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Productivity and its determinants in microfinance institutions (MFIs):  
Evidence from South Asian countries

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PRODUCTIVITY AND ITS DETERMINANTS IN MICROFINANCE INSTITUTIONS (MFIs): EVIDENCE FROM  
SOUTH ASIAN COUNTRIES

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**Abstract:** This study investigates the productivity of 50 South Asian microfinance institutions (MFIs) by deploying a Malmquist Productivity Index (an extension of Data Envelopment Analysis) with a panel data covering the years 2007 to 2012. The empirical results indicate that South Asian MFIs have improved their annual average productivity by 2.1% largely due to changes in technical efficiency. However, the overall level of technological change is shown to remain static. Further decomposition of technical efficiency change indicates that overall productivity progress is mainly due to scale efficiency. In the course of investigating the determinants of productivity, this study found that the productivity of South Asian MFIs is significantly affected by financial, economic and institutional factors. Policy implications are further discussed.

**Keywords:** microfinance institutions; productivity; technological change; technical efficiency change; South Asia

**JEL Classification:** D24, G21, O31

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