This dissertation explores the impacts of Microfinance Institutions (MFIs) transformation from Non-Governmental Organisations (NGOs) to profit-seeking commercial firms that use capital market funding. Specifically, the research examines the drivers of the conversion of MFIs and the attendant effects on financial inclusion in Africa. The study also explores the levels and drivers of financial efficiency, social efficiency and the joint socio-financial efficiency of Africa's MFIs. Lastly, the study examines the financing structures of MFIs in Africa and the drivers of the financing choices.

The firm-level drivers of MFI transformation are age and size. Country-level drivers of MFI conversion are legal tradition, institutional quality, and stock market development. Notably, the transformation from the NGO model to the commercial models negatively affects the depth of financial outreach. NGOs have better outreach to women and advance smaller denomination loans, with the second-highest median gross loans behind cooperatives. NGO-type MFIs have markedly better social efficiency and socio-financial efficiency scores than other MFI types. Only cooperatives and rural banks consistently outperform NGOs financially. Stock market capitalisation to GDP and private credit to GDP, proxies for financial sector development, negatively affect social and socio-financial efficiency. In contrast, financial efficiency has an inverse relationship with both the size and asset structure of MFIs.

The results show that most MFIs in Africa attain dual objectives. Interestingly, rural banks and NGOs are more likely to achieve the dual goals than banks, NBFIs and credit unions. Age, size, capital markets development, institutional quality, legal tradition, and legal status are the significant determinants of how MFIs fare in the effort to attain joint financial and social objectives. Our analysis shows that at the firm level, size, age, legal status, and profitability drive financing alternatives, in line with theory. For example, asset structure varies inversely with leverage. At the country level, institutional quality (KKM) varies inversely with deposits and donations. Overall, the results indicate that the conversion of MFIs in Africa does not necessarily lead to financial sustainability and is harmful to financial inclusion. There is a need to craft better financing models for MFIs.