

Determinants of Financial Sustainability in Micro

Finance: Evidence from Pakistan



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Abstract

This research analyzes the factors that affect financial sustainability of micro finance institutions in Pakistan. Research evidence is composed of formal (enlisted) MFN (Micro Finance Network) in Pakistan that detailed their information to their annual reports acquired from certain micro finance institutions working till at 31 December 2015. The study depends on the determinants of financial sustainability in Pakistan which is an academic contribution in the existing literature. Quantitative methods have employed to examine the determinants of financial sustainability in micro finance and panel data set has developed. Fixed effect method has been applied to test the hypothesis. Main result of present study is financial sustainability is mainly affected by financial costs, firm size and percentage of women borrowers. The financing cost shown highly significant impact on financial sustainability. The result further is positive and significant relationship among firm size and financial sustainability. High proportions of women's borrowers are more likely to attain financial sustainability. The result of this study is useful for MFIs as they continue to pursue their goal of alleviating the poverty while maintaining financial sustainability. Micro finance networks in other emerging countries may vary from our country. Future research may seek to cross cultural differences and their effects on determinants of financial sustainability in micro finance institutions in other countries.

Keywords:

financial sustainability, Micro Finance institute, Financing Cost, Outreach, Firm Size and Proportion of Women Borrowers