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**Efficiency and Financial Self – Sufficiency of
Microfinance Institutions in Jaffna District, SriLanka**

**Thesis is submitted in partial fulfillment of the requirements for the
Degree of Master of Commerce at University of Kelaniya**



By

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FGS/02/10/02/2003/05**

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**Master of Commerce Degree
University of Kelaniya
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February, 2008**

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Abstract

Efficiency and Financial Self – Sufficiency of Microfinance Institutions in Jaffna District, SriLanka

This study was undertaken with the objective of finding out the relationship between efficiency and financial self-sufficiency of Microfinance Institutions in Jaffna District, SriLanka. The study is based on twenty cooperative rural banks in Jaffna District, which are practicing microfinance in the district. In this study, efficiency is measured by administrative efficiency, financial efficiency, staff efficiency and operating efficiency. Administrative efficiency and financial efficiency are measured by administrative expense ratio and real portfolio yield respectively. Staff efficiency is measured by number of active loan clients per staff member ratio, number of active loan clients per loan officers' ratio and gross portfolio outstanding per loan officer ratio. Operating efficiency is measured by operating efficiency ratio. Financial self – sufficiency is measured by financial self sufficiency ratio. The study finds administrative expense ratio and real portfolio yield and gross portfolio outstanding per loan officer ratio are statistically significant in determining financial self – sufficiency. Perhaps most importantly, the study finds positive relationship between financial self – sufficiency and number of active loan clients per staff member ratio and number of active loan clients per loan officers' ratio, even though they are not statistically significant relationship with financial self – sufficiency. Findings of the present study are consistent with the previous study also. Further the study suggests that more attention should be placed on reducing administrative cost and maintaining high repayment rates. The study further points out that keen attention should be paid on to adopt efficient management information system and training of the staff. All these enhance the staff productivity and reducing costs and also ensure the efficient operation of the firms and financial self-sufficiency of their operation as well.