Review of: "Factors Affecting the Social Outreach of Microfinance Institutions: Evidence from Ethiopian Microfinance Institutions"

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The research paper investigates the factors influencing the social outreach performance of Microfinance Institutions (MFIs) in Ethiopia. It focuses on both the depth and breadth of outreach, using variables such as Return on Asset (ROA), Gross Loan to Asset ratio, Debt to Equity ratio, Operating Expense Ratio (OER), Portfolio at Risk (PAR), age, size, and others. The study utilizes panel data regression analysis and covers 14 years of data from 14 Ethiopian MFIs.

The introduction effectively frames the global issue of poverty and highlights microfinance as a potential solution. It clearly outlines the main objectives of microfinance institutions (MFIs) and underscores the importance of outreach in evaluating their performance. The study aims to fill a research gap by identifying factors influencing the social outreach of Ethiopian MFIs.

The literature review provides a comprehensive overview of microfinance, emphasizing financial and social intermediation. It introduces core performance measures for MFIs, such as outreach, client poverty level, loan repayment, efficiency, and financial sustainability. The distinction between depth and breadth of outreach is well-defined. Relevant studies are cited, establishing a foundation for the research.

The section on determinants and hypotheses is well-structured, presenting variables like return on assets (ROA), debt to equity ratio, and operating expense ratio, and formulating hypotheses. The hypotheses are clear and directly tied to the study's objectives, providing a roadmap for the subsequent analysis.

The research design is justified, and the use of panel data regression analysis is suitable for testing the hypotheses. The selection of 14 MFIs over a 14-year period is reasonable, considering the balance between the number of observations and independent variables. The operational definitions of variables are provided, enhancing clarity.

Descriptive statistics and regression analysis results are presented clearly. The discussion of loan characteristics, independent variables, and their impacts on outreach depth and breadth is insightful. The inclusion of the Hausman test adds robustness to the methodology. The findings align with expectations and contribute to the understanding of factors influencing outreach performance.

However, the article identifies a knowledge gap regarding the determinants of outreach performance in Ethiopian MFIs, but it does not explicitly justify why this gap is critical or how addressing it contributes to existing knowledge. The study

relies on secondary data from 14 MFIs, which might limit the generalizability of the findings. The article does not thoroughly discuss the representativeness of the sample. Although Portfolio at Risk (PAR) and the age of MFIs are included in the hypotheses, the article provides limited discussion on their impact. A more in-depth analysis and discussion of these variables would enhance the completeness of the study. The article lacks a dedicated section discussing the policy implications of the findings. Recommendations for policymakers based on the research could add practical value.

Recommendations:

1. **Justify Knowledge Gap:**

   - The article should clearly articulate why addressing the identified knowledge gap is crucial and how it contributes to the existing body of knowledge.

2. **Address Data Limitations:**

   - A more detailed discussion on the representativeness of the sample and potential implications of using data from only 14 MFIs would strengthen the study.

3. **Enhance Discussion on PAR and Age:**

   - Elaborate on the implications of Portfolio at Risk and the age of MFIs in the discussion section, providing insights into their significance and potential policy implications.

4. **Include Policy Implications:**

   - Incorporate a dedicated section discussing the practical implications of the findings for policymakers. This could enhance the real-world impact of the research.