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Research Article

Role of Microfinance Institutions in Ethiopian Economy: A Review

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Abstract

This work reviews the role of microfinance institutions in the Ethiopian economy, which was done by using a balanced scorecard (BSC) performance review approach that integrates both financial and nonfinancial metrics. The BSC framework of the review was developed using a total of performance indicators that were equally categorized under BSC perspectives (financial, customer, internal business processes, and learning and growth). The developed framework was applied to MFIs operating in Ethiopia, which have head offices in all regional capitals of the country and report to the Association of Ethiopian Microfinance Institutions (AEMFI) starting in 2010–2012 consecutively. The work of the review shows that based on their financial role, on average, the institutions reviewed are sustainable with high relative productivity and low profitability. The average non-financial performance is also high, indicating that the reviewed institutions are highly performing in both non-financial and financial measures. Beside the role performance, the work of this review confirmed the relationship assumption of BSC perspectives and it shows a positive correlation among them. The review concludes that comprehensive performance is observed when it is measured in a collective way. So, Ethiopian MFIs suggested paying attention to the use of BSC as a performance measurement tool and as a hub for specified role indicators that need enhancement.

Keywords

Iqub, Iddir, Balanced Score Card

1. Introduction

There hasn't been much review coverage on the use of the Balanced Scorecard (BSC) as a strategic management tool [5, 9, 21]. The literature on strategic management and microfinance performance, particularly in the context of microfinance institutions (MFIs), has shown the value of BSC in improving performance management and evaluation systems in MFIs, despite the fact that few recent works have done so [1, 7, 9, 26]. The twin and occasionally at odds strategic goals of MFIs, outreach and sustainability, are not adequately handled in the sector's current role management and assessment architecture, according to a small number of the groundbreaking studies that attempted to introduce BSC in MFIs. The argument put forth was that the BSC approach, with its goal of establishing a connection between role indi-

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cators, institutional strategy, and performance measures, has the ability to integrate the various financial and performance measures found in microfinance, allowing them to be analyzed in relation to their individual contributions to organizational strategies.

This review has two goals: first, it aims to identify the significant contributions that microfinance institutions provide to the Ethiopian economy as a whole. Lastly, performance indicators are grouped under the four pillars of the BSC model so that they can be connected to microfinance strategic performance indicators: sustainability and profitability; outreach depth and breadth; efficiency and effectiveness; and portfolio quality. These include performance indicators found in annual reports of Ethiopian MFIs as well as those recently added in the current review. The suggested framework, which provided guidance on the kinds of data to be obtained from annual reports, clients, staff, and managers of the individual institutions, was used to evaluate the performance of MFIs in Ethiopia. Specialists from the MF supervisory division of the National Bank of Ethiopia (NBE).

1.1. Overview of Microfinance

The concept of microfinance is well-established, with a rich global history. Many centuries ago, the Susu tradition in Ghana, the Chit funds in India, and the Tandas associations in Mexico and Iqqubin, Ethiopia, were the origins of savings and credit clubs. Dr. Muhammad Yunu of Bangladesh is largely responsible for the development of contemporary microfinance [10]. Yunus came to the conclusion that a significant contributing factor to poverty was the impoverished people's lack of access to institutional credit [7, 9] Yunus came up with an experiment where he would lend $27 interest-free to 42 rural women. The experiment proved to be so successful that Yunus repeated the idea in multiple additional villages, which finally resulted in the establishment of Grameen Bank in 1983.

As the practice of modern microfinance expanded throughout the globe, so did the understanding and acknowledgment of Yunus's work. When this wave first started, the majority of MFIs were non-profit organizations with strong social missions that combined financial and non-financial social services to help the disadvantaged and reduce poverty. These organizations were supported by grants and contributions. The sector changed its focus to offering exclusively financial services in the 1990s, and a large number of for-profit MFIs joined the market. During this time, the industry had substantial growth and maturation [1, 33, 42]. There are already more than 10,000 MFIs worldwide, and they include a variety of groups, including credit unions, cooperatives, non-governmental organizations (NGOs), governmental bodies, private businesses, Iqub is an unofficial financial system in Ethiopia where individuals rotate their fixed savings for a predetermined amount of time [11, 19. 22].

1.2. Microfinance in Ethiopia

Despite the official financial sector's efforts to serve the majority of the impoverished in both urban and rural areas and meet their need for financial services, the issue of financial inclusion persists due to supply and demand side issues. The absence of formal and semi-formal financial institutions in urban and semi-urban areas is one of the supply side issues, while financial illiteracy and noncompliance with requirements to obtain financial services are the common causes of low financial access among the impoverished in Ethiopia and other least developed nations.

As a result, several nations have been attempting to address the issue of financial services accessibility in their nations through a variety of strategies after realizing how severe this problem is. It shows that the microfinance strategy is effectively reaching the underprivileged with financial services. Following the strategy of economic liberalization, microfinance services were implemented in Ethiopia following the fall of the Derg dictatorship. Microfinance is the transition from lending programs supported by NGOs and the government to financial services provided by specialist financial institutions [3, 13, 29, 40-41]. These organizations have worked to examine a few cases pertaining to the subject in the Amhara region. A crucial element of Ethiopia's development plan is the creation of sustainable MFIs that cater to a sizable population of the impoverished [15, 19].

The NBE and AEMFI oversee MFIs in Ethiopia, which help them with their operations and provide aggregated data. Proclamation NO. 40/1996), the initial regulatory framework, was created and implemented in 1996. Thereafter, it underwent several amendments to accommodate evolving needs. Derg refers to the military leaders who ruled Ethiopia from 1974 to 1991. The goal and operations of MFIs in Ethiopia are to gather deposits from urban farmers, persons involved in other related businesses, as well as micro- and small-scale rural and urban entrepreneurs, in accordance with Microfinance Business Proclamation No. 626/2009. Targeting various segments of the population, the most of which were concentrated on the poor, 31 licensed MFIs were functioning in Ethiopia as of January 2014.

MFIs operating for less than or equal to four years are classified as new; those operating for five or more years are classified as young; and those operating for more than eight years are classified as mature. Similarly, MFIs classified as small, medium, or large, based on the number of active borrowers they have: MFIs with less than or equal to 15,000 active borrowers, MFIs with 15,001–50,000 active borrowers, and MFIs with more than 50,000 active borrowers. Another basis for classifying them is loan portfolio; MFIs are categorized as small, medium, and big, respectively, based on their gross loan portfolios of less than or equal to 10 million birr, between 10 million and 50 million birr, and more than 50 million birr [4-5, 12, 41-42].

1.3. Objectives of the Seminar

Every review has one or more goals in mind, which could be to resolve an issue, find information that is unclear, clarify the situation, look at causes or effects, or even make predictions. Thus, among other initiations, the general and particular goals of this review are as follows:

1.3.1. General Objective

The primary goals of this review are to assess Ethiopian MFIs' performance using the BSC framework that was developed and to determine the advantages and disadvantages of the roles that these institutions play in the Ethiopian economy as a whole, using the performance evaluation framework that these institutions are currently using.

1.3.2. Specific Objectives

This review is done with the following specific objectives:

1) Examining MFIs' financial contribution to Ethiopia's economy.
2) Examining Ethiopian MFIs' performance in relation to their customers.
3) Recognizing and understanding MFIs' internal business process performance is critical to Ethiopia's economic development.

2. Reviews of Related Literatures

The purpose of this chapter was to present an empirical analysis and theoretical synopsis of MFIs' contribution to our country's economic acceleration. Reviews from other nations, particularly Ethiopia, and reviews that conveniently use BSC to examine the function of MFIs are also included. The first section provides theoretical studies, which are followed by empirical reviews. Finally, it educates the reader about the knowledge gap regarding the important roles being played in relation to economic growth from various perspectives provided by various scholars in all of the country's regional states.

2.1. Theoretical Literature Reviews

Theories that academics develop in connection to microfinance, models of microfinance, performance, and the balanced scorecard approach will be covered in this section of the literature.

2.1.1. Microfinance

The definitions of microfinance that various academics and organizations anticipate vary slightly from one another. Nonetheless, the explanation's essential ideas are comparable. Since the terms microcredit and microfinance are frequently used synonymously, it's critical to define each one independently and determine the scope of their respective meanings. While microfinance is the practice of offering a range of financial services that target low-income and poor clients, microcredit is one of the financial services, namely loans, which include the act of providing small amounts of loans to the poor and other borrowers that have been ignored by commercial banks. Microcredit, then, is but one category of microfinance services.

Microfinance defines the word used to describe all forms of financial intermediation services (credit, savings, insurance, money transfers, pension remittances, etc.) provided to low-income households and businesses in both urban and rural areas, including self-employed people and employees of the public and private sectors [7, 27].

Articulate microfinance as commonly associated with small, working capital loans that are invested in microenterprises or income-generating activities [4].

Microfinance is also defined as providing loans, savings accounts, and other essential financial services to the impoverished. They also pointed out that microcredit, which is a key component of microfinance, is commonly understood to be the process of providing small, no-collateral loans to cooperative members who would not otherwise be able to obtain the funds needed to launch small businesses [8, 14, 16, 18].

Microfinance institutions (MFIs) are defined by according to the following attributes: they target the poor (particularly the poor women); they support small businesses; they help the poor develop their capacity; they offer small loans without collateral; they combine credit and savings; and they charge commercial interest rates. In terms of conception and execution, they are frequently creative and adaptable. In summary, based on the aforementioned characteristics, microfinance (MF) can be defined as a financial service targeted at the impoverished. The typical client of MF is an employed individual or a household-based business who lacks access to traditional financial institutions [2, 12, 14, 20, 25].

2.1.2. Microfinance Models

Various models for providing MF services have been put into practice. Out of that, some of the prevalent models and lending ways are as follows, in accordance with [13, 28, 35] design:

Village Banking

It talks about a village-run credit and savings association that is centered in the community. In this lending arrangement, a group of 25 to 50 low-income villagers, primarily women, band together to jointly take out a sizable loan from an MFI and serve as guarantors. A self-appointed village committee selects who within the community receives lesser loans after getting the larger loan [24].

Saving deposits is further enabled by this model. The typical payback terms are between four and twelve months, and the community cannot take out another loan until the first one is paid off. Only administrative and technical problems are the MFI's purview [1, 39].

2.1.3. Role of Microfinance Institutions

Reviews can be characterized in a variety of ways, and their metrics vary depending on the main goals of the institutions or organizations. By comparing the organization's accomplishments with the defined objectives that were to be reached, performance measurement entails a methodical and meticulous inspection of the organization's outcome [34]. Recently, there have been some notable internal and external modifications to performance measurement in MFIs. The trend of measuring MFI performance shifted as a result of external factors like technological advancements, changes in the business environment, the involvement of commercial banks in MFIs, and increased competition. Most stakeholders demanded not only an improvement in financial performance measures but also a balance between financial and

1) The Consultative Group to Assist the Poor (CGAP) has recommended that analytical tools or indicators for financial and portfolio assessments fall into four main categories. Every metric is a crucial component of the financial institution. The important sections, when put together, provide a comprehensive, worldwide view of the financial condition. The four main areas are as follows: first, sustainability and profitability, which display the financial returns on the capital and assets used. The second is asset/liability management, which demonstrates the MFIs' capacity to maximize the use of their assets for profitable purposes while managing their financial commitments as they become due. The next factor is portfolio quality, which displays the risk-adjusted condition of the outstanding loans.
2) Operational and management control systems typically base performance measurement on financial metrics and goals. However, it is common knowledge that financial interventions are primarily successful in the near run. Therefore, in cases where nonfinancial measurements were ignored by performance management, the conclusion did not fully disclose the companies' total activities [2, 32, 36, 39].
3) An excessive reliance on financial performance metrics is myopia since the organization's overarching strategic objective cannot be connected to a performance indicator. As a result, it is impossible to determine whether an organization's short-term performance is enhancing its long-term viability. In recent years, there has been an increasing critique of the financial metrics employed in the performance management system [26].

2.1.4. Balanced Scorecard

A method for developing strategies and assessing performance is the Balanced Scorecard (BSC) Created in 1996 by [36]. A number of fundamental management theories, such as management by objectives [9], principles of management [33], open-book management [17], leading change [36], Theory [40], hierarchy of needs [42], and value disciplines [11, 37], form the basis of the Balanced Scorecard Management approach developed [6, 9, 33]. The goal and strategy of an organization are translated by BSC into a set of performance metrics that serve as the foundation for execution. BSC is not just concerned with meeting its immediate financial goals. It also draws attention to the non-financial goals that a company needs to accomplish in order to reach and maintain its financial goals.

Financial Perspective: Financial metrics highlight profitability-related metrics that allow shareholders to confirm the return on their investment and communicate the financial effects of the organization's previous actions. Thus, in order to prosper financially, how should we appear to our shareholders? is a question that managers must come up with answers for under this viewpoint. Kaplan and Norton agree that conventional financial data is necessary. The performance metrics that are most frequently included under this viewpoint are cash flow, net income, revenue growth, ROI, and cash flow.

Customer Perspective: This is a method for differentiating and adding value from the viewpoint of the client. It is required of the managers to design strategies in response to the following query: How should we seem to our customers in order to fulfill our vision? Under this viewpoint, distinguishing metrics include sales of new items, customer satisfaction, customer complaints, customer wins or losses, etc.

Internal Business Process Perspective: This is a method for creating products and services in the most effective and efficient manners possible. Managers must therefore provide actions that address the following query: What businesses procedures need to we excel at in order to satisfy our shareholders and customers? This perspective's central thesis is that internal business operations have positive effects on customer satisfaction and financial performance. Measures like cost of quality, cost of nonconformance, process innovation, time savings, etc. are frequently employed for this viewpoint.

Learning and Growth Perspective: Under this perspective, managers must identify measures to answer the following question: "To achieve our vision, how will we sustain our ability to change and improve?" Actually, this perspective is related to the employees of the organization, and it measures the extent to which the organization exerts efforts to provide its employees with opportunities to grow and learn in their domain.

Since Kaplan and Norton recognize that choosing learning and growth metrics is the most challenging, they provide the following metrics as examples: information systems capabilities, employee capabilities, employee empowerment, and employee motivation. The four viewpoints mentioned above are assumed to be causally related [6, 9, 33]. Specifically, they establish a link between internal business processes and organizational learning and growth, internal business processes and customer perspective, and customer perspective and financial perspective. It is necessary to introduce additional, mostly non-financial indicators due to the limits of the current performance measures [6, 9, 33, 40].

2.2. Empirical Evidence from Ethiopia

As is the situation in all developing countries, the bulk of smallholder poor farmers in rural and urban regions are not targeted by conventional bank lending markets. Because of this, funding is still a major barrier to the adoption of pro-poor economic policies that aim to lower poverty and promote sustainable economic growth and development. One of the policy instruments in the solution has been seen to be Ethiopia's microfinance service interventions [6, 12].

Since most developing countries' mainstream financial institutions turn down financing for smallholder farmers and microloans due to the high transaction costs involved, the majority of studies that have been reviewed thus far have focused on the sustainability of MFIs' ability to serve a sizable population of impoverished people as a key factor in their effectiveness. Naturally, this is in line with all of the literature, which has left the question of outreach and sustainability open for debate. Below is a summary of earlier research conducted in Ethiopian microfinance institutions [1, 6, 9, 14, 33].

In the case of two microfinance institutions—specialized financial and promotional institutions (SFPI) and poverty eradication and community empowerment microfinance institutions (PEACE)—Haileselassie (as cited in Bamlaku 2006) examined the extent of outreach to the poor and the financial sustainability of the institutions. A study showed that both MFIs have struck a good balance between helping women and the impoverished, performing well when it comes to repayment, and increasing savings. On the other hand, these institutions are not financially self-sustaining, despite evidence that their progress is encouraging and could be further achieved with modified lending interest rates [19, 21, 34, 39].

Using both direct and secondary data, investigated the outreach and financial sustainability of MFIs in Ethiopia. From 2003 through 2007, five years in a row, AEMFI and NBE provided the secondary data. A questionnaire was also used in the investigation. The study's use of correlation analysis and descriptive statistics revealed that, although outreach, as measured by the number of customers serviced, had been growing, there had been little success in reaching the underprivileged, particularly women. The study also discovered that the industry's profitability, as well as sustainability as assessed by ROA, ROE, and industry profitability, was positive, and it was anticipated that the institutions would be sustainable. Although the ratio of contributed equity to total capital decline is used to calculate the dependency ratio,

The second section of this review discusses the favorable association between outreach and sustainability. In contrast to a tradeoff discussed in previous research, a correlation test between outreach, profit performance, and loan size—which gauges poverty level—revealed an imprecise result.

The review also revealed that the following factors were major obstacles to the effective operation of microfinance institutions (MFIs) in Ethiopia: a lack of saving habits; a lack of loan products; the absence of legal title to assets in rural areas; the ease with which negative information could be disseminated; the reluctance of commercial banks to lend to MFIs in the absence of collateral; and the unfavorable legal environment.

A evaluation the difficulties faced by MFIs in Addis Ababa in terms of their operational and financial performance. Its goal was to examine and appraise the institutions' basic functions, the community's perception of their services, their difficulties, and related matters. The researcher employed both exploratory and descriptive research approaches in order to accomplish this goal. Three of the eleven MFIs that were located in Addis Ababa at the time were chosen through the use of purposive sampling. As a result, using the accessibility technique, a total of 300 respondents (clients), 100 from each of the active and inactive clients of the MFIs under review, and 36 officials have been chosen.

This study demonstrates that the operations and financial reports were produced in compliance with recognized accounting standards: standards; female participation in the services is average, particularly in rural areas where it is lower than in urban areas; clients are discouraged by MFIs' small loan sizes, short repayment terms, and high interest rates; this leads to high client dropout and low client retention rates; and client savings increased steadily over the study period. Additionally, their findings demonstrated that nearly every MFI in the sample performed substantially behind plan when it came to timely and adequately collecting disbursing loans from clients; growth indicators such as portfolio growth.

Considers MFI institutions when examining the MFIs' performance in Ethiopia. With the help of a descriptive analysis of data gathered from audited annual reports of six microfinance institutions covering a period of five years (2002–2006), the review concentrated on analysis of profitability and sustainability, asset and liability management, efficiency, and productivity of MFIs in Ethiopia [6, 12].

The review's findings demonstrated that, although both operational and financial self-sufficiency decreased with the size of the institutions, the majority of MFIs were doing well in both areas. The majority of them used their assets primarily for lending, according to the evaluation of asset and liability management. In addition, their cost of capital is lower than that of commercial bank loans; nonetheless, in the majority of these cases, their debt-to-equity ratio was high. The cost of servicing a single client and the ratio of operating costs to total loan portfolio indicated that large MFIs were more efficient than their small counterparts in terms of operations. However, tiny ones performed well in outreach on average.

Alemayehu came to the overall conclusion that Ethiopia's large and medium-sized MFIs were sustainable, but that tiny MFIs needed special attention because their effective outreach programs were not supported by strong sustainability indicators. The review's findings showed that while MFIs performed well in terms of breadth of outreach, their performance in terms of depth of outreach was subpar since they were unable to reach the poorest of the poor. They were able to charge less because of their productivity, efficiency, and cost control. A demonstrated that there is a trade-off between providing for the underprivileged and being operationally self-sufficient, in contrast to Befekadu's (2007) findings [2, 23].

The findings about Letenah further supported Alemayehu's (2008) theory that the larger an institution is, the more sustainable it is in terms of MIF performance. Using a sample of six MFIs, evaluated the institutional effectiveness and sustainability of particular MFIs in Ethiopia. The non-parametric DEA-based Malmquist total factor productivity index model, traditional financial performance and sustainability metrics, and mixed review approaches were also applied [19, 36].

Conventional financial performance and sustainability parameters, as this review indicates, showed that all MFIs' outreach performance has improved during the research period. Even with the improvement in outreach effectiveness, the institutions find it challenging to continue operating and growing in the absence of subsidies. The other conclusions are that technological advancement is more important than technical efficiency gains, and that MFIs' intermediation services—which involve transferring money from surplus groups like donors and savers to deficit groups like borrowers and investors—are more fruitful than their production duties, which view the institutions as producers of loans and deposits.

Recently, research in the Amhara region. In their analysis, the effectiveness of non-bank microfinance organizations and financial cooperatives providing micro ending in Ethiopia was examined. By underlining the distinctions between non-bank microfinance organizations, which are share businesses where "credits proceed saving," and financial cooperatives, which are "member-owned and save-led," this analysis added a new perspective to the assessment of microfinance success [12, 22, 40].

They contended that while these variations in ownership, funding sources, and operational approaches have an impact on performance, they were not covered in earlier empirical research. Because of this, they gathered information in 2011 from the annual reports of 70 financial cooperatives and 30 MFIs, and they used an ordinary least squares regression model. The evaluation revealed that while the sample's overall sustainability performance was positive, the sustainability of MFIs seemed to be weaker than that of financial cooperatives when the sample was broken down by ownership. There was a notable positive correlation between the profitability of MFIs and the interest rate; nevertheless, there was also a negative correlation. Additionally, they discovered that labor and capital costs had a sizable detrimental impact on profitability in both cooperatives and MFIs. This shows that, regardless of ownership structure, cost conservation is a critical tactic to enhancing the sustainability of microfinance.

Regarding other attributes unique to the institution; they discovered that size had a positive impact on financial performance, which is in line with earlier research. On the other hand, the negative relationship they discovered between the age of the institution and financial performance calls for more research because it defies the theoretical idea that a firm's age can increase efficiency, which in turn leads to better financial performance.

This review's findings on outreach are conflicting: average loan size has a positive, albeit not statistically significant, correlation with financial performance, indicating that smaller loans are typically less profitable. Better financial performance is typically associated with serving a higher number of women. Regarding the compromise between outreach and sustainability, they discovered that ownership did have significant ramifications. Nonbank microfinance institutions struggled to strike a balance between outreach and sustainability, despite being proven to be superior in terms of outreach's breadth and depth.

3. Conclusions and Recommendations

This last part of the review summarizes the revision and gives recommendations based on it, as well as potential further review areas.

3.1. Conclusions

Sadly, this review generally comes to the conclusion that, even though MFIs have improved financial access for the poor and disadvantaged groups, a microfinance outreach approach is still dubious, particularly when it comes to serving the poorest of the poor. This is evident in the socioeconomic lives of clients in most developing countries. A variety of performance evaluation techniques were used in the microfinance review, which included reviews from several nations that concentrated on a particular nation. The majority of the evaluated research contended that the twin goals of financial sustainability and outreach make it challenging to assess and evaluate microfinance efficacy.

The financial sustainability of Microfinance Institutions (MFIs) has several obstacles, as highlighted by multiple studies. These challenges include high operational costs resulting from the very geographically dispersed nature of their service; the industry they operate in is predominantly credit-based; and reduced profitability.

The ownership, size, and age of MFIs have been found to have an impact on their financial performance, particularly in Ethiopia. In terms of outreach, female involvement in MFI services is mediocre, particularly in rural areas. The literature on microfinance performance suggests that striking a balance between achieving social goals and financial sustainability is a significant challenge.

Empirical research on outreach and sustainability produced a variety of results. Similar to arriving at similar conclusions, there are instances in which study findings differ from one another or even run counter to one another. For example, outreach to the impoverished is positively correlated with sustainability and profitability indicators [7, 12, 16, 30-32, 38]. Self-sufficiency and serving the poor are mutually exclusive. In this way, MFIs in Ethiopia, offer low interest rates; conversely, high interest rates deter customers [2, 14, 19, 33].

It was also made clear by this empirical review seminar project how inconsistent performance measurement methods may be. The majority of studies' performance ratings placed a strong emphasis on financial performance. Many other non-financial indicators were being used, even if a attempted to apply a comprehensive and integrated performance evaluation, such as the Balanced Scorecard Approach (BSC) [2, 8, 15, 22, 38].

Comprehensive analysis of MF in the Ethiopian economy and other developing nations seemed important to make the existing mixed-method empirical findings concerning the sustainability and outreach performance views of MFIs more applicable. Furthermore, it appears that a gap in the literature has been found by the new innovation in MF performance evaluation utilizing a BSC technique. Therefore, by creating and utilizing a BSC performance evaluation framework and summarizing Ethiopian MFIs' performance, this review sought to add to the corpus of knowledge on MFI performance.

3.2. Recommendations

The following recommendations were forwarded to different actors in the sector by different scholars who had previously reviewed the case with ours:

EYERUSALEM KEBEDE asserts that BSC has the ability to provide an all-encompassing or comprehensive view of MFIs' performances. Therefore, a mechanism that would allow MFIs operating in the nation to rent BSC performance measure aspects in addition to financial performance measures should be introduced by the government (through the regulatory agency). Similarly, a few metrics connected to the customer experience, like the percentage change in the number of clients served (breadth of outreach) and the percentage change in voluntary saving, did not meet average standards. Therefore, Ethiopian MFIs must perform better when it comes to providing the underprivileged with dependable and efficient financial services, particularly when it comes to deposit mobilization.

A large and medium MFIs' sustainability in Ethiopia was encouraging, small MFIs' situation necessitates attention because their effective outreach programs aren't supported by strong sustainability indicators [4]. MFIs in Ethiopia that are articulate charge low interest rates; on the other hand, claims that high interest rates imposed by the state deter customers [4, 9, 11]. Therefore, even though the disparities mentioned cannot be addressed in this review, it does point to a cloudy picture that has to be cleared utilizing additional research.

We suggest that the following points be taken into consideration for any future investigations, even if various scholars have made every effort to comprehend the function performed by MFIs. This is based on our review.

1) MFIs should create several screening procedures that consider all classes of societies in our country, irrespective of age, race, color, physical handicap, or ethnicity.
2) They ought to be accessible in all spheres of society.
3) MFIs should talk with municipalities and other administrative entities on how to encourage individuals to become entrepreneurs.
4) MFIs should also alter the lending system, so institutions should permit individual lending.

In general, we believe that it will be advantageous if the aforementioned points are taken into account when formulating policies that benefit MFIs. This will help to accelerate our nation's economy at an alarming rate by lowering rates of poverty and unemployment for the benefit of the economy as a whole.

Abbreviations

ADCSI: Addis Credit and Saving Institute
AEMFI: Association of Ethiopian Micro Institutions
AROA: Adjusted Adjusted Return on Asset
AROE: Adjusted Adjusted Return on Equity
AVFS: Africa Village Financial Service
BPLO: Borrowers Per Loan Officer
CGAP: Consultative Group to Assist the Poor
CIS: Clear Institutional Strategy
CP: Customer Perspective
CS Customer Satisfaction
CSO: Clear Social Objective
DLAP: Duration of Loan Application Processing
ES: Employee Satisfaction
ET: Employee Training
FP: Financial Performance
I: Innovation
IBP: Internal Business Process
IIS: Investment in Information Systems
LG: Learning and Growth
MFI: Microfinance Institution
MIX: Microfinance Information Exchange
NBE: National Bank of Ethiopia
NFP: Non-Financial Performance
NGO: Nongovernmental Organization
OCSSCO: Oromia Credit and Savings Share Company
OSS: Operational Self-Sufficiency
PAR: Portfolio at Risk
PCNC: Percentage Change in Number of Clients
PCVS: Percentage Change of Voluntary Saving
PF: Performance Feedback
PWB: Percentage of Women Borrowers
R&D: Research and Development

RE: Report
ROEL: Ratio of Operating Expense to Loan
ROI: Return on Investment
SEEP: Small Enterprise Education and Promotion Network
SFPI: Specialized Financial and Promotional Institution
SPSS: Statistical Package for the Social Sciences

Data Availability Statement

The author will make the datasets, literature, and materials utilized in the recent work available upon equitable appeal.

Conflicts of Interest

The authors declare no conflicts of interest.

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