

Non-Parametric, Unconditional Quantile Estimation of Efficiency in Microfinance Institutions

Authors : Komlan Sedzro

Abstract : We apply the non-parametric, unconditional, hyperbolic order- α quantile estimator to appraise the relative efficiency of Microfinance Institutions in Africa in terms of outreach. Our purpose is to verify if these institutions, which must constantly try to strike a compromise between their social role and financial sustainability are operationally efficient. Using data on African MFIs extracted from the Microfinance Information eXchange (MIX) database and covering the 2004 to 2006 periods, we find that more efficient MFIs are also the most profitable. This result is in line with the view that social performance is not in contradiction with the pursuit of excellent financial performance. Our results also show that large MFIs in terms of asset and those charging the highest fees are not necessarily the most efficient.

Keywords : data envelopment analysis, microfinance institutions, quantile estimation of efficiency, social and financial performance

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