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Performance of Microfinance Institutions in Tanzania: Integrating Financial and Non financial Metrics

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Abstract

The aim of the study was to evaluate the performance of Microfinance institutions in Tanzania by integrating financial and nonfinancial performance metrics. The study used a balanced scorecard approach with five dimensions financial, social, customer, learning and growth and internal business process. The findings of the study indicate low average financial performance among Microfinance institutions reviewed. On average, the institutions reviewed were not sustainable with low relative productivity and low profitability. The average nonfinancial performance was high indicating that Microfinance institutions were better performing in nonfinancial measures compared to financial measures. The overall financial performance indexes show that commercial banks outperform traditional Microfinance institutions. The findings show a positive correlation between overall financial performance with nonfinancial performance and overall performance. This indicates that tradeoff does not exist on financial and nonfinancial performance when measured in a collective way. The results on individual financial performance metrics show a positive correlation with internal business process and learning and growth, and negative correlation with social and customer perspective. The results also show a positive correlation between the four dimensions of nonfinancial performance and with the overall financial performance. The study recommends that the use of balanced scorecard has high potential in the evaluation of performance of Microfinance institutions. Microfinance institutions need to balance financial and nonfinancial performance to ensure survival in a competitive market while meeting their social objective. Balanced scorecard provides the potential to investigate the overall performance of Microfinance institutions from the two performance dimensions.

Keywords: Microfinance institutions, Performance measurements, Balanced Scorecard

1. Introduction

Microfinance institutions were originally intended for financing the poor communities to help them sustain living, build better houses, acquire basic education and fight against poverty. With such primary mission, the performance of microfinance projects was measured by social impact of the projects to the warfare of the intended community (Brau & Woller, 2004; Morduch, 2000). This was until 1990's, when there were changes in the focus among different microfinance stakeholders requiring the institutions to focus not only of social impact but also on efficiency use of funds and as well as sustainable operations. The changes of focus were a result of failure of most donor funded project due to high default rates, poor fund management and lack of knowledge on the better use of funds among the community members served (Cull et al, 2009, Aghion & Morduch 2005; Zeller & Johannsen, 2006). Apart from the internal push factor, Microfinance institutions experienced increased competitions for donor funds as a result of the increased number of institutions demanding the funds and changes in donor priorities (Morduch, 2000; Ledgerwood, 2001). There were increased needs for efficient and sustainable institutions which do not depend on donation and which have the ability to mobilize commercial funds and still keep their social mission of outreach to the poor (CGAP, 1998, Christen et al, 2004). Keeping the balance between financial performance and non financial performance has recently been the point of focus among microfinance stakeholders. Most of empirical evidences in the sector have indicated the presence of tradeoff between focusing on financial performance and outreach to the poor among Microfinance institutions (Hermes et al, 2011; Annim, 2010, Kablan, 2012). The need for balance financial and nonfinancial performance in Microfinance institutions resulted into formation of social task force tasked to come up with social metrics which can be used together with financial metrics in the evaluation of performance of Microfinance institutions (Zeller et al, 2003). The need for performance balance also resulted into the

creation of balanced scorecard for measurement of Microfinance performance taking into account financial, social and other nonfinancial performance metrics (MFC, 2007).

Microfinance sector in Tanzania has recently experienced tremendous growth due to the increased number of firms engaging in microfinance services including commercial Banks and other profit oriented firms (Triodos Facet, 2011). Recent statistics shows that the need for financial services is still high as more than half of the country population is still excluded from financial services (FinScope, 2009). Although the number of Microfinance institutions has increased, the outreach to the poor as well as the social impact is still low (Marr & Tubaro, 2011, Triodos Facet, 2011). The extent to which Microfinance institutions balance between financial and nonfinancial focus has not yet been documented. Empirical studies in the country have mostly focused on financial performance of the institutions in terms of efficiency, sustainability and profitability (Nyamsogoro, 2010, Marr & Tubaro, 2011; Kipesha 2013). This study seeks to find evidences on performance of Microfinance institutions in the country by integrating both financial and nonfinancial performance metrics.

2. Literature Review

Performance measurement is the evaluation of outcomes of an organization as a result of management decisions on resources of an organization and execution of those decisions made by the members of an organization (Hofer, 1983). The process of performance measurement involves a careful and deliberate observation of the organization outcome by comparing the achievement of the organization with the indented objectives that was to be achieved. The measurement of performance of an organization is very important as it facilitate the formulation of clear coherent mission, strategies and objective which are in line to how their achievements are measured (Kravchuk & Schack, 1996). The measurement of organization performance provides information to the manager and employees about the extent to which the agreed targets have been reached. It improves control of organization resources, allow adjustment of organization activities and facilitate the rewards and appraisal of the member of the organization (Locke & Latham, 1984).

Performance measurement in organizations has been dominated by the use of traditional accounting measures as the key financial performance measures. The use of financial metrics only is criticized to be past oriented as it uses the past information which has low ability to determine about the future of the organization (Crabtree & DeBusk 2008). Financial performance measurement also lacks predictive ability to explain future performance as well as providing little information of the causes and solution to problems facing organizations (Brancato 1995, Fisher 1995). As a result of limitations of financial measures and increased competitive pressure, most of the managers of organizations changed their focus on measuring performance by including nonfinancial measures in their performance measurement systems (Ittner & Larcker, 1998). According to Crabtree & DeBusk, (2008) nonfinancial measures are more predictive of future performance of the organization and more useful in facilitating and driving the performance of the organization. The measurement of performance in organizations should balance the past achievement measures and the measures which help to predict future, enable communication within the organization and learning from the information the measurements provides (Bourne et al, 2000). The need for balancing financial and financial performance led to the introduction of balanced scorecard as the performance measure that combine financial and nonfinancial metrics (Kaplan & Norton, 1992). Balanced scorecard is a performance measurement that exceeds the typical scope of traditional performance measures; it links the financial goals of an enterprise with the drivers that determine future success (Malina & Selto, 2001; Lingle & Schiemann, 1996).

Performance measurement in MFIs has recently undergone some significant changes from both internal and external point of views. The external factors such as, changes in the business environment, changes in technology, involvement of commercial banks in MFIs and increased competition resulted into a shift in MFIs performance measurement trend with most of stakeholder requiring not only improvement in financial performance measures but also a balance between financial and non financial measures (Hermes et al, 2011). The primary objective of MFIs is outreach to the poor through the provision of financial services which will have an impact on poverty alleviation. To fulfill these objective Microfinance institutions should allocate better the available resources as well as operate in a sustainable basis. According to Zeller & Meyer, (2002), performance of MFIs can be viewed as a triangle comprising outreach to the poor, poverty impact and financial sustainability. Rosenberg (2002) on the other hand, shows that MFIs performance measurements involve four core areas, outreach to poor, repayment rates, sustainability and

efficiency. The outreach to the poor measures the depth and breadth of poverty impact to the community saved. The collection performance measure how well MFIs are collecting loans repayments from their clients, financial sustainability measure the ability of MFIs to cover operating costs out of the revenues generated from operating activities and efficiency which indicated how well does MFIs allocate and control the resources. The need to balance financial and nonfinancial performance measurement resulted into the introduction of balanced scorecard as a performance measurement tool in Microfinance institutions (MFC, 2007). Unlike the Kaplan scorecard, the balanced scorecard in Microfinance institutions have five performance dimensions which are financial, social, customer, learning and growth, and internal business process. The addition of the social dimension was necessary to take into account the primary objective of outreach to the poor in Microfinance institutions.

Empirical evidences on performance of microfinance institutions have reported different results, most of them indicating variation of performance across types of MFIs. The study by Tucker and Miles (2004) used financial metrics to compare performance of microfinance institutions with commercial banks operating in four regions Africa, Asia, Eastern Europe and Latin America. The findings of the study show that, MFIs that were OSS had higher performance in terms of return on asset (ROA) and return on Equity (ROE). The majority of MFIs reviewed were found to be weak in financial sustainability. In Bukinafaso, Congo, (2000) assessed the performance of microfinance institutions in the country using performance indicators. The findings of the study show that, microfinance performance in outreach was very low compared with the potential demand of financial services. The evidences from India show that most of performing MFIs in India follow different business models but they have similarities in most of the performance indicators (Agarwal, 2010). Likewise, the study by Bi & Pandey (2011) in India compared the performance of MFIs with commercial banks. The findings report that, MFIs in the country incurs high costs due to their door step service delivery business model. The high costs incurred were associated with staff training costs and the costs associated offering small size loans with shorter maturity. Evidences from Tanzania indicate low performance among Microfinance institutions under financial performance metrics. The study by Nyamsogro (2010) assessed the growth and sustainability of rural Microfinance institutions in Tanzania using financial performance indicators. The study reports low sustainability among institutions in all stages of growth. The study by Kipesha, (2013) on efficiency of Microfinance institutions in Tanzania reports high production efficiency and low intermediation efficiency among the institutions. All these studies used financial metrics in the measurement of performance of Microfinance institutions.

The study by Arsyad (2005) used both financial and nonfinancial performance metrics in the measurement of performance of village credit institutions and the determinant factors in Bali province Indonesia. The findings reported that institutional environment both formal and informal affect the performance of microfinance institutions. The study by Godquin (2004) provides evidences on performance of MFIs in terms of loan repayments in Bangladesh. This study focused on impact of group lending, nonfinancial services and dynamic incentives on repayment performance. The results of the study show that, provision of nonfinancial services had a positive impact on repayment performance. The results also shows that, MFIs in the country were allocating larger loans to borrowers as the age of their borrowing group increases while group homogeneity has an impact on repayment performance. So far no study was found which integrates both financial and non financial metrics into a balanced scorecard in the measurement of performance of Microfinance institutions.

3. Methodology and Data

The measurement of performance in Microfinance institutions is dominated by the use performance indicators for measuring both financial and social performance. Empirical studies on financial performance in Microfinance institutions have employed different performance indicators grouped into different categories such as sustainability indicators, efficiency indicators, asset and liability indicators and portfolio quality indicators while the social performance is dominated with outreach indicators (Incofin, 2011, Zeller et al, 2003; Rosenberg, 2009). This study adopts a balanced scorecard model with five dimensions as proposed by MFC (2007) strategic management tool kit for Microfinance institutions. The proposed balanced scorecard includes financial performance, social performance, customer perspective, learning and growth and internal business processes.

Both social perspective and customer perspective focus on the clients of MFIs, the main difference being that, social perspective focus on the extent to which MFIs are meeting their primary objective of offering financial services to the poor client (impact and outreach). MFIs social performance does not necessary means that, they focus on

customer needs, offer quality product, focus on customer satisfaction or they have varieties of services that suite their clients. Therefore, customer perspective view MFIs clients as stakeholder whose needs are to be satisfied by MFIs, not as poor clients who need funds to surviving. Internal business perspective focuses on internal operations of MFIs which are geared into providing value of their services offered to clients. According to Kaplan & Norton (2004), internal business perspective is important for creating value for all other perspectives which includes operations process management, customer process management, innovations processes management and regulatory and social process management. According to MOF, (2007), in MFIs, operation management refers to the production and delivery of services to the clients, customer management involves building a relationship between MFIs employees with stakeholders such as clients, donors and others stakeholders. On the other hand, innovation focuses on the provision of next generation product or services while regulatory and social refers to MFIs support to the communities, environments management and adherence of laws and regulations governing the industry. Learning and growth perspectives measure the extent to which MFIs are preparing themselves for the future through employee's development, satisfaction and infrastructure development (Wisner, 2009). The use balanced scorecard enables the measurement of both financial and nonfinancial performance and allows the easy comparison of the performance after incorporating all performance indicators into a single performance indicator value.

Each of the performance dimensions is subdivided into four performance metrics making a total of 20 performance metrics. The overall performance index is the weighted performance of all performance metrics. The weights used in the balanced scorecard model were the average weights obtained from data collected from individual microfinance institutions surveyed. The managers of MFIs surveyed were asked to indicate what weights they place on financial and non financial performance in their institutions, and to five dimensions together with their measurement metrics. The weights of each corresponding group were averaged to obtain single average weights which are used in the study. Most of MFIs surveyed place higher weights on nonfinancial performance due to their primary objective of poverty alleviation. The performance metrics used, and their respective weights are shown in table 1.

Table 1: Performance metrics and average weights

Performance Category	Performance Factor	Sub weights
Financial Performance (40%)	Adjusted return on Asset (AROA)	20%
	Operating Self Sufficiency (OSS)	40%
	Borrowers/staff (BPS)	20%
	Yield on Gross Loan (PY)	20%
Non Financial Performance (60%)		
Social performance (30)	Avg. Loans per GNI pa capita (ALPC)	30%
	% Women borrowers (PWB)	30%
	Clear social objective (SRP)	20%
	Social reporting (CSO)	20%
Customer perspective (30)	Customer Satisfaction (CSF)	40%
	Product & service varieties (CPV)	20%
	Retention rate (CRR)	20%
	Loan Application duration (CLAD)	20%
Learning and Growth (20)	Employee satisfaction (EST)	30%
	Employees Training (LET)	20%
	Competitive compensation (LCC)	25%
	Performance Feedback (LPF)	25%
Internal business process (20)	Report to mix or others (IRP)	20%
	Operational management(IOM)	30%
	Innovation (IIN)	25%
	Customer management (ICM)	25%

This study is a part of ongoing PhD study conducted in Tanzania. A total of 29 Microfinance institutions operating in Tanzania were involved in the study. The study used both primary data and secondary data. The secondary data were obtained from three sources, the Mix market, Bank Scope data base and the central bank of Tanzania. The primary

data were collected using structured questionnaires in which respondents were asked to respond to the questions and the researcher ranked the questionnaires basing on their answers. This was done in order to allow the comparison between the institutions as different respondents were involved in the evaluation of institutions reviewed. A sample of 30 respondents was used from each of the 29 Microfinance institutions surveyed. The respondents included 20 customers and 10 employee on each of the institutions surveyed making a total of 870 respondents. The primary data were collected during the data collection phase which took place between January to September 2012.

The measurement of financial performance involved 4 financial indicators which are, adjusted return on asset (AROA) as a proxy for profitability, operating self sufficiency (OSS) as a proxy for sustainability, yield on gross loan (PY) as a proxy for asset management and borrowers per staff as a proxy for staff productivity. The four financial metrics were measured using standard definition by Barres et al, (2005) as follows

$$OSS_i = \frac{X_{FR}}{X_{FEXP} + X_{ILS} + X_{OFE}} \quad (1)$$

$$AROA_i = \frac{X_{Adj\ NOI} - X_{TX}}{X_{Adj\ Asset}} \quad (2)$$

$$PY_i = \frac{[X_{ILP} + X_{FCLP}]}{X_{Avg.GLP}} \quad (3)$$

$$BPS_i = \frac{X_{AB}}{X_{NS}} \quad (4)$$

Where: OSS is operating self sufficiency, AROA is adjusted return on asset, PY is portfolio yield, BPS is borrowers per staff, X_{FR} is financial revenue, X_{FEXP} is financial expenses, X_{ILS} is impairment losses, X_{OFE} is operating expenses, $X_{Adj\ NOI}$ is adjusted net operating income, X_{TX} is taxes, $X_{Adj\ Asset}$ is adjusted average asset, X_{ILP} is interest on loan portfolio, X_{FCLP} is fee and commissions on loan portfolio, $X_{Avg.GLP}$ is average gross loan portfolio, X_{AB} is the number of active borrowers, X_{NS} is the number of staffs. The relative borrower per staff (RBPS) was obtained by dividing the all values to the highest value in that performance category. The overall financial performance was computed as

$$f(FP_m) = \alpha_1 OSS_m + \alpha_2 AROA_m + \alpha_3 RBPS_m + \alpha_5 PY_m \quad (5)$$

Where: $f(P_m)$ is the overall financial performance of m[th] MFI, $\alpha_1, \alpha_2, \alpha_3, \alpha_4, \alpha_5$ are the corresponding weights for operating self sufficiency, adjusted return on asset, relative borrower per staff ratio and portfolio yield respectively.

The measurement of nonfinancial performance was based on the questionnaires which were distributed to staff, managers and customers of the MFIs surveyed. Nonfinancial performance was measured in a Likert scale with 1 to 5 points, except for outreach indicators which were measured at their actual figures (Percentage of women borrowers, Average loan per GNP pa capita). Point 1 represents low importance or low performance of the metrics and 5 represented high performance or high importance of the indicator evaluated. The respondents of were asked to indicate the details on each of the performance metrics, basing on their answers the author rated the questionnaire using the Likert scale. The overall performance indexes of the four nonfinancial dimensions were measured as;

$$f(P_{mj}) = \sum_{n=1}^{n} w_{mi} * \chi_{mi} \quad (6)$$

Where: $f(P_{mj})$ is the performance of the m^{th} MFI in a j^{th} performance dimension, w_{mi} is the corresponding weight of m^{th} MFI in i^{th} performance indicator, χ_{mi} is the performance score of m^{th} MFI in a i^{th} performance indicator and n is the number of performance indicators in a j^{th} performance dimension. The performance indexes for the four nonfinancial performance dimensions were computed as

$$f(SP_m) = w_{ALPC}\chi_{(ALPC)m} + w_{PWB}\chi_{(PWB)m} + w_{SRP}\chi_{(SRP)m} + w_{CSO}\chi_{(CSO)m} \quad (7)$$

$$f(CP_m) = w_{CSF}\chi_{(CSF)m} + w_{CPV}\chi_{(CPV)m} + w_{CRR}\chi_{(CRR)m} + w_{CLAD}\chi_{(CLAD)m} \quad (8)$$

$$f(LGP_m) = w_{EST}\chi_{(EST)m} + w_{LET}\chi_{(LET)m} + w_{LCC}\chi_{(LCC)m} + w_{LPE}\chi_{(LPE)m} \quad (9)$$

$$f(IBP_m) = w_{IRP}\chi_{(IRP)m} + w_{IOM}\chi_{(IOM)m} + w_{IIN}\chi_{(IIN)m} + w_{ICM}\chi_{(ICM)m} \quad (10)$$

Where: $f(SP_m)$ is the standardized non financial performance score for the social dimension, $f(CP_m)$ is the nonfinancial performance score for customer dimension, $f(LGP_m)$ is the standardized nonfinancial performance score for learning and growth, $f(IBP_m)$ is the standardized nonfinancial performance score for internal business processes for each m^{th} MFI, w are the corresponding weights of each performance metrics in each of the nonfinancial performance dimension, while χ_m are the corresponding scores for each MFI in each financial metrics which make up the particular performance dimension. The overall standardized nonfinancial performance score is presented as

$$f(NP_m) = \beta_1 f(SP_m) + \beta_2 f(CP_m) + \beta_3 f(LGP_m) + \beta_4 f(IBP_m) \quad (11)$$

Where: $f(NP_m)$ is the overall standardized nonfinancial performance score,β1, β2, β3, β4, β5 are the respective weights for social, customer, learning and growth and internal business process dimensions respectively. The overall performance index for each MFI reviewed was then computed as,

$$PI_m = W_{FP} f(FP_m) + W_{NFP} f(NFP_m) \quad (12)$$

Where: PI_m is the overall standardized performance index value for m^{th} MFI, W_{FP} and W_{NFP} are the corresponding overall weights of financial performance and nonfinancial performance respectively.

4. Results

The results show low average financial performance among the Microfinance institutions surveyed. The average operating self sufficiency (OSS) was 0.923 which is below the breakeven point. This indicates that on average Microfinance institutions reviewed are not sustainable as they do not cover operating costs using the operating revenues generated. The average adjusted return on asset was negative (0.124) indicating that most of the institutions reviewed are operating at a loss. The average relative borrower per staff (RCPS) ratio was 0.147 indicating low staff productivity among Microfinance institutions reviewed especially on their ability to produce as many clients as possible. Average yield on gross loan among institutions survey was high 33% indicating high revenue collection from loan portfolio.

Table 1: Average results Summary

	OSS	AROA	RBPS	Yield	FPF	SPSP	CPSP	LGPSP	IBPSP	NFPF	TPF
Mean	0.92	-0.124	0.147	0.33	0.44	2.46	3.752	3.559	3.703	3.316	2.165
SDV	0.36	0.215	0.192	0.209	0.194	1.86	0.426	0.578	0.522	0.785	0.499
Min	0.19	-0.683	0.014	0.07	-0.004	1.434	2.8	2.8	3	2.617	1.729
Max	1.67	0.074	1	0.94	0.876	11.385	4.4	5	5	6.625	4.248
Sum	26.8	-3.597	4.271	9.568	12.75	71.329	108.8	103.2	107.4	96.16	62.8
Count	29	29	29	29	29	29	29	29	29	29	29

The results on nonfinancial performance show average scores of 2.46, 3.752, 3.559 and 3.703 for social performance (SPSP), customer focus (CPSP), learning and growth focus (LGPSP) and internal business processes (IBPSP) respectively. All the indexes were on average high (above 3.5) except for social performance indicating little focus on social performance among the institutions reviewed. The results on overall nonfinancial performance were on average high while the overall average performance index (TFP) was 2.165. The results show that Microfinance institutions were performing well in nonfinancial performance as compared to financial performance. This may be due to focusing more on social performance objectives than financial performance.

The results basing on the status of the institutions show that Commercial banks were on average better performing than other types of institutions. The average overall performance indexes were 2.524, 2.184, 1.865, 1.951, 1.87 and 1.846 for commercial banks, NGOs, NBFIs, cooperative banks, community banks and Microfinance companies respectively.

Table 2: Average Results Summary by Status

Status	OSS	AROA	RCPS	Yield	FPF	SPSP	CPSP	LGPSP	IBPSP	NFPF	TPF
BANK	0.948	-0.028	0.162	0.203	0.447	3.668	3.956	3.994	4.106	3.907	2.523
COMM	0.541	-0.243	0.095	0.151	0.217	1.766	3.667	3.283	3.500	2.987	1.879
COOP	0.846	-0.041	0.083	0.167	0.380	1.784	3.667	3.517	3.300	2.999	1.951
MFC	1.007	-0.074	0.120	0.673	0.547	1.594	3.267	2.967	3.300	2.711	1.846
NBFI	0.698	-0.370	0.117	0.474	0.323	1.888	3.533	3.117	3.217	2.893	1.865
NGO	1.119	-0.146	0.195	0.418	0.541	2.153	3.850	3.575	3.813	3.278	2.184

The results show that on average traditional Microfinance institutions were better performing than commercial oriented firms in terms of financial performance. The analysis of individual firms indicates the presence of new firms with less that 5 year of operation among the commercial oriented groups. Most of the new firms were operating at losses due to high status up and expansion costs hence lowering the average results of the groups. This suggests that the age of Microfinance institutions has an impact of their performance. The findings show that commercial firms were better performing in nonfinancial perspectives including social perspective. This is an indication of absence of tradeoff between the social performance and financial performance among the commercial oriented firms. The overall performance indexes show that, among the five best performing firms, four were commercial banks (NMB, CRDB, AKIBA and Access bank).

The test results on the correlation coefficient show the presence of positive correlation between overall financial performances with nonfinancial performance and overall performance. This indicates that financial performance move together with nonfinancial performance hence no tradeoff between the two. The test results on individual financial performance metrics show a positive association between each other and with most of the nonfinancial metrics. The results show insignificant negative correlation between profitability (AROA) with customer focus, staff productivity (RBPS) with social perspectives and yield on growth loan with social perspectives. This indicates that increased focus on sustainability, profitability and productivity have a negative impact on social performance

although the over nonfinancial performance is positively correlated. The test results also show significant positive correlation between the four nonfinancial performance dimensions. The results show significant positive correlation between learning and growth with internal business process, internal business process with customer perspective and social performance. This indicates that focus on nonfinancial performance results into customer satisfaction and social performance as well as financial and overall performance

5. Conclusion

The aim of the study was to evaluate the performance of Microfinance institutions in Tanzania by integrating both financial and nonfinancial metrics. The study used a balanced scorecard approach with five dimensions financial, social, customer, learning and growth and internal business process. A total of 20 performance metrics were used 4 from each of the 5 performance dimension. The study used a sample of 29 Microfinance institutions operating in Tanzania including 9 Microfinance commercial banks, 8 NGOs, 3 community banks, 3 cooperative banks, 3 Microfinance companies and 3 NBFIs.

The findings of the study indicate low average financial performance among Microfinance institutions reviewed. The overall financial performance results show that, on average the institutions reviewed were not sustainable with low relative productivity and low profitability. The average nonfinancial performance was high indicating that most of the institutions were better performing in nonfinancial measures compared to financial measures. The overall financial performance indexes show that commercial banks outperform traditional Microfinance institutions.

The findings of the study show positive correlation between overall financial performance with nonfinancial performance and overall performance. This indicates that tradeoff does not exist between financial and nonfinancial performance when measured in a collective way. The results on individual financial performance metrics show a positive correlation with internal business process and learning and growth and negative correlation with social and customer perspective. The results also show a positive correlation between the four dimensions of nonfinancial performance and with the overall financial performance.

The study recommends that the use of balanced scorecard has high potential in the evaluation of performance of Microfinance institutions. Microfinance institutions need to balance financial and financial performance results to ensure survive in a competitive market while meeting their social objective. Balanced scorecard provides the potential to investigate the overall performance of Microfinance institutions from the two performance dimensions.

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Abbreviations: MFIs-Microfinance Institutions, TZ1 -Access, TZ2-Akiba, TZ3- CRDB, TZ4-DCB, TZ5- Efatha, TZ6-Mkombozi, TZ7-NMB, TZ8-Postal, TZ9-Women, TZ10-Mbiga, TZ11- Mufindi,TZ12- Tandahimba,TZ13-Kagera, TZ14-Kilimanjaro, TZ15- Mwanga, TZ16-Belita, TZ17-Blue Finance, TZ18-WEDAC, TZ19-Opportunity, TZ20- SELFINA, Z21-Tujijenge, TZ22 BRAC,- TZ23-ECLOF, TZ24-FINCA, TZ25-IDYDC, TZ26-PRIDE, TZ27-PTF, TZ28-SEDA, TZ29-YOSEFO, Comm-Community bank, Coop- Cooperative bank, Bank-commercial bank

Appendix 1

MFI	Status	OSS	AROA	CPS	Yield	FPF	SPSP	CPSP	LGPSP	IBPSP	NFPF	TPF
TZ1	BANK	0.949	-0.026	0.026	0.264	0.432	2.651	4.400	4.350	4.200	3.825	2.468
TZ2	BANK	1.073	-0.001	0.037	0.332	0.503	2.681	4.400	4.250	5.000	3.974	2.586
TZ16	MFC	1.298	-0.250	0.175	0.620	0.628	1.520	3.600	3.050	3.200	2.786	1.923
TZ17	MFC	0.963	-0.010	0.110	0.940	0.593	1.503	3.400	3.050	3.250	2.731	1.876
TZ22	NGO	1.145	-0.451	0.070	0.493	0.480	2.392	4.400	4.000	4.200	3.678	2.399
TZ3	BANK	1.237	0.010	0.066	0.117	0.533	5.063	4.200	5.000	4.250	4.629	2.991
TZ4	BANK	1.199	0.010	1.000	0.261	0.734	1.723	4.200	3.550	4.100	3.307	2.278
TZ23	NGO	0.815	-0.097	0.121	0.222	0.375	2.364	3.800	3.700	3.950	3.379	2.178
TZ5	BANK	0.451	-0.097	0.184	0.152	0.228	1.434	3.400	3.100	3.300	2.730	1.729
TZ24	NGO	1.280	0.050	0.119	0.720	0.690	2.341	4.400	4.000	4.200	3.662	2.473
TZ25	NGO	1.673	0.074	0.547	0.416	0.876	2.267	3.800	3.500	3.650	3.250	2.301
TZ13	COOP	0.798	-0.052	0.034	0.166	0.349	1.505	3.400	3.800	3.200	2.871	1.862
TZ14	COOP	0.746	-0.063	0.136	0.140	0.341	1.733	3.800	3.500	3.450	3.050	1.966
TZ10	COMM	0.624	-0.077	0.095	0.070	0.267	1.741	3.600	3.500	3.650	3.032	1.926
TZ6	BANK	0.506	-0.081	0.044	0.133	0.222	3.001	3.400	3.350	3.550	3.300	2.069
TZ11	COMM	0.806	0.012	0.084	0.235	0.389	2.063	3.400	3.000	3.300	2.899	1.895
TZ15	COOP	0.994	-0.007	0.079	0.195	0.451	2.115	3.800	3.250	3.250	3.074	2.025
TZ7	BANK	1.596	0.023	0.014	0.184	0.683	11.385	4.400	4.750	4.700	6.625	4.248
TZ19	NBFI	0.246	-0.683	0.060	0.501	0.074	2.316	3.400	3.300	3.650	3.105	1.892
TZ8	BANK	1.035	0.011	0.057	0.219	0.471	2.378	3.600	4.500	4.300	3.553	2.321
TZ26	NGO	1.016	-0.036	0.144	0.468	0.522	2.400	4.000	3.750	3.950	3.460	2.285
TZ27	NGO	1.139	-0.209	0.189	0.450	0.542	1.492	3.200	3.350	3.300	2.738	1.859
TZ28	NGO	0.780	-0.502	0.131	0.278	0.293	2.289	4.000	3.500	4.200	3.427	2.173
TZ20	NBFI	1.160	-0.453	0.176	0.260	0.461	1.837	3.600	3.250	3.000	2.881	1.913
TZ12	COMM	0.194	-0.663	0.106	0.148	-0.004	1.495	4.000	3.350	3.550	3.029	1.815
TZ9	BANK	0.487	-0.099	0.033	0.164	0.214	2.694	3.600	3.100	3.550	3.218	2.017
TZ21	NBFI	0.688	0.026	0.116	0.661	0.436	1.510	3.600	2.800	3.000	2.693	1.790
TZ18	MFC	0.759	0.038	0.077	0.460	0.418	1.758	2.800	2.800	3.450	2.617	1.738
TZ29	NGO	1.106	0.005	0.243	0.300	0.552	1.679	3.200	2.800	3.050	2.634	1.801

Appendix 2

Pearson Correlation												
		OSS	AROA	RBPS	YIELD	FPF	SPSP	CPSP	LGPSP	IBPSP	NFP	TPF
OSS	Coeff.	1	.432*	0.329	0.240	.945**	.398*	.381*	.419*	0.315	.448*	.571**
	Sig		0.019	0.082	0.210	0.000	0.032	0.041	0.024	0.097	0.015	0.001
AROA	Coeff.	.432*	1	0.142	0.011	.568**	0.172	-0.012	0.154	0.093	0.155	0.235
	Sig	0.019		0.464	0.956	0.001	0.373	0.949	0.425	0.631	0.423	0.220
RBPS	Coeff.	0.329	0.142	1	0.045	.480**	-0.204	0.085	-0.161	-0.033	-0.159	-0.076
	Sig	0.082	0.464		0.817	0.008	0.288	0.660	0.404	0.864	0.409	0.696
YIELD	Coeff.	0.240	0.011	0.045	1	.403*	-0.223	-0.069	-0.264	-0.134	-0.226	-0.151
	Sig	0.210	0.956	0.817		0.030	0.246	0.723	0.166	0.487	0.238	0.434
FPF	Coeff.	.945**	.568**	.480**	.403*	1	0.241	0.279	0.252	0.215	0.283	.423*
	Sig	0.000	0.001	0.008	0.030		0.207	0.143	0.188	0.262	0.138	0.022
SPSP	Coeff.	.398*	0.172	-0.204	-0.223	0.241	1	.429*	.611**	.541**	.943**	.928**
	Sig	0.032	0.373	0.288	0.246	0.207		0.020	0.000	0.002	0.000	0.000
CPSP	Coeff.	.381*	-0.012	0.085	-0.069	0.279	.429*	1	.718**	.761**	.675**	.681**
	Sig	0.041	0.949	0.660	0.723	0.143	0.020		0.000	0.000	0.000	0.000
LGPSP	Coeff.	.419*	0.154	-0.161	-0.264	0.252	.611**	.718**	1	.819**	.807**	.802**
	Sig	0.024	0.425	0.404	0.166	0.188	0.000	0.000		0.000	0.000	0.000
IBPSP	Coeff.	0.315	0.093	-0.033	-0.134	0.215	.541**	.761**	.819**	1	.762**	.754**
	Sig	0.097	0.631	0.864	0.487	0.262	0.002	0.000	0.000		0.000	0.000
NFP	Coeff.	.448*	0.155	-0.159	-0.226	0.283	.943**	.675**	.807**	.762**	1	.989**
	Sig	0.015	0.423	0.409	0.238	0.138	0.000	0.000	0.000	0.000		0.000
TPF	Coeff.	.571**	0.235	-0.076	-0.151	.423*	.928**	.681**	.802**	.754**	.989**	1
	Sig	0.001	0.220	0.696	0.434	0.022	0.000	0.000	0.000	0.000	0.000	
*. Correlation is significant at the 0.05 level (2-tailed).												
**. Correlation is significant at the 0.01 level (2-tailed).												