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Assessment of financial performance of Micro Finance institutions in Tanzania

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The problem behind the need for this study was the use of more effective multivariate method in assessing the financial performance of micro finance institutions in order to avoid the ambiguity and often incorrectness problem inherent in most univariate models. The study was carried out to assess the financial performance of micro finance institutions in Tanzania by using the Althman's Z score model. Pure secondary data were extracted from auditing firms and library documentaries for each institution and were run in the Ms Excel for calculations of the respective Z-scores using the Z'-score model design for privately owned service firms. Through the cut off points specified by the model, each firm's performance was classified as either financially sound or financially distressed over the six years period. The findings indicated that, some of the firms were financially sound all over the period under review except for minor and major reductions in the overall financial strength in some years. Other had experienced both financial soundness and distress in different years. It was finally concluded and recommended for the firms to find alternative, external sources of finance; put in place low cost and tailor-made delivery systems and look at domestic resources instead of relying entirely on international donors, for promoting financial self-sufficiency and reducing costs of operations