

Abstract

This study argues that patterns, trends and drivers of the efficiency of microfinance institutions (MFIs) depend on the scope of financial sustainability measures and on MFIs' inclination to either of the dual objectives of financial systems and outreach. A balanced panel data of 164 MFIs for the period 2004-08 is extracted from the MIX website for the study's use. Both parametric and non-parametric efficiency estimation techniques are used. Contrary to a trade-off between financial efficiency and outreach, the latter tends to have a positive link with social efficiency. Negative effects of bureaucracies in property registration and lack of credit information on social efficiency are also observed.

Keywords: Microfinance; financial efficiency; social efficiency; sustainability; outreach

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