	(0.041)	(0.041)	(0.040)	(0.040)	(0.040)	(0.040)	(0.056)	(0.056)	(0.015)	(0.015)
CEO Power	−0.229	−0.224	−0.282	−0.283	0.19	0.186	0.363	0.362	−0.046	−0.050*
	(0.266)	(0.271)	(0.184)	(0.187)	(0.255)	(0.260)	(0.276)	(0.280)	(0.029)	(0.030)
Firm Size (log)	0.852***	0.853***	0.845***	0.846***	0.144***	0.142***	0.121***	0.120***	0.008***	0.008***
	(0.009)	(0.009)	(0.008)	(0.008)	(0.009)	(0.009)	(0.010)	(0.010)	(0.003)	(0.003)
Debt–Equity	−0.001	−0.001	−0.001	−0.001	0.001	0.001	−0.002***	−0.002***	−0.002*	−0.002*
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Operating Expense	−1.143***	−1.143***	−1.241***	−1.244***	1.145***	1.146***	0.916***	0.919***	2.237***	2.235***
	(0.225)	(0.225)	(0.228)	(0.229)	(0.218)	(0.219)	(0.267)	(0.267)	(0.199)	(0.199)
Provision Expense	0.303	0.317	−0.15	−0.135	−0.283	−0.295	−1.284***	−1.298***	−2.382***	−2.382***
	(0.442)	(0.443)	(0.397)	(0.400)	(0.365)	(0.366)	(0.460)	(0.463)	(0.591)	(0.591)
Year dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	−5.893***	−5.877***	−5.467***	−5.483***	5.999***	5.987***	4.844***	4.851***	0.283***	0.262***
	(0.348)	(0.358)	(0.291)	(0.297)	(0.335)	(0.346)	(0.423)	(0.424)	(0.087)	(0.088)
Observations	5531	5531	5494	5494	5531	5531	5508	5508	5531	5531
Adjusted R^2	.731	.731	.727	.727	.504	.503	.313	.312	.113	.114
Mean VIF	1.84	1.84	1.85	1.85	1.84	1.84	1.84	1.84	1.84	1.84
Max VIF	2.87	2.86	2.90	2.90	2.86	2.86	2.87	2.87	2.87	2.87
Number of MFIs	735	735	734	734	735	735	734	734	735	735
Panel B: Founder director family ties on the board and MFI social performance										
	NAB Log		*NSAV Log*		*ALB Log*		*ASB Log*		*ROE* (reference point)	
Variable	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**
Family Log	−0.100***		−0.061**		0.093***		0.084**		0.012	
	(0.026)		(0.025)		(0.025)		(0.034)		(0.011)	

(Continues)

TABLE 4 (Continued)

Panel B: Founder director family ties on the board and MFI social performance										
	NAB Log		*NSAV Log*		*ALB Log*		*ASB Log*		*ROE* (reference point)	
Variable	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**
Family Prop		−0.391***		−0.231**		0.357***		0.288**		0.058
		(0.105)		(0.103)		(0.100)		(0.134)		(0.045)
Board Size	0.228**	0.193**	0.202**	0.181**	−0.220**	−0.188**	−0.115	−0.087	−0.073**	−0.068*
	(0.095)	(0.095)	(0.091)	(0.091)	(0.093)	(0.094)	(0.130)	(0.128)	(0.036)	(0.036)
Independence	0.032*	0.032*	0.036*	0.036*	−0.028	−0.027	−0.065**	−0.064**	0.006	0.006
	(0.019)	(0.019)	(0.019)	(0.019)	(0.019)	(0.019)	(0.026)	(0.026)	(0.008)	(0.008)
Female Directors	0.015	0.014	0.023	0.023	−0.006	−0.006	0.05	0.05	−0.037**	−0.036**
	(0.041)	(0.041)	(0.040)	(0.040)	(0.040)	(0.040)	(0.056)	(0.056)	(0.015)	(0.015)
CEO Power	−0.218	−0.222	−0.281	−0.284	0.178	0.183	0.353	0.361	−0.044	−0.045
	(0.259)	(0.261)	(0.180)	(0.181)	(0.248)	(0.250)	(0.267)	(0.271)	(0.029)	(0.029)
Firm Size (log)	0.849***	0.850***	0.844***	0.845***	0.146***	0.145***	0.124***	0.122***	0.007**	0.007**
	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.008)	(0.010)	(0.010)	(0.003)	(0.003)
Debt–Equity	−0.001	−0.001	−0.001	−0.001	0.001	0.001	−0.002***	−0.003***	−0.002*	−0.002*
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Operating Expense	−1.135***	−1.135***	−1.241***	−1.241***	1.137***	1.138***	0.910***	0.913***	2.239***	2.238***
	(0.227)	(0.226)	(0.229)	(0.229)	(0.218)	(0.217)	(0.266)	(0.266)	(0.199)	(0.199)
Provision Expense	0.365	0.366	−0.105	−0.104	−0.338	−0.339	−1.336***	−1.335***	−2.394***	−2.395***
	(0.440)	(0.439)	(0.400)	(0.400)	(0.365)	(0.365)	(0.465)	(0.466)	(0.591)	(0.591)
Year dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	−5.989***	−5.927***	−5.556***	−5.521***	6.079***	6.024***	4.916***	4.883***	0.314***	0.301***
	(0.331)	(0.337)	(0.277)	(0.282)	(0.320)	(0.325)	(0.403)	(0.407)	(0.084)	(0.084)
Observations	5531	5531	5494	5494	5531	5531	5508	5508	5531	5531
Adjusted R^2	.731	.731	.927	.927	.506	.505	.314	.313	.113	.113
Mean VIF	1.84	1.84	1.85	1.85	1.84	1.84	1.84	1.84	1.84	1.84
Max VIF	2.86	2.86	2.91	2.91	2.86	2.86	2.88	2.88	2.87	2.87
Number of MFIs	735	735	734	734	735	735	734	734	735	735

Note: Panel A presents regression results of the relationship between founder directors and MFIs' performance. Our main variable of interest is *Founder Log* (i.e., 1 + total founder directors) and *Founder Prop* (i.e., total founder directors/total directors on board). Panel B presents regression results of the relationship between founder directors' family ties and MFIs' performance. Our main variable of interest is *Family Log* (i.e., 1 + total founder directors with family ties) and *Family Prop* (i.e., total founder directors with family ties/total directors on board). In both panels, social performance is proxied by *NAB Log* (natural logarithm of the number of active borrowers), *NSAV Log* (the natural logarithm of number of savings members of the MFIs), *ALB Log* (the natural logarithm of average loan balance per borrower in Bangladeshi currency), and *ASB Log* (the natural logarithm of average savings balance in Bangladeshi currency per member) and financial performance is proxied by *ROE* (return on equity). Heteroscedasticity and autocorrelation adjusted (firm clustered) robust standard errors are in parentheses. Descriptions of all the variables are in Table 1.

***Statistically significant at the 1% level.

**Statistically significant at the 5% level.

*Statistically significant at the 10% level.

outreach measured using *NAB Log* and *NSAV Log*. In Columns (1) and (3), we find that *Family Log* has a negative and significant relationship with *NAB Log* ($\beta_1 = -0.100$, $p < .01$) and *NSAV Log* ($\beta_1 = -0.061$, $p < .05$). A similar result is obtained when family ties are measured using *Family Prop* (Columns 2 and 4). Economically, the coefficients in Columns (1) and (3) indicate that, for a one-standard-deviation increase in *Family Log*, *NAB Log* decreases by 5.45% (i.e., a decrease of 1853 active borrowers relative to the mean) and *NSAV Log* decreases by 3.32% (i.e., a decrease of 1381 active savers relative to the mean value of 41,555). These results thus suggest that the presence of founder directors' family ties on the board means fewer clients, reducing the breadth of MFIs' outreach.

Columns (5)–(8) present the results regarding the depth of outreach, as captured by *ALB Log* and *ASB Log*. In Columns (5) and (7), *Family Log* has a significant positive relationship with *ALB Log* ($\beta_1 = 0.093$, $p < .01$) and *ASB Log* ($\beta_1 = 0.084$, $p < .05$). We obtain similar results when using *Family Prop* as a proxy for family ties in Columns (6) and (8). Economically, the coefficients in Columns (5) and (7) suggest that, for a one-standard-deviation increase in *Family Log*, *ALB Log* increases by 5.07% (i.e., an increase in the average loan balance of BDT475.46 or US$6.34 relative to the mean) and *ASB Log* increases by 4.58% (i.e., an increase in the average saving balance per member of BDT129.11 or US$1.72 relative to the mean). These results indicate that, with an increase in founding directors' family ties on the board, the loan size to borrowers and the saving balance per member increase, suggesting a shift in priority toward larger loans and savings. Overall, these findings support our Hypothesis 2 that family ties have an adverse impact on the social mission of MFIs.

Finally, in Columns (9) and (10), we find that founder directors' family ties have an insignificant association with MFIs' financial performance (*ROE*). One possible explanation for this insignificant finding is that board members with family ties within the MFI channel their economic interests or focus through the founder director. In effect, persons with family ties to the MFI recognize that founder directors have stronger power or political influence over MFIs than other board members and hence exploit family ties to expropriate personal and family interests, compromising the MFIs' financial performance (Finkelstein, 1992).[10,11]

5.3 | Endogeneity tests

5.3.1 | Two-stage least squares (2SLS) regressions

Although the baseline results suggest an adverse impact of founder directors and their family ties on the social performance of MFIs, these results may be biased if endogeneity is present in the estimations (Wooldridge, 2016). For example, our estimations may omit some variables that are correlated with both social performance and founder directors and their family ties. Moreover, there is a concern that the social performance of MFIs may affect the presence of founder directors and their family ties, resulting in a reverse causality problem. Although exogenous instruments are widely used in instrumental variable regression to account for endogeneity, the difficulty of finding suitable instruments has been well documented (Jiang, 2017). As an alternative, we rely on the Lewbel (2012) heterogeneity-based instrument, which is increasingly used in economics and finance studies (e.g., Broadstock et al., 2018; Caliendo et al., 2017; Gong et al., 2016; Hasan et al., 2022). This technique does not require an external instrument; instead, it exploits heterogeneity in the error term of the first-stage regression to generate instruments from within the existing model. We generate the instruments from the auxiliary equations' residuals and multiply the residuals by each of the generated variables, including the constant in mean-centered form.

Table 5 reports the results. Panel A shows that the effect of founder directors on the depth, outreach, and financial performance remains robust. For example, the coefficient of founder directors is negative and significant for *NAB Log* (*Founder Log* $= -0.159$, *Founder Prop* $= -0.310$; both significant at $p < .01$). Moreover, the coefficient of founder directors is positive and significant (*Founder Log* $= 0.142$, *Founder Prop* $= 0.279$; both significant at $p < .01$) for *ALB Log*. Finally, the coefficient for *ROE* is positive and significant for *Founder Prop* (0.07, $p < .05$).

In Panel B, we find robust evidence of a negative association between founder director family ties on the board and MFIs' social performance. For example, the relationship between family ties and *NAB Log* remains negative and significant (*Family Log* $= -0.152$, $p < .01$; *Family Prop* $= -0.474$, $p < .05$). Similarly, the positive relationship between family ties and *ALB Log* remains robust (*Family Log* $= 0.125$, $p < .05$; *Family Prop* $= 0.398$, $p < .05$). Importantly, the 2SLS results show that family ties are positively and significantly related to *ROE* (*Family Log* $= 0.046$, $p < .10$; *Family Prop* $= 0.212$, $p < .05$). We find that our estimation is not subject to under-identification and over-identification bias. The Cragg–Donald Wald *F* statistic is also larger than the Stock and Yogo (2005) critical values (at 10% maximal IV size), suggesting that our estimated results are not susceptible to weak instruments. Overall, we provide evidence that the main regression results are not driven by endogeneity problems.

5.3.2 | Two-step system generalized method of moments (system GMM)

We further check the potential bias in our baseline results arising from unobserved heterogeneity and reverse causality through system GMM estimation, suggested by Arellano and Bover (1995) and Blundell and Bond (1998). In our estimation, we use a two-step procedure (Arellano & Bond, 1991) and obtain robust standard errors using the Windmeijer (2005) finite sample correction. This procedure removes reverse causality by internally transforming the data through a statistical process whereby the previous value of the variable is subtracted from its present value.

Panel A of Table 6 presents the GMM results for founder directors, and Panel B reports the results for founder directors' family ties. The Arellano–Bond first- and second-order correlation tests are in line with the expectations (AR1 is significant; AR2 is insignificant). The

TABLE 5 Endogeneity test: Two-stage least squares regressions using heterogeneity-based instrument.

Panel A: Founder directors and MFI social performance										
	NAB Log		*NSAV Log*		*ALB Log*		*ASB Log*		*ROE* (reference point)	
Variable	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**
Founder Log	−0.159***		−0.153***		0.142***		0.213***		0.025	
	(0.042)		(0.041)		(0.043)		(0.051)		(0.016)	
Founder Prop		−0.310***		−0.278***		0.279***		0.445***		0.070**
		(0.083)		(0.081)		(0.085)		(0.103)		(0.035)
Board Size	0.198**	0.115	0.180**	0.107	−0.192**	−0.118	−0.084	0.035	−0.069*	−0.049
	(0.097)	(0.098)	(0.091)	(0.093)	(0.095)	(0.096)	(0.136)	(0.137)	(0.036)	(0.037)
Independence	0.029	0.031	0.033*	0.035*	−0.025	−0.027	−0.061**	−0.064**	0.006	0.006
	(0.019)	(0.019)	(0.019)	(0.019)	(0.019)	(0.019)	(0.026)	(0.026)	(0.007)	(0.007)
Female Directors	0.016	0.019	0.022	0.025	−0.007	−0.010	0.052	0.048	−0.037**	−0.037**
	(0.041)	(0.041)	(0.040)	(0.040)	(0.040)	(0.040)	(0.057)	(0.057)	(0.015)	(0.015)
CEO Power	−0.203	−0.193	−0.249	−0.245	0.167	0.157	0.308	0.289	−0.048*	−0.055*
	(0.271)	(0.281)	(0.193)	(0.201)	(0.260)	(0.269)	(0.276)	(0.289)	(0.029)	(0.031)
Firm Size (log)	0.846***	0.849***	0.838***	0.841***	0.148***	0.146***	0.132***	0.130***	0.008***	0.008***
	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.009)	(0.011)	(0.011)	(0.003)	(0.003)
Debt–Equity	−0.001	−0.001	−0.001	−0.001	0.001	0.001	−0.002***	−0.002***	−0.002*	−0.002*
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Operating Expense	−1.124***	−1.124***	−1.219***	−1.222***	1.128***	1.128***	0.877***	0.873***	2.236***	2.233***
	(0.224)	(0.225)	(0.229)	(0.228)	(0.219)	(0.219)	(0.269)	(0.269)	(0.198)	(0.198)
Provision Expense	0.264	0.287	−0.201	−0.173	−0.247	−0.268	−1.202***	−1.226***	−2.379***	−2.378***
	(0.438)	(0.438)	(0.392)	(0.394)	(0.360)	(0.362)	(0.460)	(0.461)	(0.588)	(0.589)
Year dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	5531	5531	5494	5494	5531	5531	5508	5508	5531	5531
Under-identification test (Kleibergen–Paap rk LM statistic)	191.9***	200.2***	189.1	198.5	191.9***	200.2***	189.9	198.7	191.9***	200.2***
Cragg–Donald Wald *F* statistic	251.6	303.1	248.4	299.3	251.6	303.1	249.7	301.0	251.7	303.2
Stock–Yogo critical values (at 10% maximal IV size)	11.46	11.46	11.46	11.46	11.46	11.46	11.46	11.46	11.46	11.46
Hansen *J* statistic	10.74	12.83	17.09	19.18	12.03	13.94	17.77	20.85	18.94	18.70
p-value	.905	.802	.517	.381	.846	.733	.471	.287	.395	.410
Panel B: Founder director family ties and MFI social performance										
	NAB Log		*NSAV Log*		*ALB Log*		*ASB Log*		*ROE* (reference point)	
Variable	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**
Family Log	−0.152***		−0.100*		0.125**		0.223***		0.046*	
	(0.059)		(0.060)		(0.058)		(0.078)		(0.024)	

TABLE 5 (Continued)

Panel B: Founder director family ties and MFI social performance										
	NAB Log		*NSAV Log*		*ALB Log*		*ASB Log*		*ROE* (reference point)	
Variable	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**
Family Prop		−0.474**		−0.296		0.398**		0.468*		0.212**
		(0.196)		(0.200)		(0.191)		(0.252)		(0.088)
Board Size	0.238**	0.190**	0.210**	0.179**	−0.226**	−0.186**	−0.142	−0.080	−0.079**	−0.062*
	(0.095)	(0.095)	(0.091)	(0.090)	(0.094)	(0.093)	(0.131)	(0.129)	(0.037)	(0.036)
Independence	0.033*	0.032*	0.036*	0.036*	−0.028	−0.027	−0.066**	−0.065**	0.005	0.005
	(0.019)	(0.019)	(0.019)	(0.019)	(0.019)	(0.019)	(0.026)	(0.026)	(0.008)	(0.008)
Female Directors	0.011	0.013	0.021	0.022	−0.004	−0.005	0.060	0.053	−0.034**	−0.034**
	(0.041)	(0.041)	(0.040)	(0.040)	(0.040)	(0.040)	(0.057)	(0.056)	(0.016)	(0.016)
CEO Power	−0.193	−0.213	−0.262	−0.277	0.163	0.179	0.287	0.341	−0.060**	−0.062**
	(0.261)	(0.262)	(0.183)	(0.183)	(0.249)	(0.251)	(0.255)	(0.268)	(0.030)	(0.031)
Firm Size (log)	0.844***	0.848***	0.840***	0.843***	0.149***	0.146***	0.137***	0.126***	0.010***	0.011***
	(0.010)	(0.009)	(0.009)	(0.009)	(0.010)	(0.009)	(0.013)	(0.011)	(0.004)	(0.003)
Debt–Equity	−0.001	−0.001	−0.001	−0.001	0.001	0.001	−0.002***	−0.003***	−0.002*	−0.002*
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Operating Expense	−1.117***	−1.128***	−1.229***	−1.236***	1.126***	1.134***	0.864***	0.898***	2.227***	2.224***
	(0.228)	(0.227)	(0.229)	(0.228)	(0.220)	(0.219)	(0.272)	(0.268)	(0.198)	(0.199)
Provision Expense	0.370	0.368	−0.102	−0.103	−0.341	−0.340	−1.351***	−1.341***	−2.397***	−2.398***
	(0.437)	(0.437)	(0.395)	(0.397)	(0.363)	(0.364)	(0.469)	(0.466)	(0.591)	(0.592)
Year dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	5531	5531	5494	5494	5531	5531	5508	5508	5531	5531
Under-identification test (Kleibergen–Paap rk LM statistic)	117.4***	148.6***	116.4	148.9	117.4***	148.6***	116.0	147.1	117.0***	148.5***
Cragg–Donald Wald *F* statistic	73.16	114.2	72.85	114.0	73.16	114.2	72.58	113.3	73.06	114.1
Stock–Yogo critical values (at 10% maximal IV size)	11.46	11.46	11.46	11.46	11.46	11.46	11.46	11.46	11.46	11.46
Hansen *J* statistic	17.10	17.40	22.77	23.90	16.94	16.89	20.636	17.267	16.35	13.54
p-value	.516	.496	.200	.158	.527	.531	.243	.436	.568	.759

Note: This table reports the endogeneity tests results using two-stage least squares (2SLS) regressions. We follow Lewbel (2012) in generating heterogeneity-based instruments and use them as instrumental variables. Heteroscedasticity and autocorrelation adjusted (firm clustered) robust standard errors are in parentheses. Descriptions of all the variables are in Table 1.

***Statistically significant at the 1% level.

**Statistically significant at the 5% level.

*Statistically significant at the 10% level.

TABLE 6 Endogeneity test with two-stage system generalized method of moments (system GMM).

Panel A: Founder directors and MFI social performance										
	NAB Log		*NSAV Log*		*ALB Log*		*ASB Log*		*ROE* (reference point)	
Variable	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**
Founder Log	−0.441***		−0.372***		0.549***		0.703***		0.258*	
	(0.098)		(0.099)		(0.159)		(0.262)		(0.144)	
Founder Prop		−0.482***		−0.416***		0.584**		1.076***		0.429**
		(0.153)		(0.145)		(0.256)		(0.371)		(0.210)
NAB Log $_{t-1}$	0.037**	0.038**								
	(0.016)	(0.016)								
NSAV Log $_{t-1}$			0.046**	0.047**						
			(0.018)	(0.018)						
ALB Log $_{t-1}$					0.226***	0.202***				
					(0.073)	(0.076)				
ASB Log $_{t-1}$							0.283**	0.245**		
							(0.123)	(0.122)		
ROE $_{t-1}$									0.060***	0.059***
									(0.017)	(0.017)
Other controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	4161	4161	4108	4108	4148	4148	4126	4126	3220	3220
Number of MFIs	709	709	707	707	709	709	706	706	604	604
Arellano–Bond (AR1)	−7.047	−7.074	−6.008	−6.011	−4.764	−4.509	−3.998	−3.799	−5.087	−5.084
p-value (AR1)	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Arellano–Bond (AR2)	1.327	1.374	−1.190	−1.170	1.616	1.541	1.104	0.914	0.032	0.047
p-value (AR2)	.184	.169	.234	.242	.110	.123	.269	.361	.975	.963
Hansen test (*p*-value)	162.1 (.797)	169.9 (.655)	189.9 (.257)	192.1 (.223)	125.0 (.655)	174.9 (.487)	135.6 (.398)	135.6 (.396)	118.2 (.302)	119.0 (.284)
Panel B: Founder director family ties and MFI social performance										
	NAB Log		*NSAV Log*		*ALB Log*		*ASB Log*		*ROE* (reference point)	
Variable	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**
Family Log	−0.133		−0.037		0.575**		0.516		0.357	
	(0.107)		(0.103)		(0.278)		(0.328)		(0.233)	
Family Prop		−1.132***		−1.140***		1.764**		2.590**		1.520**
		(0.412)		(0.407)		(0.842)		(1.209)		(0.757)
NAB Log $_{t-1}$	0.043***	0.044***								
	(0.016)	(0.016)								
NSAV Log $_{t-1}$			0.036**	0.039**						
			(0.019)	(0.019)						
ALB Log $_{t-1}$					0.243***	0.220***				
					(0.078)	(0.074)				
ASB Log $_{t-1}$							0.254***	0.235***		
							(0.072)	(0.072)		
ROE $_{t-1}$									0.069***	0.066***
									(0.018)	(0.018)
Other controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	4161	4161	4108	4108	4148	4148	4134	4134	3220	3220
Number of MFIs	709	709	707	707	709	709	708	708	604	604

TABLE 6 (Continued)

Panel B: Founder director family ties and MFI social performance										
	NAB Log		*NSAV Log*		*ALB Log*		*ASB Log*		*ROE* (reference point)	
Variable	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**
Arellano–Bond (AR1)	−7.156	−7.145	−5.960	−5.943	−4.720	−4.682	−5.422	−5.259	−5.081	−5.085
p-value (AR1)	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000
Arellano–Bond (AR2)	1.466	1.359	−1.201	−1.303	1.646	1.513	1.226	1.074	−0.155	−0.121
p-value (AR2)	.143	.174	.230	.193	.108	.130	.220	.283	.877	.904
Hansen test (*p*-value)	171.7 (.619)	172.5 (.602)	179.8 (.270)	182.0 (.234)	126.9 (.608)	186.5 (.262)	137.1 (.385)	135.1 (.433)	104.9 (.645)	106.6 (.601)

Note: This table reports the results of the system GMM estimates. Details of the estimation method are in Section 5.3.2. Robust standard errors are in parentheses. Descriptions of all the variables are in Table 1.
***Statistically significant at the 1% level.
**Statistically significant at the 5% level.
*Statistically significant at the 10% level.

Hansen test for orthogonality conditions also meets the requirements, indicating that the instruments used in both the panels are exogenous. Moreover, the estimated coefficient of the lagged values of social performance variables (*NAB Log* $_{t-1}$ and *ALB Log* $_{t-1}$) and financial performance (*ROE* $_{t-1}$) are statistically significant in all the columns for both the founder directors (Panel A) and their family ties (Panel B), suggesting that our models do not reject the dynamic nature of the model.

In Panel A of Table 6, we continue to observe a negative and significant impact of founder directors (i.e., *Founder Log* and *Founder Prop*) on social performance (i.e., *NAB Log*, *NSAV Log*, *ALB Log*, and *ASB Log*) but a positive and significant impact of founder directors on economic performance (*ROE*), corroborating the findings from the main analysis. In Panel B (Table 6), we find that the relationship between family ties and MFIs' social and economic performance remains robust ($p < .05$) when using *Family Prop* as a proxy for family ties. However, this relationship is weaker when *Family Log* is used as a proxy for family ties. Overall, the system GMM results suggest that the predicted impact of founder directors and their board member family ties on social performance is unlikely to be confounded by unobserved heterogeneity and reverse causality.

5.3.3 | Omitted variable bias test using the impact threshold for a confounding variable (ITCV)

To address the endogeneity concern resulting from omitted variable bias, we estimate the ITCV (Larcker & Rusticus, 2010). This statistical technique assesses the effect of omitted variables on parameter estimates and thereby helps to determine whether confounding variables exist in the data. In the context of our study, ITCV estimates how correlated an omitted variable must be with microfinance performance and founder directors and their board member family ties to invalidate our main result.

Table S3 (Panel A) demonstrates that the threshold value for founder directors (i.e., *Founder Log*) is much larger than the raw and partial impacts of the control variables, except for firm size,[12] which suggests that our main results are not materially affected by the omission of a confounding variable. Similarly, in Panel B of Table S3, we observe that the size of threshold value for family ties (*Family Log*) is much larger than the impacts of the controls, implying that our main results are unlikely to be driven by an endogeneity problem arising from omission variable bias.

5.3.4 | Entropy balancing estimates

As a further attempt to address the endogeneity problem, we use the entropy balancing approach in accordance with recent research (e.g., Gounopoulos et al., 2021; Hasan & Uddin, 2022). We divide firm-year data into treatment (high founder directors and high family ties) and control (low founder directors and high family ties) groups based on their median value. We then apply the entropy balancing procedure to match the treatment and control groups. This method corrects for both random and systematic differences between the treatment and control groups to lessen the possibility that design choices might influence our findings (Hainmueller, 2012).

We show the covariate balance and the regression results using the entropy-balanced sample in Table S4. We find that entropy balancing ensures that the treated and control samples have similar mean, variance, and skewness of the variables (see Panels A1 and B1). In the regression results, we continue to see that the findings from our main analysis remain robust in the entropy-balanced sample (see Panels A2 and B2).

5.4 | Robustness tests

5.4.1 | Lagged independent and control variables

One may argue that the use of lagged independent and control variables in the regression analysis is important to alleviate the concern that founder directors and their family ties in the previous year ($t - 1$) may affect the performance of MFIs in the current year (t). This regression specification also alleviates the concern about reverse

TABLE 7 Robustness tests: Lagged regression models.

Panel A: Founder directors and MFI social performance: Use of lagged independent and control variables ($t-1$)										
	NAB Log		*NSAV Log*		*ALB Log*		*ASB Log*		*ROE* (reference point)	
Variable	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**
Founder Log $_{t-1}$	−0.081***		−0.050*		0.078***		0.079**		0.017*	
	(0.027)		(0.027)		(0.028)		(0.035)		(0.010)	
Founder Prop $_{t-1}$		−0.159***		−0.081		0.152**		0.147**		0.048**
		(0.059)		(0.059)		(0.059)		(0.074)		(0.021)
Control variables$_{t-1}$	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	−6.005***	−5.988***	−5.628***	−5.642***	6.187***	6.172***	4.937***	4.933***	−0.065	−0.087
	(0.328)	(0.337)	(0.268)	(0.273)	(0.332)	(0.342)	(0.441)	(0.442)	(0.082)	(0.083)
Observations	5033	5033	5004	5004	5018	5018	5011	5011	4882	4882
Adjusted R^2	.719	.719	.817	.817	.446	.446	.285	.284	.080	.081
Panel B: Founder director family ties and MFI social performance: Use of lagged independent and control variables ($t-1$)										
	NAB Log		*NSAV Log*		*ALB Log*		*ASB Log*		*ROE* (reference point)	
Variable	**(1)**	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**
Family Log $_{t-1}$	−0.081***		−0.043*		0.090***		0.086**		0.016*	
	(0.026)		(0.026)		(0.025)		(0.035)		(0.010)	
Family Prop $_{t-1}$		−0.311***		−0.156		0.343***		0.297**		0.065
		(0.105)		(0.105)		(0.102)		(0.139)		(0.041)
Controls$_{t-1}$	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	−6.094***	−6.047***	−5.694***	−5.674***	6.257***	6.206***	5.017***	4.985***	−0.044	−0.054
	(0.310)	(0.315)	(0.253)	(0.256)	(0.317)	(0.322)	(0.420)	(0.424)	(0.078)	(0.079)
Observations	5033	5033	5004	5004	5018	5018	5011	5011	4882	4882
Adjusted R^2	.719	.719	.817	.817	.449	.448	.286	.285	.080	.080

Note: This table presents the main regression results using lagged independent and control variables. Heteroscedasticity and autocorrelation adjusted (firm clustered) robust standard errors are in parentheses. Descriptions of all the variables are in Table 1.

***Statistically significant at the 1% level.

**Statistically significant at the 5% level.

*Statistically significant at the 10% level.

causality since the current performance of MFIs is unlikely to drive the previous level of founder directors and their family ties on the board (Hasan et al., 2022; Lin et al., 2018).

We re-estimate the regressions with 1-year-lagged explanatory variables (including controls) to examine the robustness of our results. Table 7 shows that the coefficients for both founder directors and their family ties remain robust for both the social and financial performance of MFIs, corroborating the findings from the main analysis. This analysis thus provides evidence of the robustness of our findings.

5.4.2 | Alternative measures of the dependent variables

We further show the robustness of our main results using an alternative measure of the explanatory variables and dependent variables. Specifically, we use the total number of founding directors on the board (*Founder Total*) and the total number of founding directors with family ties on the board (*Family Total*) as alternative explanatory variables. In addition, we use the yield on the gross loan portfolio (*Yield*) as an alternative measure of financial performance (Mersland & Strøm, 2009). In Table 8, we find that the coefficients of *Founder Total* and *Family Total* exhibit a sign and significance that are consistent with our main analysis. In addition, we obtain qualitatively similar results when *Yield* is used as an alternative financial performance measure.

5.4.3 | Additional macroeconomic controls

As stated earlier, compared with the other internal governance variables, the number of founder directors is relatively time invariant.

TABLE 8 Robustness tests: Alternative measures of key variables.

Panel A: Founder directors and MFI social performance: Alternative measures of explanatory and dependent variables								
	Alternative explanatory variable (*Founder Total*)					Alternative dependent variable		
						Yield (reference point)		
Variable	*NAB Log* (1)	*NSAV Log* (2)	*ALB Log* (3)	*ASB Log* (4)	*ROE* (reference point) (5)	(6)	(7)	(8)
Founder Total	−0.025***	−0.017**	0.022***	0.019*	0.006**	0.002**		
	(0.008)	(0.008)	(0.008)	(0.010)	(0.003)	(0.001)		
Founder Log							0.007**	
							(0.003)	
Founder Prop								0.016**
								(0.008)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	−5.980***	−5.545***	6.077***	4.924***	0.295***	0.187***	0.180***	0.177***
	(0.347)	(0.287)	(0.336)	(0.418)	(0.085)	(0.033)	(0.034)	(0.034)
Observations	5531	5494	5531	5508	5531	5403	5403	5403
Adjusted R^2	.731	.727	.503	.312	.114	.081	.081	.081
Panel B: Founder director family ties and MFI social performance: Alternative measures of explanatory and dependent variables								
	Alternative explanatory variable (*Family Total*)					Alternative dependent variable		
						Yield (reference point)		
Variable	*NAB Log* (1)	*NSAV Log* (2)	*ALB Log* (3)	*ASB Log* (4)	*ROE* (reference point) (5)	(6)	(7)	(8)
Family Total	−0.054***	−0.033**	0.050***	0.044**	0.007	0.002**		
	(0.014)	(0.014)	(0.013)	(0.018)	(0.006)	(0.001)		
Family Log							0.003	
							(0.004)	
Family Prop								0.012
								(0.014)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	−5.990***	−5.556***	6.081***	4.921***	0.313***	0.195***	0.194***	0.193***
	(0.331)	(0.277)	(0.320)	(0.404)	(0.084)	(0.033)	(0.033)	(0.034)
Observations	5531	5494	5531	5508	5531	5403	5403	5403
Adjusted R^2	.731	.927	.506	.314	.113	.079	.079	.079

Note: Panel A presents regression results for the relationship between founder directors and MFIs' performance using alternative founder director (*Founder Total*) and financial performance (*Yield*). Panel B presents regression results using alternative family ties (*Family Total*) and financial performance (*Yield*). Heteroscedasticity and autocorrelation adjusted (firm clustered) robust standard errors are in parentheses. Descriptions of all the variables are in Table 1.

***Statistically significant at the 1% level.

**Statistically significant at the 5% level.

*Statistically significant at the 10% level.

Hence, there may be a concern about whether our dependent variable (i.e., both the breadth and depth of outreach) is affected by time-sensitive variables, capturing macroeconomic developments. Following prior studies (e.g., Cull et al., 2014; Hossain et al., 2020; Malikov & Hartarska, 2018), we augment our baseline regression by adding five time-sensitive macroeconomic variables, specifically *GDP Growth (%)*, log-transformed *Per Capita Income* in current US dollars, *Inflation* in the economy captured by the consumer price index, *Unemployment Rate* based on the ILO estimate, and *Stock Market Capitalization* as the percentage of the GDP. The results in Table S5 (Panel A) demonstrate that the inclusion of these time-sensitive macroeconomic variables does not change our baseline results, suggesting a robust relationship between founder directors and MFIs' performance. We obtain a similar robust negative relationship between founder director family ties and MFIs' social performance in Panel B of Table S5. One potential caveat is that macroeconomic controls and year effects may be highly correlated. To alleviate this potential concern, we separately re-estimate the

regression without year effects and using orthogonal regressions. In both cases, we continue to obtain robust evidence (results untabulated).

5.4.4 | SUR analysis

Because we rely on multiple dependent variables, there is the possibility that the error terms between the equations may be correlated, resulting in biased results. To account for this possibility, we use SUR analysis, which allows for the incorporation of relevant information from each equation into its final estimate for each regression model (Griffiths et al., 1993; McElroy, 1977). Table S6 demonstrates that the results are in line with our main findings. Hence, SUR analysis further demonstrates the robustness of the main findings.

5.5 | Additional analysis: Moderating influence of board independence

Agency theorists and corporate governance scholars have long recognized the importance of board independence for proper board

TABLE 9 Further analysis for three different quantiles of independent directors (pooled OLS).

Panel A: Founder directors and MFI performance									
	NAB Log			*ALB Log*			*ROE* (reference point)		
	Quantiles of board independence			Quantiles of board independence			Quantiles of board independence		
Variable	Q1 (1)	Q2 (2)	Q3 (3)	Q1 (4)	Q2 (5)	Q3 (6)	Q1 (7)	Q2 (8)	Q3 (9)
Founder Prop	−0.102	−0.183*	−0.227**	0.081	0.146	0.225**	0.124***	0.019	−0.003
	(0.101)	(0.108)	(0.100)	(0.105)	(0.104)	(0.088)	(0.041)	(0.045)	(0.037)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	−5.725***	−5.513***	−6.042***	5.884***	5.590***	6.187***	0.194	0.067	0.338**
	(0.418)	(0.479)	(0.625)	(0.434)	(0.445)	(0.581)	(0.152)	(0.151)	(0.146)
Observations	2101	1624	1806	2101	1624	1806	2101	1624	1806
Adjusted R^2	.701	.743	.737	.444	.575	.503	.110	.108	.190
χ^2 tests of mean difference (p-value)		1.57 (.21)	3.78 (.05)		1.08 (.30)	5.62 (.02)		4.20 (.04)	7.31 (.01)
Panel B: Founder director family ties and MFI social performance									
	NAB Log			*ALB Log*			*ROE* (reference point)		
	Quantiles of board independence			Quantiles of board independence			Quantiles of board independence		
Variable	Q1 (1)	Q2 (2)	Q3 (3)	Q1 (4)	Q2 (5)	Q3 (6)	Q1 (7)	Q2 (8)	Q3 (9)
Family Prop	−0.321**	−0.138	−0.644***	0.296*	0.101	0.609***	0.131**	0.121	−0.094
	(0.163)	(0.168)	(0.191)	(0.156)	(0.162)	(0.180)	(0.064)	(0.091)	(0.072)
Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year dummy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	−5.685***	−5.772***	−6.074***	5.830***	5.801***	6.225***	0.291**	0.035	0.356**
	(0.390)	(0.426)	(0.597)	(0.396)	(0.398)	(0.555)	(0.145)	(0.144)	(0.146)
Observations	2101	1624	1806	2101	1624	1806	2101	1624	1806
Adjusted R^2	.702	.742	.739	.448	.572	.514	.107	.109	.191
χ^2 tests of mean difference (p-value)		2.65 (.10)	8.30 (.00)		3.91 (.05)	9.68 (.00)		0.01 (.91)	6.92 (.01)

Note: Panel A examines how the relationship between founder directors and MFIs' performance varies based on the board independence. Panel B repeats the analysis for family ties. We partition the data based on three quantile values of the board independence (by year). The values of χ^2 show the significance of the differences between Q1 and Q2 as well as Q1 and Q3. Heteroscedasticity and autocorrelation adjusted (firm clustered) robust standard errors are in parentheses. Descriptions of all the variables are in Table 1.

***Statistically significant at the 1% level.

**Statistically significant at the 5% level.

*Statistically significant at the 10% level.

functioning and improving firm performance (e.g., Dalton et al., 1998; Finegold et al., 2007; Jensen & Meckling, 1976). To account for this possibility, we conduct an additional analysis that explores the moderating role of independent directors.

We argue that founder directors and their family ties on the board are likely to possess greater insider information and firm-specific expertise about the firm than outside independent directors (Galbreath, 2017; Liu et al., 2015). Moreover, independent directors are likely to have more generic or other specialized knowledge that is not directly tied to the focal MFI. Outside (independent) directors have to incur significant time and costs to acquire firm-specific information and expertise (Maug, 1997). Therefore, a large proportion of independent directors on the board results in a high information asymmetry problem that could increase suboptimal monitoring and advising (Duchin et al., 2010; Liu et al., 2015). Further, the possibility of "free riders" may increase with the presence of a larger proportion of independent directors if these directors believe that their peers may have better firm-specific information and expertise. In such a situation, the benefits associated with a larger proportion of independent directors may decrease (Liu et al., 2015) and the possibility of the controlling block holders (such as founders and their family members on the board) enjoying substantial (private) benefits at the expense of others may increase (Dyck & Zingales, 2004; Nenova, 2003).

We test our conjecture by partitioning the data into three subsamples of MFIs based on the proportion of independent directors. We repeat the pooled OLS regressions to determine whether there is a significant difference in the relationship between founder directors (as well as family ties) and MFIs' performance for different quantiles of independent directors. In Panel A of Table 9, we find that the relationship between *Founder Prop* and *NAB Log* is insignificant and that the coefficient is lower for the first quantile of board independence (Q1) (Column 1). However, the negative coefficient of *Founder Prop* becomes larger and significant ($\beta = -0.183$, $p < .10$) for the second quantile of board independence (Q2) (Column 2). Interestingly, the negative coefficient for *Founder Prop* becomes even larger and more significant ($\beta = -0.227$, $p < .05$) for the third quantile of board independence (Q3) (Column 3). A chi-square test of the difference in *Founder Prop* between the first and third quantiles of board independence is statistically significant ($\chi^2 = 3.78$, $p < .05$).

We repeat the analysis for *ALB Log* and report the results in Columns (4)–(6). We find that the coefficient for *Founder Prop* is statistically significant ($p < .05$), positive, and larger for the third quantile of board independence than for the first and second quantiles. A chi-square test of the mean difference of the coefficient of *Founder Prop* between the first and third quantiles is also statistically significant at the 5% level. Finally, in Columns (7)–(9), we find that the coefficient of *Founder Prop* with respect to the financial performance (*ROE*) of MFIs is also positive, larger, and significant for the first quantile of board independence.

In Panel B of Table 9, we examine the moderating role of board independence on the relationship between family ties and MFI performance. In Columns (1)–(3), we find that the impact of *Family Prop* on *NAB Log* is negative, significant, and more pronounced ($\beta = -0.644$, $p < .01$) for the third quantile of independent directors. Similarly, the impact of *Family Prop* on *ALB Log* is positive, significant, and more pronounced ($\beta = 0.609$, $p < .01$) for the third quantile of independent directors (Columns 4–6). Finally, the relationship between *Family Prop* and *ROE* (financial performance) is positive, larger, and statistically significant for the first quantile of board independence ($\beta = 0.131$, $p < .01$) (Columns 7–9). A chi-square test confirms that the difference in the coefficient of *Family Prop* between the first and third quantiles of board independence is statistically significant at the 1% level.

Overall, the results in Table 9 suggest that the adverse effect of founder directors and their family ties on the breadth and depth of outreach is relatively more pronounced in the presence of a larger proportion of independent directors, whereas the positive impact of founder directors and their family ties on financial performance is more pronounced when independent directors' presence is lower. Such results suggest a potential paradox in that having more independent directors appears to result in less monitoring of social performance because of a potential free-rider problem, while having fewer independent directors may allow founder directors more latitude to ensure that the financial performance is maximized.

We also find a similar and consistent result when we replace *Founder Prop* with *Founder Log* and *Family Prop* with *Family Log* (untabulated). Moreover, we obtain consistent evidence when *NSAV Log*, *ASB Log*, and *Yield* are used in the analysis (see Table S7).

6 | DISCUSSION

We investigate whether the presence of founder directors and their ties to family members on the board has any influence on MFIs' social performance. The findings contribute to the literature in the following few ways. First, the findings of our study provide insights into how firms manage a dual objective in the context of social enterprises, namely, MFIs. Responding to calls for alternative approaches to the study of corporate governance (e.g., Buck & Shahrim, 2005; Jackson & Deeg, 2008), we rely on theoretical perspectives, highlighting that attempts to maximize financial and social performance simultaneously can be fraught with difficulty and that trade-offs are a possibility in terms of which outcome receives the most effort or attention. In the special case of microfinance, in which MFIs have a dual objective and, in theory, would work toward maximizing both economic sustainability and social outreach, we question the extent to which such an objective is advanced or suppressed based on the composition of the board of directors. This is because boards of directors are powerful decision makers and provide critical oversight and guidance for firms, affecting their performance (Hillman & Dalziel, 2003). Founder directors have considerable financial stakes in the MFIs that they have founded (Chen et al., 2012), and we argue that their focus on financial returns is never far from their minds and, in fact, likely to take precedence. If so, then the extent to which social outreach is advanced to the greatest extent possible is likely to be undermined. Further, when additional funds are needed to support

the MFI, founder directors use their personal contacts and networks to secure that capital. As such funds need to be repaid, pressure tends to fall on the founders such that they seek to ensure that the MFIs' financial results are as strong as possible, undermining the breadth and depth of social outreach. Our results appear to support these postulates.

In addition to founder directors, we explore founders' ties to family members on the board. We argue that, like founder directors, their family members are a source of capital to fund the MFI. Founder family members also use their personal assets and reputation as collateral to attract funds from external sources. Hence, they have an imperative to ensure that financial risks are minimized such that lending costs are reduced and that sourced funds can be readily repaid. We theorize that, as these factors are accounted for, social outreach, in terms of the breadth and depth of loans to the poorest, will be undermined and will undermine the social mission. Our results offer some evidence for these postulates.

In sum, with respect to the theoretical implications, previous research has focused on founder directors and social performance in MFIs (Mori et al., 2015), highlighting the extent to which these founding directors can be considered valuable resources. However, in fact, MFIs have both an economic objective and a social imperative, that is, a dual purpose. The theoretical implications of our research extend a singular focus (social performance) to a broader one (economic and social performance) and raise the idea that certain board members who have responsibility for the dual purpose of an MFI can expect to confront difficult trade-offs. In this way, our research extends the existing theoretical perspectives of MFI boards—where founder members and their family members on the board are seen as valuable resources—to account for how such board members confront or tackle a dual objective, one in which trade-offs between the economic and social purposes are likely to arise.

With respect to empirical contributions, we advance an understanding of family governance's effect on MFI performance. We extend the findings on founder directors through the use of a different sample of MFIs (Bangladesh vs. East Africa) but also through confirmed empirical findings in the posited direction. Our empirical findings also extend the work of Mori et al. (2015), suggesting that founder ties to family members on the board have an adverse effect on social performance. The empirical findings therefore question the value of governance that is "all in the family" in overseeing the MFI dual objective.

Lastly, our study has implications for practitioners and policy makers. A focus in recent years on the microfinance industry and MFIs has revolved around corporate governance (CSFI, 2014, 2016). Part of the corporate governance equation includes board of director composition. Notably, our study finds that founder directors and their ties to family members on the board appear to have an adverse effect on social outreach. For policy makers overseeing the microfinance sector, recommending policies that limit the presence of MFI founders and their ties to family members on the board may be a logical step. For MFIs, we follow the work of Galbreath (2017), who found that providing incentives (i.e., compensation tied to social outcomes) and training (i.e., training on corporate social responsibility) positively shaped the negative relationship between insiders on the board and social outcomes. MFIs may wish to consider similar approaches when founder directors and their family members reside on the board. Given that many MFIs struggle to become financially self-sufficient and simultaneously achieve the objective of serving the world's poorest people (Labie & Mersland, 2011), attaining good corporate governance and the right board composition is clearly warranted.

7 | LIMITATIONS AND FUTURE RESEARCH

Our study is not without limitations. First, our study uses data from a single country and is limited to licensed MFI providers. Thus, it does not include MFIs such as non-licensed MFIs and banks. MFIs operating in other countries may have different organizational structures and legal identities, and founders' interests and personal stakes in the MFIs may also vary (Galema et al., 2012). Furthermore, the regulatory requirements, governance mechanisms, socio-economic environment, and cultural values may differ among countries; hence, the findings of our study can only be generalized beyond Bangladesh with caution. Future research should therefore test the results with respect to different types of MFIs and in different legal and cultural environments. Second, the founders not only sit on the board but may also occupy top management positions, such as the CEO or CFO. Hence, founder CEOs (following Randøy et al., 2015) or other top management roles, such as that of CFO, and their ties to family members on the board warrant future study. Lastly, our study is quantitative and lacks the richness of insights that could be provided through qualitative research. Future research could seek to interview founder directors or family members on the board who have ties to the founder to consider in greater detail their views and perspectives on how economic and social outcomes are perceived and managed and decisions made with respect to any trade-offs.

8 | CONCLUSIONS

MFIs, a form of social enterprise, commonly have a dual objective of economic sustainability and social outreach to the world's poor and those at the bottom of the pyramid (Yunus, 2013). However, we assert that maximizing both dimensions can be challenging and that the preference for different corporate objectives could be moderated by who resides on the board of directors. Specifically, we investigated whether the presence of founder directors and their ties to family members on the board has any influence on MFIs' social performance. To test the hypotheses empirically, we use a large sample of hand-collected microfinance data from 735 MFIs (5531 MFI-year observations for 2007–2017) from Bangladesh, which is considered one of the most mature and largest microfinance markets in the world. The multivariate tests suggest that founder directors are negatively associated with social performance. Further, we found that founder directors with ties to family members on the board have a negative association with social performance. The findings have implications for theory, practice, and policy.

ACKNOWLEDGMENTS

We thank the editor, an associate editor, and two anonymous reviewers for many helpful comments and suggestions. Open access publishing facilitated by Curtin University, as part of the Wiley - Curtin University agreement via the Council of Australian University Librarians.

CONFLICT OF INTEREST STATEMENT

The authors declare no conflict of interest.

DATA AVAILABILITY STATEMENT

The data used in this study are available from the sources identified in the study.

ORCID

Shahadat Hossain https://orcid.org/0000-0003-0472-8050
Mostafa Monzur Hasan https://orcid.org/0000-0003-2891-2979
Trond Randøy https://orcid.org/0000-0003-4530-8108

NOTES

[1] According to the central bank (Bangladesh Bank) statistics, the average annual exchange rate during the sample period (2007–2017) was US $1 = BDT74.96.

[2] There are some exceptions in which executive managers might also serve on a board of directors and hence be employed full time by the firm and simultaneously serve in a governance capacity. However, this is not the case with the focal board members in our sample.

[3] We note that, in Bangladeshi MFIs, founder directors are not CEOs, nor do they have other management roles. Rather, they are non-executive board members since inception. Therefore, we distinguish our work from the study of Randøy et al. (2015).

[4] Opportunistic behavior may include excessive compensation, risk avoidance, and preventing the firm from adapting to a changing environment.

[5] All MFIs are licensed NGOs. Our original sample consists of 755 MFIs. However, we exclude some MFIs because they lack the necessary data for the study or because they are commercial banks and providing microfinance services is not their primary business.

[6] We consult every document that the MFIs submit to the MRA. If there is any change in the board composition, the MFI is required to submit the details of the change to the MRA with attestation from the specific government official (Office of the Social Welfare), with a resolution of the general meeting and the updated biodata of the new director(s). In addition, the MRA collected the last update of the directors' profile from all the MFIs over the period December 2016 to June 2017 through an official circulation to all MFIs. This study uses this opportunity to collect the director details of every MFI. If any data are missing, one of the researchers directly consults MRA officials to collect the data on the respective MFI through a direct telephone conversation.

[7] The study considers 2007 as its beginning year because the MFIs in Bangladesh came under the regulation of the Microfinance Regulatory Authority (MRA) in 2006 and the dataset has been standardized since then.

[8] We argue that the firm fixed-effect (FFE) regression model is not suitable in our settings for several reasons. First, the FFE regression requires a significant variation in the main explanatory variables of interest to generate an unbiased and consistent estimate. However, in our case, the variables of interest (*Founder Prop* and *Family Prop*; alternatively, *Founder Log* and *Family Log*) do not vary extensively over time as the founders remain in the MFI since its inception. Therefore, the use of FFE may be inappropriate (Wooldridge, 2016). Second, for a large number of firms over limited periods, an FFE regression provides inconsistent estimates (Baltagi, 2005).

[9] Partial correlation captures the magnitude and direction of the relationship between two variables after accounting for the influence of the control variables.

[10] To alleviate the concern about multicollinearity, we check the variance inflation factor (VIF) of the regression models. In Table 4, we report both the mean and maximum VIFs for the regressions. We find that the mean (maximum VIF) is 1.84 (2.87), implying that multicollinearity does not pose a concern for our study.

[11] Though some previous literature (e.g., Hossain et al., 2020) has used total assets to measure firm size, one third of the licensed MFIs in our sample have not reported their total assets to the MRA. Therefore, the use of total assets to measure firm size causes a considerable loss of observations (2256). Nonetheless, in Table S2, we obtain qualitatively similar results when log-transformed total assets are used to measure firm size.

[12] Given that the raw and partial impact of firm size is larger than the threshold value, one might contend that a variable with a similar impact could overturn our results. However, we note that it is unlikely that such a variable exists since our regression model includes controls such as firm size.

REFERENCES

Adams, R. B., Hermalin, B. E., & Weisbach, M. S. (2010). The role of boards of directors in corporate governance: A conceptual framework and survey. *Journal of Economic Literature*, *48*(1), 58–107. https://doi.org/10.1257/jel.48.1.58

Ahlin, C., Lin, J., & Maio, M. (2011). Where does microfinance flourish? Microfinance institution performance in macroeconomic context. *Journal of Development Economics*, *95*(2), 105–120. https://doi.org/10.1016/j.jdeveco.2010.04.004

Alon, I., Mersland, R., Musteen, M., & Randøy, T. (2020). The research frontier on internationalization of social enterprises. *Journal of World Business*, *55*(5), 101091. https://doi.org/10.1016/j.jwb.2020.101091

Anderson, R. C., Mansi, S. A., & Reeb, D. M. (2003). Founding family ownership and the agency cost of debt. *Journal of Financial Economics*, *68*(2), 263–285. https://doi.org/10.1016/S0304-405X(03)00067-9

Anderson, R. C., & Reeb, D. M. (2003). Founding-family ownership and firm performance: Evidence from the S&P 500. *The Journal of Finance*, *58*(3), 1301–1328. https://doi.org/10.1111/1540-6261.00567

Arellano, M., & Bond, S. (1991). Some tests of specification for panel data: Monte Carlo evidence and an application to employment equations. *The Review of Economic Studies*, *58*(2), 277–297. https://doi.org/10.2307/2297968

Arellano, M., & Bover, O. (1995). Another look at the instrumental variable estimation of error-components models. *Journal of Econometrics*, *68*(1), 29–51. https://doi.org/10.1016/0304-4076(94)01642-D

Armendáriz, B., & Morduch, J. (2010). *The economics of microfinance*. MIT Press.

Ashraf, N., Karlan, D., & Yin, W. (2010). Female empowerment: Impact of a commitment savings product in the Philippines. *World Development*, *38*(3), 333–344. https://doi.org/10.1016/j.worlddev.2009.05.010

Baltagi, B. (2005). *Econometric analysis of panel data*. John Wiley & Sons.

Barnett, M. L. (2007). Stakeholder influence capacity and the variability of financial returns to corporate social responsibility. *Academy of Management Review*, *32*(3), 794–816. https://doi.org/10.5465/amr.2007.25275520

Baron, J., Hannan, M., & Burton, M. (1999). Building the iron cage: Determinants of managerial intensity in the early years of organizations. *American Sociological Review*, *64*(4), 527–547. https://doi.org/10.2307/2657254

Barontini, R., & Caprio, L. (2006). The effect of family control on firm value and performance: Evidence from continental Europe. *European Financial Management*, *12*(5), 689–723. https://doi.org/10.1111/j.1468-036X.2006.00273.x

Bassem, B. S. (2009). Governance and performance of microfinance institutions in Mediterranean countries. *Journal of Business Economics and Management*, *10*(1), 31–43. https://doi.org/10.3846/1611-1699.2009.10.31-43

Bennedsen, M., Kongsted, H. C., & Nielsen, K. M. (2008). The causal effect of board size on the performance of small and medium-sized firms. *Journal of Banking and Finance*, *32*(6), 1098–1109. https://doi.org/10.1016/j.jbankfin.2007.09.016

Ben-Ner, A., & Van Hoomissen, T. (1994). The governance of nonprofit organizations: Law and public policy. *Nonprofit Management & Leadership*, *4*(4), 393–414. https://doi.org/10.1002/nml.4130040404

Berens, G., Van Riel, C. B., & Van Rekom, J. (2007). The CSR-quality trade-off: When can corporate social responsibility and corporate ability compensate each other? *Journal of Business Ethics*, *74*(3), 233–252. https://doi.org/10.1007/s10551-006-9232-0

Bibi, U., Balli, H. O., Matthews, C. D., & Tripe, D. W. (2018). New approaches to measure the social performance of microfinance institutions (MFIs). *International Review of Economics and Finance*, *53*, 88–97. https://doi.org/10.1016/j.iref.2017.10.010

Blundell, R., & Bond, S. (1998). Initial conditions and moment restrictions in dynamic panel data models. *Journal of Econometrics*, *87*(1), 115–143. https://doi.org/10.1016/S0304-4076(98)00009-8

Brammer, S., & Pavelin, S. (2008). Factors influencing the quality of corporate environmental disclosure. *Business Strategy and the Environment*, *17*(2), 120–136. https://doi.org/10.1002/bse.506

Broadstock, D. C., Collins, A., Hunt, L. C., & Vergos, K. (2018). Voluntary disclosure, greenhouse gas emissions and business performance: Assessing the first decade of reporting. *The British Accounting Review*, *50*(1), 48–59. https://doi.org/10.1016/j.bar.2017.02.002

Buck, T., & Shahrim, A. (2005). The translation of corporate governance changes across national cultures: The case of Germany. *Journal of International Business Studies*, *36*(1), 42–61. https://doi.org/10.1057/palgrave.jibs.8400109

Caliendo, M., Lee, W.-S., & Mahlstedt, R. (2017). The gender wage gap and the role of reservation wages: New evidence for unemployed workers. *Journal of Economic Behavior & Organization*, *136*, 161–173. https://doi.org/10.1016/j.jebo.2017.02.011

Chen, E.-T., Gray, S., & Nowland, J. (2012). Multiple founders and firm value. *Pacific-Basin Finance Journal*, *20*(3), 398–415. https://doi.org/10.1016/j.pacfin.2011.12.001

Collins, D., Morduch, J., Rutherford, S., & Ruthven, O. (2009). *Portfolios of the poor: How the world's poor live on $2 a day*. Princeton University Press.

Copestake, J. (2007). Mainstreaming microfinance: Social performance management or mission drift? *World Development*, *35*(10), 1721–1738. https://doi.org/10.1016/j.worlddev.2007.06.004

CSFI. (2014). *Microfinance Banana Skins 2014: The CSFI survey of microfinance risk—Facing reality*. Centre for the Study of Financial Innovation (CSFI).

CSFI. (2016). *Financial services for all: A CSFI 'Banana Skins' survey of the risks in financial inclusion—It's all about strategy*. Centre for the Study of Financial Inclusion (CSFI).

Cuéllar-Fernández, B., Fuertes-Callén, Y., Serrano-Cinca, C., & Gutiérrez-Nieto, B. (2016). Determinants of margin in microfinance institutions. *Applied Economics*, *48*, 300–311. https://doi.org/10.1080/00036846.2015.1078447

Cull, R., Demirgüç-Kunt, A., & Morduch, J. (2007). Financial performance and outreach: A global analysis of leading microbanks. *The Economic Journal*, *117*(517), F107–F133. https://doi.org/10.1111/j.1468-0297.2007.02017.x

Cull, R., Demirgüç-Kunt, A., & Morduch, J. (2009). Microfinance meets the market. *Journal of Economic Perspectives*, *23*(1), 167–192. https://doi.org/10.1257/jep.23.1.167

Cull, R., Demirgüç-Kunt, A., & Morduch, J. (2014). Banks and microbanks. *Journal of Financial Services Research*, *46*, 1–53. https://doi.org/10.1007/s10693-013-0177-z

Cyert, R. M., & March, J. G. (1963). *A behavioral theory of the firm* (Vol. 2). PrenticeHall.

Dalton, D. R., Daily, C. M., Ellstrand, A. E., & Johnson, J. L. (1998). Meta-analytic reviews of board composition, leadership structure, and financial performance. *Strategic Management Journal*, *19*(3), 269–290. https://doi.org/10.1002/(SICI)1097-0266(199803)19:3%3C269::AID-SMJ950%3E3.0.CO;2-K

Demsetz, H., & Lehn, K. (1985). The structure of corporate ownership: Causes and consequences. *Journal of Political Economy*, *93*(6), 1155–1177. https://doi.org/10.1086/261354

Duchin, R., Matsusaka, J. G., & Ozbas, O. (2010). When are outside directors effective? *Journal of Financial Economics*, *96*(2), 195–214. https://doi.org/10.1016/j.jfineco.2009.12.004

Dyck, A., & Zingales, L. (2004). Private benefits of control: An international comparison. *The Journal of Finance*, *59*(2), 537–600. https://doi.org/10.1111/j.1540-6261.2004.00642.x

Fama, E. F., & Jensen, M. C. (1983). Agency problems and residual claims. *Journal of Law and Economics*, *26*(2), 327–349. https://doi.org/10.1086/467038

Finegold, D., Benson, G. S., & Hecht, D. (2007). Corporate boards and company performance: Review of research in light of recent reforms. *Corporate Governance: an International Review*, *15*(5), 865–878. https://doi.org/10.1111/j.1467-8683.2007.00602.x

Finkelstein, S. (1992). Power in top management teams: Dimensions, measurement, and validation. *Academy of Management Journal*, *35*(3), 505–538. https://doi.org/10.2307/256485

Finkelstein, S., & Mooney, A. C. (2003). Not the usual suspects: How to use board process to make boards better. *The Academy of Management Executive*, *17*(2), 101–113. https://doi.org/10.5465/ame.2003.10025204

Friedman, M. (1970). A theoretical framework for monetary analysis. *Journal of Political Economy*, *78*(2), 193–238. https://doi.org/10.1086/259623

Galbreath, J. (2017). The impact of board structure on corporate social responsibility: A temporal view. *Business Strategy and the Environment*, *26*(3), 358–370. https://doi.org/10.1002/bse.1922

Galema, R., Lensink, R., & Mersland, R. (2012). Do powerful CEOs determine microfinance performance? *Journal of Management Studies*, *49*(4), 718–742. https://doi.org/10.1111/j.1467-6486.2012.01046.x

Gimeno, J., Folta, T. B., Cooper, A. C., & Woo, C. Y. (1997). Survival of the fittest? Entrepreneurial human capital and the persistence of underperforming firms. *Administrative Science Quarterly*, *42*(4), 750–783. https://doi.org/10.2307/2393656

Golden, B. R., & Zajac, E. J. (2001). When will boards influence strategy? Inclination × power = strategic change. *Strategic Management Journal*, *22*(12), 1087–1111. https://doi.org/10.1002/smj.202

Gomez-Mejia, L. R., Nunez-Nickel, M., & Gutierrez, I. (2001). The role of family ties in agency contracts. *Academy of Management Journal*, *44*(1), 81–95. https://doi.org/10.2307/3069338

Gong, G., Xu, S., & Gong, X. (2016). On the value of corporate social responsibility disclosure: An empirical investigation of corporate bond issues in China. *Journal of Business Ethics*, *150*(1), 227–258. https://doi.org/10.1007/s10551-016-3193-8

Gounopoulos, D., Loukopoulos, G., & Loukopoulos, P. (2021). CEO education and the ability to raise capital. *Corporate Governance: An International Review*, *29*(1), 67–99. https://doi.org/10.1111/corg.12338

Graham, J. R., Harvey, C. R., & Rajgopal, S. (2005). The economic implications of corporate financial reporting. *Journal of Accounting and Economics*, *40*(1), 3–73. https://doi.org/10.1016/j.jacceco.2005.01.002

Griffiths, W. E., Hill, R. C., & Judge, G. G. (1993). *Learning and practicing econometrics*. Wiley.

Guha, B., & Chowdhury, P. R. (2013). Micro-finance competition: Motivated micro-lenders, double-dipping and default. *Journal of*

Development Economics, *105*, 86–102. https://doi.org/10.1016/j.jdeveco.2013.07.006

Hahn, T., Pinkse, J., Preuss, L., & Figge, F. (2015). Tensions in corporate sustainability: Towards an integrative framework. *Journal of Business Ethics*, *127*(2), 297–316. https://doi.org/10.1007/s10551-014-2047-5

Hahn, T., Preuss, L., Pinkse, J., & Figge, F. (2014). Cognitive frames in corporate sustainability: Managerial sensemaking with paradoxical and business case frames. *Academy of Management Review*, *39*(4), 463–487. https://doi.org/10.5465/amr.2012.0341

Hainmueller, J. (2012). Entropy balancing for causal effects: A multivariate reweighting method to produce balanced samples in observational studies. *Political Analysis*, *20*(1), 25–46. https://doi.org/10.1093/pan/mpr025

Hartarska, V. (2005). Governance and performance of microfinance institutions in Central and Eastern Europe and the Newly Independent States. *World Development*, *33*(10), 1627–1643. https://doi.org/10.1016/j.worlddev.2005.06.001

Hartarska, V., & Mersland, R. (2012). Which governance mechanisms promote efficiency in reaching poor clients? Evidence from rated microfinance institutions. *European Financial Management*, *18*(2), 218–239. https://doi.org/10.1007/s10551-016-3193-8

Hasan, M. M., Taylor, G., & Richardson, G. (2022). Brand capital and stock price crash risk. *Management Science*, *68*(10), 7065–7791. https://doi.org/10.1287/mnsc.2021.4197

Hasan, M. M., & Uddin, M. R. (2022). Do intangibles matter for corporate policies? Evidence from organization capital and corporate payout choices. *Journal of Banking & Finance*, *135*, 106395. https://doi.org/10.1016/j.jbankfin.2021.106395

He, L. (2008). Do founders matter? A study of executive compensation, governance structure and firm performance. *Journal of Business Venturing*, *23*(3), 257–279. https://doi.org/10.1016/j.jbusvent.2007.02.001

Hermes, N., Lensink, R., & Meesters, A. (2011). Outreach and efficiency of microfinance institutions. *World Development*, *39*(6), 938–948. https://doi.org/10.1016/j.worlddev.2009.10.018

Hillman, A. J., & Dalziel, T. (2003). Boards of directors and firm performance: Integrating agency and resource dependence perspectives. *The Academy of Management Review*, *28*(3), 383–396. https://doi.org/10.2307/30040728

Holmstrom, B., & Milgrom, P. (1991). Multitask principal-agent analyses: Incentive contracts, asset ownership, and job design. *Journal of Law, Economics, and Organization*, *7*, 24–52. https://doi.org/10.1093/jleo/7.special_issue.24

Hossain, S., Galbreath, J., Hasan, M. M., & Randøy, T. (2020). Does competition enhance the double-bottom-line performance of microfinance institutions? *Journal of Banking & Finance*, *113*, 105765. https://doi.org/10.1016/j.jbankfin.2020.105765

Jackson, G., & Deeg, R. (2008). Comparing capitalisms: Understanding institutional diversity and its implications for international business. *Journal of International Business Studies*, *39*(4), 540–561. https://doi.org/10.1057/palgrave.jibs.8400375

Jensen, M. C. (2002). Value maximization, stakeholder theory, and the corporate objective function. *Business Ethics Quarterly*, *12*(2), 235–256. https://doi.org/10.2307/3857812

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, *3*(4), 305–360. https://doi.org/10.1016/0304-405X(76)90026-X

Jiang, W. (2017). Have instrumental variables brought us closer to the truth. *The Review of Corporate Finance Studies*, *6*(2), 127–140. https://doi.org/10.1093/rcfs/cfx015

Krishnamurti, C., Shams, S., & Chowdhury, H. (2021). Evidence on the trade-off between corporate social responsibility and mergers and acquisitions investment. *Australian Journal of Management*, *46*(3), 466–498. https://doi.org/10.1177/0312896220950394

Kroll, M., Walters, B. A., & Le, S. A. (2007). The impact of board composition and top management team ownership structure on post-IPO performance in young entrepreneurial firms. *Academy of Management Journal*, *50*(5), 1198–1216. https://doi.org/10.5465/amj.2007.20159920

Kyereboah-Coleman, A., & Osei, K. A. (2008). Outreach and profitability of microfinance institutions: The role of governance. *Journal of Economic Studies*, *35*(3), 236–248. https://doi.org/10.1108/01443580810887797

Labie, M., & Mersland, R. (2011). Corporate governance challenges in microfinance. In B. Armendariz & M. Labie (Eds.), *The handbook of microfinance* (pp. 283–300). World Scientific Publishing. https://doi.org/10.1142/9789814295666_0013

Larcker, D. F., & Rusticus, T. O. (2010). On the use of instrumental variables in accounting research. *Journal of Accounting and Economics*, *49*(3), 186–205. https://doi.org/10.1016/j.jacceco.2009.11.004

Levitt, T. (1958). The dangers of social responsibility. *Harvard Business Review*, *36*, 41–50.

Lewbel, A. (2012). Using heteroscedasticity to identify and estimate mismeasured and endogenous regressor models. *Journal of Business & Economic Statistics*, *30*(1), 67–80. https://doi.org/10.1080/07350015.2012.643126

Li, F., & Srinivasan, S. (2011). Corporate governance when founders are directors. *Journal of Financial Economics*, *102*(2), 454–469. https://doi.org/10.1016/j.jfineco.2010.11.006

Lin, C., Schmid, T., & Xuan, Y. (2018). Employee representation and financial leverage. *Journal of Financial Economics*, *127*(2), 303–324. https://doi.org/10.1016/j.jfineco.2017.12.003

Liu, Y., Miletkov, M. K., Wei, Z., & Yang, T. (2015). Board independence and firm performance in China. *Journal of Corporate Finance*, *30*, 223–244. https://doi.org/10.1016/j.jcorpfin.2014.12.004

Lopatta, K., & Tchikov, M. (2016). Do microfinance institutions fulfill their promise? Evidence from cross-country data. *Applied Economics*, *48*(18), 1655–1677. https://doi.org/10.1080/00036846.2015.1105924

Lynn, A. P. (2021). Why 'doing well by doing good' goes wrong: A critical review of 'good ethics pays' claims in managerial thinking. *Academy of Management Review*, *46*(3), 512–533. https://doi.org/10.5465/amr.2018.0250

Malikov, E., & Hartarska, V. (2018). Endogenous scope economies in microfinance institutions. *Journal of Banking & Finance*, *93*, 162–182. https://doi.org/10.1016/j.jbankfin.2018.06.008

Maug, E. (1997). Boards of directors and capital structure: Alternative forms of corporate restructuring. *Journal of Corporate Finance*, *3*(2), 113–139. https://doi.org/10.1016/S0929-1199(96)00010-7

McElroy, M. B. (1977). Goodness of fit for seemingly unrelated regressions: Glahn's $R^2_{y.x}$ and Hooper's $\bar{r}^2$. *Journal of Econometrics*, *6*(3), 381–387. https://doi.org/10.1016/0304-4076(77)90008-2

McWilliams, A., & Siegel, D. (2001). Corporate social responsibility: A theory of the firm perspective. *Academy of Management Review*, *26*(1), 117–127. https://doi.org/10.2307/259398

Mersland, R., & Strøm, R. Ø. (2009). Performance and governance in microfinance institutions. *Journal of Banking & Finance*, *33*(4), 662–669. https://doi.org/10.1016/j.jbankfin.2008.11.009

Mia, M. A., Lee, H.-A., Chandran, V. G. R., Rasiah, R., & Rahman, M. (2017). History of microfinance in Bangladesh: A life cycle theory approach. *Business History*, *61*(4), 703–733. https://doi.org/10.1080/00076791.2017.1413096

Morduch, J. (1999). The microfinance promise. *Journal of Economic Literature*, *37*(4), 1569–1614. https://doi.org/10.1257/jel.37.4.1569

Mori, N., Golesorkhi, S., Randøy, T., & Hermes, N. (2015). Board composition and outreach performance of microfinance institutions: Evidence from East Africa. *Strategic Change*, *24*(1), 99–113. https://doi.org/10.1002/jsc.2000

MRA. (2017). *NGO MFIs in Bangladesh—A statistical publication*. Microcredit Regulatory Authority.

Nelson, T. (2003). The persistence of founder influence: Management, ownership, and performance effects at initial public offering. *Strategic Management Journal*, *24*(8), 707–724. https://doi.org/10.1002/smj.328

Nenova, T. (2003). The value of corporate voting rights and control: A cross-country analysis. *Journal of Financial Economics*, *68*(3), 325–351. https://doi.org/10.1016/S0304-405X(03)00069-2

Patel, P. C., & Cooper, D. (2014). Structural power equality between family and non-family TMT members and the performance of family firms. *Academy of Management Journal*, *57*(6), 1624–1649. https://doi.org/10.5465/amj.2012.0681

Quayes, S. (2012). Depth of outreach and financial sustainability of microfinance institutions. *Applied Economics*, *44*(26), 3421–3433. https://doi.org/10.1080/00036846.2011.577016

Randøy, T., & Goel, S. (2003). Ownership structure, founder leadership, and performance in Norwegian SMEs: Implications for financing entrepreneurial opportunities. *Journal of Business Venturing*, *18*(5), 619–637. https://doi.org/10.1016/S0883-9026(03)00013-2

Randøy, T., Strøm, R. Ø., & Mersland, R. (2015). The impact of entrepreneur-CEOs in microfinance institutions: A global survey. *Entrepreneurship Theory and Practice*, *39*(4), 927–953. https://doi.org/10.1111/etap.12085

Stock, J. H., & Yogo, M. (2005). Asymptotic distributions of instrumental variables statistics with many instruments. In D. W. Andrews & J. H. Stock (Eds.), *Identification and inference for econometric models: Essays in honor of Thomas Rothenberg*. Cambridge University Press. https://doi.org/10.1017/CBO9780511614491.007

Strøm, R. Ø., D'espallier, B., & Mersland, R. (2014). Female leadership, performance, and governance in microfinance institutions. *Journal of Banking & Finance*, *42*, 60–75. https://doi.org/10.1016/j.jbankfin.2014.01.014

Thomsen, S., & Pedersen, T. (2000). Ownership structure and economic performance in the largest European companies. *Strategic Management Journal*, *21*(6), 689–705. https://doi.org/10.1002/(SICI)1097-0266(200006)21:6%3C689::AID-SMJ115%3E3.0.CO;2-Y

Van der Byl, C. A., & Slawinski, N. (2015). Embracing tensions in corporate sustainability: A review of research from win-wins and trade-offs to paradoxes and beyond. *Organization & Environment*, *28*(1), 54–79. https://doi.org/10.1177/1086026615575047

Wang, Z., Reimsbach, D., & Braam, G. (2018). Political embeddedness and the diffusion of corporate social responsibility practices in China: A trade-off between financial and CSR performance? *Journal of Cleaner Production*, *198*, 1185–1197. https://doi.org/10.1016/j.jclepro.2018.07.116

Wang, T., & Song, M. (2016). Are founder directors detrimental to new ventures at initial public offering? *Journal of Management*, *42*(3), 644–670. https://doi.org/10.1177/0149206313495412

Windmeijer, F. (2005). A finite sample correction for the variance of linear efficient two-step GMM estimators. *Journal of Econometrics*, *126*(1), 25–51. https://doi.org/10.1016/j.jeconom.2004.02.005

Wooldridge, J. M. (2016). *Introductory econometrics: A modern approach* (6th ed.). Cengage Learning.

Xu, N., Yuan, Q., Jiang, X., & Chan, K. C. (2015). Founder's political connections, second generation involvement, and family firm performance: Evidence from China. *Journal of Corporate Finance*, *33*, 243–259. https://doi.org/10.1016/j.jcorpfin.2015.01.004

Yunus, M. (2013). *Banker to the poor: The story of the Grameen Bank*. Aurum Press.

SUPPORTING INFORMATION

Additional supporting information can be found online in the Supporting Information section at the end of this article.

How to cite this article: Hossain, S., Galbreath, J., Hasan, M. M., & Randøy, T. (2023). All in the family? The impact of founder directors and family governance on microfinance institutions' social performance. *Corporate Governance: An International Review*, 1–26. https://doi.org/10.1111/corg.12528

AUTHOR BIOGRAPHIES

Shahadat Hossain is a Professor in the Department of Finance at the University of Chittagong, Bangladesh. In addition, he is affiliated with the Curtin University in Australia as a Teaching Academic and Research Fellow. Professor Hossain's research interests include corporate governance, corporate finance, microfinance, environmental finance, and responsible finance. His publications have appeared in *Journal of Banking and Finance* and *International Review of Financial Analysis*, among others.

Jeremy Galbreath is an Associate Professor of Strategy and Business Sustainability at the School of Management and Marketing, Curtin University (Australia). His career spans nearly 40 years in both business and academia, and as an academic, he has established himself as a top 2% ranked global research scientist. Associate Professor Galbreath has published in multiple research outlets and has received over AU$1M in research funding, including a prestigious Australian Research Council (ARC) Grant and several industry-based grants. His research specialization intersects boards of directors, strategy, innovation, and sustainability, and he has spent years studying the Australian wine industry.

Mostafa Monzur Hasan is a Professor in the Department of Accounting and Corporate Governance at the Macquarie University, Sydney. His research focuses on the intersection of accounting and financial economics. Professor Hasan's broad research interests include corporate governance, corporate finance, corporate sustainability, and corporate disclosure. His publications have appeared in *Management Science*, *Journal of Corporate Finance*, *Journal of Banking and Finance*, *European Accounting Review*, and *British Accounting Review Corporate Governance: An International Review*, among others.

Trond Randøy is a Professor of Corporate Governance at the Copenhagen Business School, and he is part-time affiliated with the University of Agder. He has published more than 50 scholarly articles in journals such as *Journal of International Business Studies*, *Journal of Business Venturing*, *Entrepreneurship Theory and Practice*, *Journal of Business Ethics*, *Journal of Banking and Finance*, and *International Business Review*. He values the interaction with business practice, and he is currently serving on five corporate boards in three different countries (Norway, Sweden, and Tanzania), two as chairman, of which two firms are publicly listed (MTI Investment SE and Sparebanken Sør) and three are private.