Determinants of the Performance of African Microfinance Institutions: An Analysis Panel Data

Mohamed Wajdi Triki, Department of Finance and Accounting, F.S.E.G., Sfax, Tunisia
Younes Boujelbene, F.S.E.G., Sfax, Tunisia

ABSTRACT

Performance evaluation is part of the chain of financial transparency which involves the production, verification, analysis, synthesis, dissemination and use of information on the financial performance of a micro-finance institution (MFI). In this study, the authors will try to show the convergence or divergence between social performance and the financial performance by answering the following question: are there to arbitration / compatibility between the two types of performance. To answer this question, this study will be organized in such manner the first section outlines a brief literature review of microfinance in terms of both welfarist approaches (social) and institutionalists. The second section describes the characteristics of the sample of 141 MFIs in 21 countries in the MENA region and Africa based on the year of 2005 and 2010. By defining the variables that identify each type of performance with a new index created for social performance called “Depth of Outreach” (noted DEPTH). The financial performance is described by financial indicators namely profitability, portfolio quality and productivity. The authors finish this study by a third section which presents the main results of a factor analysis applied to the sample in order to study the nature of relationship between the two types of performance.

Keywords: Determinants of Financial Performance, Determinants of Social Performance, Factor Analysis, Microfinance

INTRODUCTION

Microfinance is gradually developing in Africa and especially the Middle East and North (MENA) Africa through micro-finance institutions varied. The goal of most of these MFIs is to reconcile social performance that aims to reduce poverty and financial performance which aims to ensure long-term profitability. The question arises: Are there arbitration or compatibility between these two types of performance.
performance? A factorial cross-sectional analysis on a sample of 141 MFIs in 26 countries in Africa and MENA examines the relationship between these two performances.

There is no arbitration for some MFIs that combine two performances which include determinants vary according to several indicators identified in our study.

For the poor excluded from the traditional financial system, microfinance can be a means of access to finance and improve their living conditions, it develops gradually in the MENA region through microfinance institutions (MFIs) varied (NGOs, cooperatives, non-bank financial institutions and banks) (Berguiga 2010).

The duality between social performance and financial performance was well addressed using two approaches namely the welfarist and those institutionalists.

According to the institutionalist approach is more emphasis on financial self-sufficiency program that the amplitude of the depth of the program and the extent of the impact on customers.

While according to the approach of social welfare or welfarist resumes microfinance in a social setting to achieve the etiquette of the target population. Secondly, it looks at differences between people of the same company.

LITERATURE

The Schism of the Micro-Finance: The Emergence of Two Schools of Thought

It is normal for the internal conflicts and debates on major issues is the definition and measurement of poverty are apparent on welfare, where two existing approaches on how to best help the poor through access to financial services. According to the institutionalist approach microfinance institutions (MFIs) should be dedicated to providing the poor with access to financial services. They should also not only be able to cover their operating expenses and financial income through their own activity but also be able to generate profits in order to ensure their financial viability and sustainability.

Indeed the emphasis is more on financial self-sufficiency, the magnitude of the program on the depth of the program and the extent of the impact on customers.

Based on this vision, institutionalists emphasize the existence of a gap between, on the one hand, financing needs and, on the other hand, the financial resources currently mobilized. Indeed, MFIs are primarily funded by private donors and social investors, through subsidies. However, these sources are, according to this approach, rare, limited and unstable. They make institutions dependent microfinance fads and the emphasis on micro-finance in the definition of economic policy, which is problematic because the dependence of private donors and government is seen as an obstacle to innovation MFIs and their contribution to poverty reduction.

Therefore, it should be noted that the needs of financing MFIs is on that they must resort to private sources of capital and government subsidies to bring the standards of financial performance of commercial banks and ensure self-sufficiency which itself determines their survival and hence their contribution to poverty reduction.

Obtaining new sources of funding from traditional investors, microfinance institutions can develop and intensify their activity and thus reach a larger fraction of the population.

The approach of social welfare or welfarist takes microfinance in a social setting to achieve the etiquette of the target population and secondly it focuses on the differences between people of the same company.

Welfarists focus more on their strong commitment to the poor, in other words the depth of the program by touching the poorest of the poor and the impact of microfinance on the well-being of people. They, like the institutionalists support healthy as well as operational and managerial efficiency and institutional efficiency practices.

In the welfarist approach, altruism, considered an invariant feature of the psychology of the contributors of funds, is the lifeblood of
Evaluating the Possibilities of Improving the Quality of Tourism Services of the “Eco-Guesthouses” from Mrginimea Sibiului

Performance Evaluation of Hospitals’ Emergency Departments using a Modified American Productivity and Quality Center Approach
[www.igi-global.com/article/performance-evaluation-hospitals-emergency-departments/74177?camid=4v1a](www.igi-global.com/article/performance-evaluation-hospitals-emergency-departments/74177?camid=4v1a)